

KADANT

KADANT INC.
One Technology Park Drive
Westford, MA 01886 USA
Tel: +1 978-776-2000
www.kadant.com

March 26, 2020

Dear Stockholder:

I am pleased to invite you to attend the 2020 annual meeting of stockholders of Kadant Inc. The meeting will be held on Tuesday, May 12, 2020 at 2:30 p.m. at our corporate office located at One Technology Park Drive, Westford, Massachusetts 01886. Details regarding the business to be conducted at the meeting are described in the enclosed notice of the meeting and proxy statement.

We make our proxy materials available over the Internet and stockholders will receive a notice describing the Internet availability of our proxy materials. The notice contains instructions for accessing our proxy materials over the Internet or requesting a paper copy of the proxy materials by mail. Our proxy materials include this proxy statement and our 2019 annual report to stockholders, containing our audited financial statements and information about our business.

Your vote is very important. Whether or not you plan to attend the meeting in person, you can ensure your shares of our common stock are voted at the meeting by submitting your instructions by telephone, the Internet, or in writing by returning your proxy card or voting form.

Thank you for your support and continued interest in Kadant.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jonathan W. Painter', with a long horizontal flourish extending to the right.

JONATHAN W. PAINTER
Executive Chairman of the Board of Directors



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March 26, 2020

To Stockholders of
KADANT INC.

NOTICE OF ANNUAL MEETING

The 2020 annual meeting of stockholders of Kadant Inc. will be held on Tuesday, May 12, 2020, at 2:30 p.m. at our corporate office located at One Technology Park Drive, Westford, Massachusetts 01886*. The purpose of the meeting is to consider and take action upon the following matters:

1. to elect two directors for a three-year term expiring in 2023;
2. to approve the amendment and restatement of our amended and restated employees' stock purchase plan;
3. to approve, by non-binding advisory vote, our executive compensation;
4. to approve restricted stock unit grants to our non-employee directors;
5. to ratify the selection of KPMG LLP by the audit committee of our board of directors as our company's independent registered public accounting firm for the 2020 fiscal year; and
6. to vote on such other business as may properly be brought before the meeting and any adjournment of the meeting.

The record date for the determination of the stockholders entitled to receive notice of and to vote at the meeting is March 16, 2020. Our stock transfer books will remain open.

Our bylaws require that the holders of a majority of the shares of our common stock, issued and outstanding and entitled to vote at the meeting, be present in person or represented by proxy at the meeting in order to constitute a quorum for the transaction of business. Accordingly, it is important that your shares be represented at the meeting regardless of the number of shares you may hold. Whether or not you plan to attend the meeting in person, please ensure that your shares of our common stock are present and voted at the meeting by submitting your instructions by telephone, the Internet, or in writing by completing, signing, dating and returning your proxy card or voting form. You may obtain directions to the location of the annual meeting of stockholders by contacting the company at (978) 776-2000.

This notice, the proxy and proxy statement are sent to you by order of our board of directors on behalf of the company.

STACY D. KRAUSE
Vice President, General Counsel and Secretary

* As part of our precautions regarding the COVID-19 crisis, we are planning for the possibility that the annual meeting may be held virtually over the Internet. If we take this step, we will announce the decision to do so by April 10, 2020 via a press release and posting details on our website that will also be filed with the SEC as proxy material. As always, we encourage you to vote your shares prior to the annual meeting.

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PROXY STATEMENT

We are furnishing this proxy statement in connection with the solicitation of proxies by the board of directors of Kadant Inc. (we, us, the company) for use at our 2020 annual meeting of stockholders to be held on Tuesday, May 12, 2020, at 2:30 p.m. at our corporate office located at One Technology Park Drive, Westford, Massachusetts 01886, and at any adjournment of that meeting. The mailing address of our executive office is One Technology Park Drive, Westford, Massachusetts 01886. The notice of annual meeting, this proxy statement and the enclosed proxy are being first furnished to our stockholders on or about March 26, 2020.

INTERNET AVAILABILITY OF PROXY MATERIALS

Our proxy materials are available over the Internet. You will receive a Notice of Internet Availability containing instructions on how to access our proxy materials, including our proxy statement and 2019 annual report to stockholders, and submit your proxy. The Notice of Internet Availability also provides information on how to request paper copies of our proxy materials if you prefer. If you have previously requested a paper copy of the proxy materials, you will receive a paper copy of our proxy materials by mail. If you have previously elected to receive our proxy materials electronically, you will continue to receive these materials electronically unless you elect otherwise.

VOTING PROCEDURES

Purpose of Annual Meeting

Stockholders entitled to vote at the 2020 annual meeting will consider and act upon the matters outlined in the notice of meeting accompanying this proxy statement, including the election of two individuals, each to be elected for a three-year term expiring in 2023 (Proposal 1); approval of the amendment and restatement of our amended and restated employees' stock purchase plan (ESPP) (Proposal 2); approval of, by non-binding advisory vote, our executive compensation (Proposal 3); approval of restricted stock unit grants to our non-employee directors (Proposal 4); and ratification of the selection of KPMG LLP as our independent registered public accounting firm for the 2020 fiscal year (Proposal 5).

Voting Securities and Record Date

Only stockholders of record at the close of business on March 16, 2020, are entitled to vote at the meeting or any adjournment of the meeting. Each share is entitled to one vote. Our outstanding capital stock entitled to vote at the meeting (which excludes shares held in our treasury) as of March 16, 2020, consisted of 11,469,425 shares of our common stock, \$.01 par value per share.

Quorum

The holders of a majority of the shares of our common stock that are issued and outstanding and entitled to vote at the meeting constitute a quorum for the transaction of business at the meeting. If a quorum is not present, the meeting will be adjourned until a quorum is obtained. For purposes of determining the presence or absence of a quorum, abstentions, withhold votes or do not vote instructions, and broker non-votes (where a broker or nominee does not exercise discretionary authority to vote on a proposal) will be counted as present.

Manner of Voting

Each share of common stock you hold is entitled to one vote for or against a proposal. Shares entitled to be voted at the meeting can only be voted if the stockholder of record of such shares is present at the meeting, returns a signed proxy card, or authorizes proxies to vote his or her shares by telephone or over the Internet. Shares represented by valid proxy will be voted in accordance with your instructions. If you choose to vote your shares by telephone or over the Internet, you may do so until 11:59 p.m. Eastern time on Monday, May 11, 2020, by following the instructions on the proxy card or the Notice of Internet Availability.

You may revoke your proxy at any time before the shares are voted at the meeting by entering new voting instructions by telephone or over the Internet before 11:59 p.m. Eastern time on Monday, May 11, 2020, by written notice received by our corporate secretary before the meeting, by executing and returning a new proxy bearing a later date or by voting by ballot at the meeting. Attendance at the meeting without voting by ballot will not revoke a previously submitted proxy.

You may specify your choices by marking the appropriate box on the proxy card. If your proxy card is signed and returned without specifying choices, your shares will be voted in accordance with the recommendations of our board of directors and as the individuals named as proxy holders on the proxy card deem advisable on all other matters that may properly come before the meeting. The board of directors recommends that you vote for the listed nominees for director; for approval of the amendment and restatement of our ESPP; for approval of our executive compensation; for approval of restricted stock unit grants to our non-employee directors and for ratification of the selection of our independent registered public accounting firm.

If you hold your shares in "street name" through a broker, bank or other representative, generally the broker or other representative may only vote the shares that it holds for you in accordance with your instructions. However, if the broker or other representative has not timely received your instructions, it may vote on certain matters for which it has discretionary voting authority.

The vote on election of directors, the approval of the amendment and restatement of the ESPP, the advisory vote on executive compensation and the vote on the restricted stock unit grants to our non-employee directors are non-discretionary voting matters and your broker will not be able to vote on these matters without receiving your instructions. The vote to ratify the selection of our independent registered public accounting firm is a discretionary matter and your broker has discretionary authority to vote on that proposal. Your broker or other representative will generally provide detailed voting instructions with your proxy materials. These instructions may include information on whether your shares can be voted by telephone or over the Internet and the manner in which you may revoke your votes.

Vote Required

Assuming a quorum is present at the meeting, the vote required to adopt each of the proposals is as follows:

- ***Election of Directors (Proposal 1)***. The election of directors is determined by a majority of the votes cast in person or by proxy by the stockholders entitled to vote on the election of directors in an uncontested election. Under our bylaws, a nominee will be elected to the board of directors if the votes cast “for” the nominee’s election exceed the votes cast “against” the nominee’s election. Abstentions and broker non-votes are not counted as votes “for” or “against” a nominee and will have no effect upon the outcome of the vote on the election of directors. If an uncontested incumbent nominee receives a majority of votes “against” his election, the director must tender his or her resignation to the board of directors. The board of directors will then decide whether to accept the resignation within 90 days following certification of the stockholder vote. We will publicly disclose the board of directors’ decision and its reasoning regarding the offered resignation.
- ***All Other Matters: Approval of Amendment and Restatement of our ESPP (Proposal 2), Advisory Vote on Executive Compensation (Proposal 3), Approval of Restricted Stock Unit Grants to our Non-employee Directors (Proposal 4) and Ratification of the Selection of Our Independent Registered Public Accounting Firm (Proposal 5)***. The approval of the amendment and restatement of the ESPP, the advisory vote on our executive compensation, the approval of restricted stock unit grants to our non-employee directors and the ratification of the selection of our independent registered public accounting firm are determined by a majority of the votes cast by the holders of the shares present or represented by proxy at the meeting and voting on each matter. Under our bylaws, abstentions and broker non-votes will have no effect on the determination of whether stockholders have approved these proposals.

Multiple Stockholders per Household

When more than one stockholder share the same address, we will deliver only one notice describing the Internet availability of our proxy materials to that address, unless we have been instructed to the contrary by the stockholders. Similarly, beneficial owners with the same address who hold their shares in street name through a broker, bank or other representative may have elected to receive only one copy of the notice at that address. We will promptly send a separate copy of the notice, our annual report or proxy statement to you if you request one by writing or calling us at Kadant Inc., One Technology Park Drive, Westford, Massachusetts 01886 (telephone: 978-776-2000). If you are receiving multiple copies and would like to receive only one copy for your household in the future, you should contact your broker, bank or other representative if you hold shares in street name, or contact our transfer agent, American Stock Transfer & Trust Company, Shareholder Services Department, 6201 15th Avenue, Brooklyn, New York 11219 (telephone: 718-921-8124 or 800-937-5449) if you hold shares in your own name.

PROPOSAL 1
ELECTION OF DIRECTORS

Our board of directors is divided into three classes of directors serving staggered three-year terms, with each class being as nearly equal in number as possible. Directors for each class are elected at the annual meeting of stockholders held in the year in which the term for their class expires. We have two directors whose terms expire at the 2020 annual meeting.

Our board of directors has nominated John M. Albertine and Thomas C. Leonard for election as directors for the three-year term expiring at the 2023 annual meeting of stockholders. Messrs. Albertine and Leonard are each currently a member of our board of directors. If either nominee becomes unable to serve as a director, the proxy holders may vote the proxy for the election of a substitute nominee to be designated by our board of directors. We do not expect that either nominee will be unable to serve. Directors serve until the expiration of their terms and until their successors have been elected and qualified or until their earlier resignation, death or removal in accordance with our bylaws.

Our board of directors believes that the election of Dr. Albertine and Mr. Leonard as directors is in the best interests of our company and our stockholders and recommends a vote **FOR** their election.

Information regarding the names, ages, principal occupations and employment during the past five years of each of our directors is provided below. We have also included information about each director's specific experience, qualifications, attributes or skills that led the board of directors to conclude that he or she should serve as a director. Unless we have specifically noted below, no corporation or organization referred to below is a subsidiary or affiliate of ours. There are no family relationships among any of our directors and executive officers. Information on the stock ownership of our directors is provided in this proxy statement under the heading "Stock Ownership." Information regarding the compensation of our directors is provided in this proxy statement under the heading "Director Compensation."

Nominees for Director for the Three-Year Term That Will Expire in 2023

John M. Albertine

Dr. Albertine, 75, has been a member of our board of directors since June 2001, is the chairman of our compensation committee and is one of the board's designated "audit committee financial experts." Dr. Albertine has been the chairman and chief executive officer of Albertine Enterprises, Inc., a Washington, D.C.-based public policy consulting and merchant-banking firm, since 1990. He also has served since 2005 as a principal of JJ&B, LLC, a Washington, D.C.-based investment bank he founded that provides finance, public policy and legal assistance to clients, and since 2004 as the executive chairman of Global Delta, LLC, a Washington, D.C.-based government contractor specializing in advanced sensor radio frequency and electro-optical technologies. From 2008 to 2018, Dr. Albertine served as a director of Intersections Inc., a publicly-traded global provider of consumer and corporate identity risk management services, and served as chairman of its risk committee. Dr. Albertine also served for 10 years ending in 2013 as a trustee and vice-chairman of the Virginia Retirement System, a public pension fund; and as a member of the Governor's Board of Economic Advisors for the State of Virginia for two terms ending in 2014. Dr. Albertine holds a Ph.D. in economics from the University of Virginia. We believe Dr. Albertine's qualifications to serve on our board of directors include his knowledge of the economy, capital markets and diverse businesses, his service as a director on several other public company boards and as chairman of the board of two of those public companies during his business career, and his education as an economist.

Thomas C. Leonard

Mr. Leonard, 65, has been a member of our board of directors since June 2005, is the chairman of our audit committee and is one of the board's designated "audit committee financial experts." Mr. Leonard is a director of Dynasil Corporation of America (Dynasil), a publicly-traded company that develops and manufactures detection and analysis technology, precision instruments and optical components for homeland security, medical and industrial markets, and previously served as its chief financial officer and chief accounting officer from 2013 to 2016. He began serving as the chair of Dynasil's audit committee in 2019. From 2008 to 2012, Mr. Leonard was the senior vice president-finance, treasurer and chief financial officer of Pennichuck Corporation, a publicly-traded water utility holding company. From 2006 to 2008, he was a vice president of CRA International, a consulting firm, where he specialized in forensic accounting. He was previously a managing director specializing in forensic accounting and dispute resolution at Huron Consulting Group LLC, a publicly-traded management consulting firm, from 2002 to 2006. Previously, Mr. Leonard was a senior partner at Arthur Andersen LLP, an independent public accounting firm, from 1987 through 2002 and served as partner-in-charge of its New England assurance and business advisory practice. Mr. Leonard is a certified public accountant. We believe Mr. Leonard's qualifications to serve on our board of directors include his expertise in finance and accounting and experience as a public company CFO.

Our directors listed below are not up for election this year and each will continue in office for the remainder of his or her specified term of office or until his or her earlier resignation, death or removal in accordance with our bylaws.

Erin L. Russell

Term Expires May 2021

Ms. Russell, 46, has been a member of our board of directors since January 2019, is the chair of our risk oversight and sustainability committee and is one of the board's designated "audit committee financial experts." Ms. Russell currently serves as a director of Tivity Health, Inc., a publicly-traded provider of fitness, nutrition, and social connection solutions. She was a principal of Vestar Capital Partners, L.P. (Vestar), a private equity firm specializing in management buyouts, recapitalizations and growth equity investments, from August 2001 until April 2017. While at Vestar, Ms. Russell served on the boards of directors of a number of companies, including most recently as a director of DeVilbiss Healthcare from 2012 until 2015 and as a director and a member of the audit committee of 21st Century Oncology Inc. from 2008 until 2016, including as the chair of the audit committee until 2014, both private healthcare companies. She also served as a director of DynaVox Inc., a communications device manufacturer, from 2004 until 2014, including serving as the chair of its audit committee until its initial public offering in 2010. Ms. Russell is also currently a member of the school advisory board of St. Thomas Aquinas Catholic School, where she has served since 2018, and has served on the advisory boards of McIntire School of Commerce and the Jefferson Scholars Foundation at the University of Virginia. We believe Ms. Russell's qualifications to serve on our board of directors include her financial, operating, mergers and acquisitions and management experience gained through working with a variety of private equity portfolio companies, her knowledge and experience gained through service on the boards of other companies, and her high level of financial literacy and experience with capital and credit markets gained through her investment experience.

William P. Tully

Term Expires May 2021

Dr. Tully, 79, has been a member of our board of directors since December 2010 and is the chairman of our nominating and corporate governance committee. Dr. Tully has been emeritus provost, vice president and professor of the State University of New York, College of Environmental Science and Forestry (SUNY-CESF), at Syracuse, New York since 2005. He first joined SUNY-CESF in 1966 as a professor and served in several capacities during his tenure. He served as head of the Division of Engineering at SUNY-CESF for 25 years and as college-wide provost, vice president for 20 years, and in these roles had responsibility for undergraduate, graduate and continuing education and similar programs. From 2000 to 2008, Dr. Tully was also director of the Joachim Center for Forestry Industry, Economy and Environment located at SUNY-CESF, which focuses on improving the understanding and resolution of environmental problems facing the pulp and paper and related forestry industries. He was also the State University of New York Chancellor's appointee to the Board of Governors of the New York Sea Grant Institute of the National Oceanic and Atmospheric Administration from 1987 to 2016. We believe Dr. Tully's qualifications to serve on our board of directors include his academic background, extensive study and knowledge of the paper and forest products industries, including the environmental, corporate social responsibility and sustainability problems facing those industries, his experience providing private entrepreneurial consulting advice to companies in the paper industry and his expertise in understanding, assessing and developing new technologies and applications for the pulp and paper and forest products industries.

Jonathan W. Painter

Term Expires May 2022

Mr. Painter, 61, has been the executive chairman of our board of directors since July 2019 and has been a member of our board of directors since January 2010. He previously served as our chief executive officer from January 2010 to June 2019 and served as our president from September 2009 to March 2019. He also served as our chief operating officer from September 2009 to January 2010. Prior to becoming our president, Mr. Painter was our executive vice president from 1997 to September 2009, and from 2007 to September 2009 had supervisory responsibility for our stock-preparation and fiber-based products businesses. He also served as president of our composites building products business from 2001 until its sale in 2005. Mr. Painter was our treasurer and the treasurer of Thermo Electron Corporation, now named Thermo Fisher Scientific Inc. (Thermo), a manufacturer of high-tech instrumentation, from 1994 to 1997. Prior to 1994, Mr. Painter held various managerial positions with our company and Thermo. Mr. Painter also serves as a director of Graham Corporation, a publicly-traded designer and manufacturer of vacuum and heat transfer equipment for energy markets and process industries worldwide. Mr. Painter currently serves on the board of governors of the Handel and Haydn Society, a symphony orchestra. We believe Mr.

Painter's qualifications to serve on our board of directors include his diverse experience in operations, finance, acquisitions and corporate strategy, as well as his experience as our former president and chief executive officer.

Jeffrey L. Powell

Term Expires May 2022

Mr. Powell, 61, has served as our chief executive officer and a member of our board of directors since July 2019 and as our president since April 2019. He previously served as an executive vice president and co-chief operating officer from March 2018 to March 2019, with supervisory responsibility for our stock-preparation, wood processing, and fiber-based products businesses. Prior to March 2018, he had served as an executive vice president with responsibility for such businesses since March 2013. From September 2009 to March 2013, he served as our senior vice president with responsibility for such businesses. From January 2008 to September 2009, Mr. Powell was vice president, new ventures, with principal responsibility for acquisition-related activities. Prior to joining us, Mr. Powell was the chairman and chief executive officer of Castion Corporation, a manufacturer of systems for industrial wastewater treatment, from April 2003 through December 2007. Prior to Castion, Mr. Powell held various management positions at Thermo, including chief executive officer and president of one of its publicly traded subsidiaries. From 2007 to 2015, Mr. Powell served on the board of directors of TerraTherm, a private thermal technology solutions company, including on its compensation committee. We believe Mr. Powell's qualifications to serve on our board of directors include his diverse experience in acquisitions, corporate strategy, and operations, as well as his role as our president and chief executive officer.

PROPOSAL 2

**APPROVAL OF AMENDMENT AND RESTATEMENT OF
AMENDED AND RESTATED EMPLOYEES' STOCK PURCHASE PLAN**

At the 2020 annual meeting, stockholders will be asked to approve the amendment and restatement of our ESPP (as amended, Amended ESPP), including (i) the reservation of an additional 100,000 shares of our common stock for issuance under the Amended ESPP, (ii) the extension of potential eligibility to part-time and seasonal employees (while retaining the requirements regarding employment during the offering period), (iii) removal of the ability for a participant to elect withdrawal at the end of the offering period in addition to electing a withdrawal earlier in the offering period, and (iv) other changes to assist administration of the ESPP.

The ESPP was adopted by the board of directors in July 1992, became effective in November 1993 and was further amended and restated in December 2009. The Amended ESPP was adopted by the board of directors on March 3, 2020 and will become effective upon January 1, 2021 if stockholder approval is received at the 2020 annual meeting.

The board of directors believes that the future success of the company depends, in large part, upon the ability of the company to maintain a competitive position in attracting, retaining and motivating key personnel.

Description of the Amended ESPP

The following is a brief summary of the Amended ESPP and is qualified in its entirety by reference to the Amended ESPP, a copy of which is attached as Appendix A to this proxy statement.

Types of Awards

The Amended ESPP is intended to encourage ownership of our common stock by eligible employees. It is intended that the Amended ESPP be an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended (Code). Eligible employees will have an option to purchase shares of common stock granted under the Amended ESPP.

Eligibility

All employees of the company and any subsidiary of the company designated by our board of directors are eligible to participate provided that they are employees no later than the last day of the enrollment period for the next applicable plan period. In addition, no employee can be granted an option under the plan that would result in the employee owning common stock and/or options to purchase common stock representing five percent or more of our outstanding capital stock. As of March 1, 2020, approximately 900 employees would have been eligible to participate in the Amended ESPP, including our named executive officers.

Plan Operation

The Amended ESPP permits eligible employees to purchase shares of our common stock at a discount. Eligible employees may elect to participate by completing an enrollment agreement and authorizing after-tax payroll deductions from their pay. Participation in the Amended ESPP is discretionary, and participants can contribute up to ten percent of their compensation (as defined in the

Amended ESPP). On the first day of each offering period (which has been and is expected to be the calendar year), each employee who is enrolled in the Amended ESPP will automatically receive an option to purchase on the last day of the offering period, the largest whole number of shares of common stock that can be purchased with the deductions accumulated as of the last day of the offering period. No eligible employee may be granted an option under the Amended ESPP that permits the employee to accrue rights to purchase shares under the Amended ESPP at a rate that exceeds the product of \$2,083.30 and the number of full months in the offering period, divided by the value of the stock on the offering commencement date or \$25,000 in fair market value (based on the value of the stock on the offering commencement date) of common stock in any given year under the Amended ESPP. Absent an amendment to the ESPP to increase the price, the offering price of each of the shares purchased in a given offering period will be 85% of the lower of the closing price of our common stock (i) on the first business day of the offering period or (ii) the last business day of the offering period, which period is determined by our board of directors. If the total number of shares of common stock specified in elections to be purchased in any offering period exceeds the number of shares remaining available for issuance under the Amended ESPP, we will only issue to participants in that offering that number of shares remaining available for issuance, on a pro-rata basis.

All payroll deductions for the Amended ESPP will be credited to a payroll deduction account maintained for all participating employees. No interest will accrue on the payroll deductions. Employees may purchase common stock under the Amended ESPP only through payroll deductions and may not make additional contributions. A participant may elect to discontinue his or her payroll deductions during an offering period, elect to withdraw his or her funds only once during each offering period, or decrease but not increase, the percentage of compensation withheld. A participant who suspends payroll deductions may not recommence payroll deductions at any time prior to the exercise date. If a participant elects to discontinue his or her payroll deductions, but does not elect to withdraw his or her funds, funds deducted prior to his or her election to discontinue shall be applied to the purchase of common stock on the last day of the offering period. If an employee withdraws from participation, whether by reason of voluntary withdrawal, termination of employment or death, during an offering period, the amounts contributed to the Amended ESPP will be refunded within a reasonable time. The board of directors may, in its sole discretion, authorize the payment of interest to be paid, which may be zero. At the end of each offering period, the accumulated payroll contributions of each employee who continues to participate in the plan as of such date will be used to purchase shares of common stock (at the option price described above), subject to the limitations described above. The dollar value and the number of shares that may be purchased on such date in the future pursuant to the Amended ESPP are not currently determinable.

Administration

The Amended ESPP will be administered by our board of directors. Our board of directors has authority to make rules and regulations for the administration of the Amended ESPP and its interpretation and decisions with regard thereto shall be final and conclusive. To the extent permitted by applicable law, our board of directors shall have the authority to delegate to a committee of the board of directors or to the officers or other representatives of the company such authority with respect to the administration of the Amended ESPP as our board of directors, in its sole discretion, deems advisable from time to time.

Our board of directors may amend the Amended ESPP at any time, subject to any requirements to obtain stockholder approval where required under the tax regulations. Our board of directors can terminate the Amended ESPP at any time. Upon termination of the Amended ESPP, all amounts in the accounts of participants shall be promptly refunded.

Effect of Corporate Transactions

If certain corporate events were to occur, including the company's sale or merger, the board of directors may (i) terminate all participation and cause the company to refund participant contributions, (ii) modify or adjust the terms of the offering, (iii) provide for assumption or replacement of the Amended ESPP by an acquiring or surviving corporation, (iv) accelerate the closing of the offering period, and (v) provide for any combination of those revisions.

Federal Income Tax Consequences

The following generally summarizes the United States federal income tax consequences that will arise with respect to participation in the Amended ESPP and with respect to the sale of common stock acquired under the Amended ESPP. This summary is based on the tax laws in effect as of the date of this proxy statement. This summary assumes that the Amended ESPP complies with Section 423 of the Code. Changes to these laws could alter the tax consequences described below.

Tax Consequences to Participants

A participant will not have income upon enrolling in the Amended ESPP or upon purchasing stock at the end of an offering. A participant may have both compensation income and a capital gain or loss upon the sale of stock that was acquired under the Amended ESPP. We currently require participants to only sell stock that was acquired under the Amended ESPP in a qualifying disposition, which is when the participant sells the stock more than two years after the commencement of the offering during which the stock was purchased and more than one year after the date on which the participant purchased the stock at a profit (i.e., the sales proceeds exceed the purchase price), in practice imposing a one-year holding period on the stock. In a qualifying disposition, the participant will have compensation income equal to the lesser of:

- 15% of the value of the stock; or

- the difference between the fair market value of the stock on the date of disposition and the purchase price.

Any profit in excess of compensation income will be long-term capital gain. If the participant sells the stock at a loss (i.e., if sales proceeds are less than the purchase price) after satisfying these waiting periods, then the loss will be a long-term capital loss.

Tax Consequences to Us

There will be no tax consequences to us.

Equity Compensation Plan Information

The following table provides information about the securities authorized for issuance under our equity compensation plans at year-end 2019:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants, and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders	208,579 (1)	\$ 24.28 (2)	437,425 (3)
Equity compensation plans not approved by security holders	—	\$ —	—
Total	208,579 (1)	\$ 24.28 (2)	437,425 (3)

- (1) Consists of 73,661 shares of our common stock to be issued upon exercise of outstanding options under our Amended and Restated 2006 Equity Compensation Plan, as amended, and 134,918 shares of our common stock issuable upon the vesting of restricted stock units and performance-based restricted stock units under such plan.
- (2) Consists of the weighted average exercise price of the 73,661 stock options outstanding on December 28, 2019. The 134,918 shares of restricted stock units and performance-based restricted stock units outstanding on December 28, 2019 had a weighted average grant date fair value of \$86.11.
- (3) Includes an aggregate of 28,130 shares of common stock issuable under our ESPP in connection with current and future offering periods under the plan.

Recommendation

Our board of directors recommends a vote **FOR** Proposal 2. Proxies solicited by our board of directors will be voted **FOR** the proposal unless stockholders otherwise specify to the contrary on their proxy.

PROPOSAL 3

ADVISORY VOTE ON EXECUTIVE COMPENSATION

We are asking that our stockholders cast an advisory vote on the executive compensation of our named executive officers, usually referred to as “say-on-pay.” This proposal is required by Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act). In 2017, our board of directors recommended, our stockholders agreed, and our board of directors thereafter concluded, that our stockholders cast an advisory vote once every year on the executive compensation of our named executive officers. Our next stockholder “say-on-frequency” vote is scheduled to occur at our 2023 annual meeting of stockholders. We believe it is appropriate to seek the views of our stockholders on the design and effectiveness of our executive compensation program, as described in this proxy statement.

Our compensation philosophy is described in the Compensation Discussion and Analysis contained in this proxy statement. Our goal is to attract and retain a talented leadership group and we seek to accomplish this goal with a compensation program that rewards performance and is aligned with our stockholders’ long-term interests. Our program emphasizes compensation linked to objective performance measures, which we believe are linked in turn to the creation of stockholder value. Highlights of our compensation program include the following:

- **Cash compensation in the form of base salary and an annual performance-based cash incentive opportunity (bonus).** We use objective financial measures based on earnings per share growth and return on average stockholders’ equity to determine our executives’ annual performance-based bonus.

- ***Equity compensation to reward performance and retain key personnel.*** We annually award performance-based restricted stock units that use objective financial measures based on adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA). All performance-based awards are subject to additional time-based vesting periods once the performance goals have been met. We also may use equity compensation in other forms that are intended to promote retention of our key personnel, and for this purpose have used time-based restricted stock units and in past years stock options.
- ***All our named executive officers are employees-at-will.*** All of our current named executive officers are employees-at-will and do not have an employment agreement or severance agreement other than an agreement that provides benefits upon termination of employment following a change in control, and in the case of Mr. Painter, a transition agreement entered into in connection with the succession plan adopted by our board of directors in 2019 (Succession Plan). See “Executive Compensation - Potential Payments Upon Termination or Change in Control” for more information on the change in control agreements and Mr. Painter’s transition agreement.

We believe that our executive compensation program provides compensation opportunities that reflect our company’s performance and align the pay of our executives with the long-term interests of our stockholders. Our recent financial performance has yielded strong returns. For fiscal 2019, our corporate performance measures resulted in our named executive officers earning above target performance-based cash bonus awards and pay-outs slightly below target under our performance-based equity award program.

Our board of directors is asking stockholders to approve a non-binding advisory vote on the following resolution:

RESOLVED, that the compensation paid to our named executive officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement, is hereby approved.

As an advisory vote, this proposal is not binding upon the board of directors. The outcome of this advisory vote will not overrule any decision by our company or our board of directors (or any of its committees), create or imply any change to the fiduciary duties of our company or our board of directors (or any of its committees), or create or imply any additional fiduciary duties for our company or our board of directors (or any of its committees). However, our compensation committee, which is responsible for designing and administering our executive compensation program, and our board of directors value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for named executive officers.

Recommendation

Our board of directors recommends a vote **FOR** Proposal 3. Proxies solicited by our board of directors will be voted **FOR** the proposal unless stockholders otherwise specify to the contrary on their proxy.

PROPOSAL 4

APPROVAL OF RESTRICTED STOCK UNIT GRANTS TO OUR NON-EMPLOYEE DIRECTORS

Our board of directors has approved a grant, subject to stockholder approval, of such number of restricted stock units (RSUs) as is determined by dividing \$170,000 by the closing price of our common stock on the day of grant, which would be the date of our 2020 annual meeting, to our non-employee directors (Dr. Albertine, Mr. Leonard, Ms. Russell and Dr. Tully), as well as a grant to Mr. Painter equal to half the value of the grant to each of the non-employee directors, provided he is still serving as a director as of July 1, 2020. If approved, the grant would be made under our 2006 amended and restated equity incentive plan, as amended (2006 equity incentive plan). We are asking that our stockholders cast a vote on the equity grants to our non-employee directors. Although we are not required to seek stockholder approval of these specific RSUs or other RSU awards, our board of directors decided to provide our stockholders with the opportunity to approve the proposed grants for this year. If this proposal is not approved by our stockholders at the 2020 annual meeting, these specific RSU awards will not occur. Our compensation committee will then consider the award of an appropriate amount of RSUs to our non-employee directors taking into consideration the outcome of the stockholder vote.

Our compensation philosophy with respect to non-employee directors is to structure a compensation program that is reasonable as compared to the non-employee director compensation of our compensation peer group of companies, as described in “Compensation Discussion and Analysis—Determining Compensation—Compensation Peer Group,” rewards performance and is aligned with our stockholders’ long-term interests. Our compensation committee is responsible for reviewing non-employee director compensation and recommending our non-employee director compensation pay for approval by our board of directors. Our compensation philosophy has been to weight total compensation for non-employee directors more heavily toward equity compensation as opposed to cash compensation, which may cause our director pay to exceed the median for our peer group. In 2017, in connection with the approval of the amendment and restatement of the 2006 equity incentive plan, we adopted a cap on total annual non-employee director compensation of \$750,000 (based on the grant date fair value of equity awards for financial reporting purposes and cash payable to any non-employee director in any fiscal year), which was approved by our stockholders at our 2017 annual

meeting. The total compensation of our non-employee directors for 2019 is reported under “Director Compensation”, was approximately \$215,000 (excluding committee and chairman retainers), based on a stock price of \$88.33, and was above the median at approximately the 60th percentile of our compensation peer group.

In the first quarter of 2020, our compensation committee engaged Willis Towers Watson to benchmark our director compensation against our compensation peer group (using the 2019 proxy data of our compensation peer group) in particular for the purpose of reevaluating the equity award component of non-employee director compensation. Based on this review, our compensation committee concluded that the cash component of our non-employee director compensation fell below the 25th percentile of our compensation peer group and should therefore be adjusted to align with the 25th percentile of our compensation peer group, while the equity component was above the median at approximately the 60th percentile of our compensation peer group. Our committee also considered our recent financial performance (as described in “Compensation Discussion and Analysis—Executive Summary—2019 Financial Performance Highlights”) and our one- and three-year total shareholder return (TSR) performance compared to the Russell 3000 Index and our compensation peer group. Our one-year TSR was 30% in 2019 and our three-year TSR was 20% in 2019.

Given our strong financial performance in the last year and our one- and three- year TSR performance, our compensation committee believed that it would be reasonable to grant equity awards between the 50th percentile and the 75th percentile of our peer compensation data, with the cash compensation at the 25th percentile. Our compensation committee recommended that for 2020, the equity award for non-employee directors be equal to such number of RSUs determined by dividing \$170,000 by the closing price of our common stock on the day of grant, which would be the date of our 2020 annual meeting. In 2019, the equity award for non-employee directors was based on a value of \$165,000. For purposes of illustration only, if the closing price of our common stock on the date of our 2020 annual meeting is \$70, the award will consist of 2,428 RSUs to each non-employee director. By contrast, if the closing price is \$75, the award will consist of 2,266 RSUs to each non-employee director, and if the closing price is \$80, the award will be 2,125 RSUs to each non-employee director. Our board of directors approved the award of RSUs, with the underlying number of RSUs to be determined by dividing \$170,000 by the closing price of our common stock on the date of grant, which would be the date of our 2020 annual meeting, for each of our non-employee directors, subject to stockholder approval. Our board of directors decided that stockholders should have an opportunity to vote on the awards at the 2020 annual meeting.

Pursuant to the transition agreement we entered into with Mr. Painter in 2019 (Transition Agreement), Mr. Painter, the executive chairman of our board of directors, will cease being our employee as of June 30, 2020 and will transition to being a non-employee director as of July 1, 2020. Provided that he is still serving as a director as of such date, Mr. Painter will be granted an RSU award under the 2006 equity incentive plan, which represents the prorated number of RSUs that he would have received as a non-employee director. This award will vest in two equal installments on the last day of each of our third and fourth quarters during the fiscal year.

Our compensation committee intends to continue to weight total compensation for non-employee directors more heavily toward equity compensation as opposed to cash compensation, consistent with its belief that such a compensation program aligns director pay with the long-term interests of our stockholders. Our compensation committee’s philosophy is to target average cash compensation of our non-employee directors at the 25th percentile of our compensation peer group and to target equity compensation at the 75th percentile, based on the approximate value of the award. In determining the appropriate size of the RSU awards to non-employee directors, our compensation committee will consider, among other factors, our financial performance and recent TSR performance relative to the Russell 3000 Index and our compensation peer group.

If the stockholders approve this proposal, the non-employee director RSU awards will be granted on the date of the 2020 annual meeting. Fifty percent of the RSUs will vest on June 1, 2020 and the remainder of the RSUs will vest in two equal installments on the last day of each of our third and fourth quarters during the fiscal year. Each RSU entitles the director to one share of common stock. The proposed RSU awards will be made under our stockholder-approved 2006 equity incentive plan pursuant to the terms of the plan. The vesting of all such RSU awards will accelerate in the event of a change in control of our company. Any RSU award, to the extent not previously vested, is forfeited if the individual is no longer a member of the board of directors on the applicable vesting date. Each of Dr. Albertine, Mr. Leonard, Ms. Russell and Dr. Tully will receive the RSUs upon stockholder approval of this proposal and has an interest in the approval of this proposal.

Recommendation

Our board of directors believes the grant of the RSU awards to our non-employee directors is in the best interests of our company and stockholders and recommends a vote **FOR** Proposal 4. Proxies solicited by our board of directors will be voted **FOR** the proposal unless stockholders otherwise specify to the contrary on their proxy.

PROPOSAL 5

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of our board of directors has selected KPMG LLP as our company's independent registered public accounting firm for the 2020 fiscal year. KPMG LLP was appointed our company's independent registered public accounting firm in August 2012, and has audited our consolidated financial statements since our 2012 fiscal year. Although we are not required to seek stockholder ratification of this selection, our board of directors decided to provide our stockholders with the opportunity to do so. If this proposal is not approved by our stockholders at the 2020 annual meeting, our audit committee will reconsider the selection of KPMG LLP. Even if the selection of KPMG LLP is ratified, our audit committee in its discretion may select a different independent registered public accounting firm at any time during the year.

Representatives of KPMG LLP are expected to be present at the 2020 annual meeting of stockholders. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from stockholders.

Recommendation

Our board of directors believes that the ratification of the selection of KPMG LLP as our company's independent registered public accounting firm for the 2020 fiscal year is in the best interests of our company and stockholders and recommends you vote **FOR** ratification. Proxies solicited by our board of directors will be voted **FOR** the proposal unless stockholders otherwise specify to the contrary on their proxy.

CORPORATE GOVERNANCE

Our board of directors believes that good corporate governance is important to ensure that our company is managed for the long-term benefit of stockholders. Current copies of our corporate governance guidelines, code of business conduct and ethics, and charters for our audit, compensation, nominating and corporate governance, and risk oversight and sustainability committees are available on our website, www.kadant.com, in the Investors section under the caption "Corporate Governance." We may also use our website in the future to make certain disclosures required by the rules of The New York Stock Exchange (NYSE), on which our common stock is listed.

Director Independence

Our board of directors has determined that each of the following directors qualifies as an "independent director," as defined in the listing requirements of the NYSE: Dr. Albertine, Mr. Leonard, Ms. Russell and Dr. Tully. Our board also determined that William A. Rainville, our former non-employee director who served as chairman of the board of directors until our 2019 annual meeting of stockholders, qualified as an "independent director" under the NYSE listing requirements. Its findings included an affirmative determination that none of our outside directors has a material relationship with our company. Neither Mr. Painter, who serves as the executive chairman of the board of directors, nor Mr. Powell, who serves as our current president and chief executive officer, qualify as an "independent director" under the NYSE rules. Our board of directors has established guidelines to assist it in determining whether a director has a material relationship with our company. Under these guidelines, a director is not considered to have a material relationship with our company if the director is independent and the director:

- receives, or has a family member that receives, less than \$120,000 in direct compensation from our 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 our company, unless the annual sales to, or purchases from, our company account for more than the greater of \$1 million or 2% of the annual consolidated gross revenues of the company of which the director is an executive officer;
- is an executive officer of another company that is indebted to our company, or to which our company is indebted, unless the total amount of either company's indebtedness to the other is more than 1% of the total consolidated assets of the company of which the director is an executive officer; or
- is an officer, director or trustee of a charitable organization, unless our 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. For this purpose, the automatic matching of employee charitable contributions, if any, is not included in the amount of our company's contributions.

Ownership of a significant amount of our company's stock, by itself, does not constitute a material relationship.

For relationships not covered by these guidelines, the determination of whether a material relationship exists is made by the other members of our board of directors who are independent.

Committees of our Board of Directors

Our board of directors has established an audit committee, a compensation committee, a nominating and corporate governance committee, and a risk oversight and sustainability committee. Each committee operates under a charter that has been approved by our board of directors. Current copies of the committee charters are posted on our website, www.kadant.com.

Our board of directors has determined that all of the members of each committee also meet the independence guidelines applicable to each committee set forth in the listing requirements of the NYSE, including the enhanced NYSE and the Securities and Exchange Commission (SEC) independence requirements for members of the audit and compensation committees.

The audit committee is responsible for the selection of our company's independent registered public accounting firm and assists our board of directors in its oversight of the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent registered public accounting firm's performance, qualifications and independence, and the performance of our internal audit function. The audit committee meets regularly with management and our independent registered public accounting firm to discuss the annual audit of our financial statements, the quarterly reviews of our financial statements and our quarterly and annual earnings disclosures. The audit committee also reviews the experience and qualifications of the lead partner and other senior members of the independent auditor, including compliance with applicable rotation requirements, and considers whether there should be rotation of the firm itself. The current members of the audit committee are Mr. Leonard (chairman), Dr. Albertine, Ms. Russell and Dr. Tully and their committee report is included in this proxy statement under the heading "Audit Committee Report." Each of Dr. Albertine, Mr. Leonard and Ms. Russell has been designated by our board of directors as an "audit committee financial expert" (as defined in applicable SEC regulations).

The compensation committee reviews the performance and determines the compensation of the chief executive officer and other officers of our company, administers executive compensation, incentive compensation and incentive programs and policies, and reviews and assesses management succession planning. The current members of the compensation committee are Dr. Albertine (chairman), Mr. Leonard and Dr. Tully. See "Compensation Disclosure and Analysis" below for information regarding the compensation committee's processes and procedures for the consideration and determination of executive compensation.

The nominating and corporate governance committee identifies and recommends to our board of directors qualified candidates for nomination as directors, develops and monitors our company's corporate governance principles and evaluates the performance of our board and the individual directors. The current members of the nominating and corporate governance committee are Dr. Tully (chairman), Dr. Albertine and Ms. Russell.

The risk oversight and sustainability committee assists our board of directors in fulfilling its oversight responsibilities with respect to management's identification, evaluation, management and monitoring of our company's critical enterprise risks, including major strategic, operational and reputational risks inherent in our business, as well as the direction of our own sustainability strategy, including the impact of environmental and social issues on our company. The current members of the risk oversight and sustainability committee are Ms. Russell (chair), Dr. Albertine, Mr. Leonard and Dr. Tully.

Attendance at Meetings

In 2019, our board of directors met seven times, the audit committee met nine times, the compensation committee met six times, the nominating and corporate governance committee met three times, and the risk oversight and sustainability committee met two times. Each director attended over 75% of all meetings of our board of directors and committees on which he or she served that were held during 2019. Our directors are encouraged to attend the annual meeting of stockholders, to the extent practicable. All of our directors attended our 2019 annual meeting of stockholders.

Board Self-Evaluation and Individual Director Evaluation

Our board of directors conducts an annual self-evaluation of the board's performance as a whole and a peer evaluation of each of the individual directors. As part of this process, directors are asked to assess the independence from management of each individual director, and each director was deemed independent taking his or her tenure on the board into consideration. Our board of directors believes such evaluations are valuable tools in assessing the board's effectiveness in performing its oversight of management and fulfilling its responsibilities. The results of the evaluations are collected by the chairman of the nominating and corporate governance committee and communicated to the board of directors.

Board Leadership Structure

Our board of directors separated the roles of chief executive officer and chairman of the board in 2010 and believes this leadership structure continues to be appropriate. In connection with the Succession Plan adopted by our board of directors, Mr. Painter transitioned to the role of executive chairman of the board of directors effective July 1, 2019, at which time Mr. Powell became our chief executive officer and a member of our board of directors.

Our chief executive officer is responsible for setting our strategic direction and the day-to-day leadership and performance of our company. Our executive chairman of the board of directors provides guidance to the chief executive officer and sets the agenda for board meetings and presides over meetings of the full board of directors.

In addition, because our executive chairman of the board of directors and our chief executive officer are also directors and are not independent under the NYSE rules, we also schedule regular executive sessions of our non-employee and independent directors without management present.

The presiding director at these sessions is rotated among the chair of the committees of our board of directors, all of whom are independent directors. Our board of directors recognizes that different leadership structures may be appropriate in the future, depending on our company's circumstances, and will periodically review its leadership structure as situations change.

Board Role in Risk Oversight

Our board of directors administers its risk oversight function directly and through its audit and risk oversight and sustainability committees. In general, management is responsible for the day-to-day management of the risks our company faces, while the board of directors, acting as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

Our board of directors has formed the risk oversight and sustainability committee to assist it in fulfilling its oversight responsibilities with respect to management's identification, evaluation, management and monitoring of our company's critical enterprise risks, including major strategic, operational and reputational risks inherent in our business. The risk oversight and sustainability committee meets regularly with our chief executive officer and senior management to discuss risk management-related and other matters, including cybersecurity.

The board of directors and the audit committee regularly discuss with management and our independent auditors our major risk exposures, their potential financial impact on our company, and the steps we take to manage these risks. The audit committee assists the board of directors in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements. In addition, the audit committee discusses policies with respect to risk assessment and risk management with management, our internal auditors and the independent auditors.

Board Tenure

Our board of directors recognizes that its current members have served on the board of directors for various tenures, with the shortest tenure being less than one year, but with many other directors serving for 10 years or more. Our board of directors believes that the board represents a balance of experience in the industries served by our company and in the financial and business communities, which provides effective guidance and oversight to management. Our board of directors also recognizes the desire to keep our board of directors "refreshed" and has adopted a policy limiting director tenure to age 75 for members, other than certain grandfathered members of the board, which include Messrs. Albertine, Leonard, Painter and Tully. Directors (other than the grandfathered members) will not be nominated for election after reaching age 75. In addition, our nominating and corporate governance committee assesses the continuing independence of long-tenured directors from management as part of its determination on whether to nominate an incumbent director for re-election.

Nomination of Directors

The nominating and corporate governance committee of our board of directors identifies and evaluates director candidates and recommends to our board of directors qualified candidates for nomination as directors for election at our annual meeting of stockholders or to fill vacancies on our board of directors. The process followed by the committee in fulfilling its responsibilities includes requests to board members and others for recommendations, meetings to evaluate biographical information, experience and other background material relating to potential candidates, and interviews of selected candidates.

In considering candidates, the committee applies the criteria for selection of directors adopted by our board of directors, which is set forth as an appendix to our company's corporate governance guidelines. These criteria include the following assessments of the candidate's:

- integrity;
- business acumen, experience and judgment;
- knowledge of our company's business and industry;
- ability to understand the interests of various constituencies of our company and to act in the interests of all our stockholders;
- potential conflicts of interest; and
- contribution to diversity on our board of directors.

Our criteria specify that the value of diversity on the board of directors should be considered by the committee in the director identification and nomination process. While we do not have a formal policy on board diversity, we are proud of the diversity and talent of our management team, and our nominating and corporate governance committee and board of directors have affirmed their commitment to actively seeking women and minority candidates for the pool from which director candidates are selected. The committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The committee believes that the backgrounds and qualifications of our company's directors, considered as a group, should

provide a significant breadth of experience, knowledge and abilities to assist our board of directors in fulfilling its responsibilities. Nominees are not discriminated against on the basis of race, religion, national origin, sex, sexual orientation, gender identity or expression, disability or any other basis prohibited by law.

After completing its evaluation of potential nominees, the nominating and corporate governance committee makes a recommendation to our board of directors as to the persons who should be nominated for election to our board of directors, and our board of directors determines the nominees after considering the recommendation and report of the committee.

The nominating and corporate governance committee will consider candidates recommended by individual stockholders, if their names and credentials are provided to the committee on a timely basis for consideration prior to the annual meeting. Stockholders who wish to recommend an individual to the nominating and corporate governance committee for consideration as a potential candidate for director should submit the individual's name, together with appropriate supporting documentation, to the committee at the following address: Nominating and Corporate Governance Committee, c/o Corporate Secretary, Kadant Inc., One Technology Park Drive, Westford, Massachusetts 01886. A submission will be considered timely if it is made during the timeframes disclosed in this proxy statement under "Stockholder Proposals." The submission must be accompanied by a statement as to whether the stockholder or group of stockholders making the recommendation has owned more than 5% of our common stock for at least a year prior to the date the recommendation is made. Submissions meeting these requirements will be considered by the nominating and corporate governance committee using the same process and applying substantially the same criteria it follows for candidates submitted by others. If our board of directors determines to nominate and recommend for election a stockholder-recommended candidate, then the candidate's name will be included in our company's proxy card for the next annual meeting of stockholders.

Stockholders also have the right under our company's bylaws to directly nominate candidates for director, without any action or recommendation on the part of the nominating and corporate governance committee or our board of directors, by following the procedures described in this proxy statement under "Stockholder Proposals." Except as otherwise required by law, candidates nominated by stockholders in accordance with these bylaw procedures will not be included in our company's proxy card for the next annual meeting of stockholders.

Communications with Directors

Stockholders and other interested parties who wish to send written communications on any topic to our board of directors, or the presiding director of executive sessions of the non-employee and independent directors, may do so by addressing such communications to our Board of Directors, c/o Corporate Secretary, Kadant Inc., One Technology Park Drive, Westford, Massachusetts 01886. The independent members of our board of directors have approved a process directing the corporate secretary to monitor communications and to forward communications, such as those relating to corporate governance, long-term strategy and their oversight responsibilities, to our board of directors and to forward communications that relate to ordinary business affairs, personal grievances or other similar matters to management for response, if any.

Code of Business Conduct and Ethics

Our company's code of business conduct and ethics is applicable to all our employees, officers and directors. A current copy of our code of business conduct and ethics is posted on our website, www.kadant.com. We intend to satisfy disclosure requirements of the SEC and NYSE regarding amendments to, or waivers of, our code of business conduct and ethics by providing information on our website.

Compensation Committee Interlocks and Insider Participation

During fiscal 2019, our compensation committee was comprised solely of the following independent directors: Dr. Albertine, Mr. Leonard and Dr. Tully. None of our officers, former officers or employees serves on our compensation committee. During fiscal 2019, none of our executive officers served on the board of directors or compensation committee of another company in which any of our directors also served as a director or executive officer.

Certain Relationships and Related Party Transactions

We review relationships and transactions between our company and our directors, nominees for director, executive officers and their immediate family members to determine whether these individuals have a direct or indirect material interest in a transaction, based on the facts and circumstances. Such transactions are referred to the disinterested members of the audit committee of our board of directors to review and approve or ratify the transaction. Directors and executive officers are canvassed in writing to determine whether such related party transactions exist or are under consideration, and are required under our code of business conduct and ethics to disclose to us potential conflicts of interest with our company.

SEC rules require us to disclose certain relationships and related party transactions our company enters into with our directors, nominees for director, executive officers, owners of more than 5% of the outstanding shares of our common stock, or members of their immediate families. Our company has not entered into any such disclosable relationships or transactions since the beginning of our 2019 fiscal year and no such disclosable relationships or transactions are currently proposed.

SUSTAINABILITY AND CORPORATE RESPONSIBILITY

We help our customers optimize their production processes through innovative products, engineered systems, and advanced technologies. We play a critical role in the industrial supply chain by offering application expertise and solutions that reduce the utilization of natural resources, increase productivity, and minimize energy consumption. Over the past few years, the interest in sustainability and environmental, social and governance (ESG) issues has grown among our stakeholders, including our investors, customers, and employees.

In March 2020, we issued our first sustainability report, which details our ESG achievements. Our first step was to consult with independent advisors to support the development of the sustainability report, including pinpointing the ESG topics that are most important to both our internal stakeholders (employees, investors, and customers) and to our external stakeholders (customers, potential investors, and communities). During this process, the following issues were determined to be the most material:

Corporate	Financial Performance Governance Ethics and Compliance Supply Chain Sustainability
Innovation	Research and Development Delivering Value to Customers
Employees	Health, Safety, and Wellness Learning and Development Equal Opportunity and Non-Discrimination
Environment	Energy, Emissions, and Climate Change Effluents, Waste, and Recycling Materials Used Environmental Compliance

Below are highlights from our 2019 sustainability report's discussion of our approaches to certain material issues:

- **Corporate Governance and Ethics and Compliance.** We are committed to strong corporate governance practices that ensure Kadant is managed for the long-term benefit of our stockholders and other stakeholders.
 - Our executive leadership team is responsible for the day-to-day management of the risks that our company faces, while the board of directors, acting as a whole and through its committees, has responsibility for the oversight of risk management. The risk oversight and sustainability committee assists the board of directors in fulfilling its responsibilities regarding the identification, evaluation, management, and monitoring of our company's critical enterprise risks, including major strategic, operational, and reputational risks inherent in our business. The risk oversight and sustainability committee meets regularly with our chief executive officer and senior management to discuss enterprise risk management and sustainability.
 - Several central policies and guidelines serve as the foundation of our commitment to our values, and clearly delineate what we expect of our employees and senior leadership of the company. We have a CEO message on corporate responsibility posted on our website. Our policies and guidelines include our board of directors' corporate governance guidelines, our code of business conduct and ethics, ethics and compliance hotline, anti-harassment policy, insider trading policy, foreign corrupt practices act policy, global supplier code of conduct, conflict minerals policy, and global export control policy.
- **Supply Chain Sustainability.** As a multi-national company that sources from hundreds of suppliers from around the world, we recognize the need for our suppliers to abide by and exceed various environmental, social, and economic regulations and standards both from an international perspective, for example human rights, and a country by country basis for countries where our suppliers operate. We manage these risks and regulatory issues in our supply chain primarily through our global supplier code of conduct, in which we have outlined our expectations of our suppliers and subcontractors.
- **Innovation.** Innovation and continuous improvement are central to our organization. From our earliest years, we have focused on engineering products and processes that help our customers improve operating efficiency, reduce the consumption of resources and energy, and increase productivity. Engineering innovative products and processes is an intrinsic element of our culture. We are committed to focusing on our customers' wants and needs and innovation is how we deliver on this commitment.

- **Health, Safety and Wellness.** We work to minimize the risks associated with the tasks our employees perform, and we take our responsibility for our employees' health and safety very seriously. Our businesses follow an occupational health and safety management system that covers employees, who receive appropriate and necessary safety trainings to both protect their own health and safety as well as the people, equipment, and environment around them.
- **Learning and Development.** The training and education of our employees is crucial for our continued success as a company. Employee learning programs include business wide training plans, tuition reimbursement policies and paid certifications and trainings. 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.
- **Equal Opportunity and Non-Discrimination.** We are an equal opportunity employer and we work hard to ensure the diversity of our organization. We are pleased with our progress made with respect to gender diversity, particularly with our management team and our board of directors. We are also cognizant of and sensitive to the issue of pay equity.
- **Energy, Emissions and Climate Change.** We have taken a variety of steps to minimize our energy usage and reduce the resulting greenhouse gas emissions. We also believe our most significant opportunity to lessen our environmental impact is by delivery of products that allow our customers to reduce waste and energy use and maximize yield from the natural resources that they use. By shifting the market toward greater efficiency and the use of more renewable resources, we are playing our part in protecting the environment and ensuring a more sustainable future.
- **Effluents, Waste and Recycling.** Within our own operations, our efforts to reduce waste and increase recycling and reusability are extensive. Our equipment and products can also reduce the waste streams of our customers, making their processes more efficient and positively impacting their business models.

Our 2019 corporate sustainability report (which is not incorporated by reference into this proxy statement) can be found on our website www.kadant.com.

STOCK OWNERSHIP

The following table sets forth the beneficial ownership of shares of our common stock as of March 2, 2020, with respect to:

- those persons we know to beneficially own more than 5% of the outstanding shares of our common stock based on our review of filings made with the SEC;
- each of our directors;
- each of our executive officers named in the Summary Compensation Table under the heading “Executive Compensation;” and
- all of our directors and executive officers as a group.

Unless otherwise indicated, the address of any person or entity listed is c/o Kadant Inc., One Technology Park Drive, Westford, Massachusetts 01886. The applicable percentage of beneficial ownership is based on 11,422,466 shares of our common stock outstanding as of March 2, 2020.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned (1)	
	Number (2)	% of Class
Wasatch Advisors, Inc. (3)	1,538,092	13.5%
BlackRock, Inc. (4)	975,033	8.5%
Brown Brothers Harriman & Co. (5)	702,364	6.2%
Royce & Associates, L.P. (6)	617,963	5.4%
Macquarie (7)	604,003	5.3%
John M. Albertine	9,448	*
Peter J. Flynn	3,684	*
Stacy D. Krause	2,852	*
Eric T. Langevin	90,563	*
Thomas C. Leonard	10,429	*
Michael J. McKenney	29,024	*
Jonathan W. Painter	44,184	*
Jeffrey L. Powell	57,979	*
Erin L. Russell	1,858	*
William P. Tully	5,058	*
All directors and executive officers as a group (12 persons)	271,750	2.3%

* Less than 1%

- (1) The number of shares beneficially owned by each stockholder is determined under the rules of the SEC, and the information provided is not necessarily indicative of beneficial ownership for any other purpose. Unless otherwise indicated, as determined under such rules, each stockholder has sole investment and voting power (or shares such power with his or her spouse) with respect to the shares reported in this table. The inclusion of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of such shares.
- (2) Shares beneficially owned by the following individuals or group include the following shares underlying restricted stock units (RSUs) that will vest or become distributable within 60 days after March 2, 2020: Ms. Krause (1,816), Mr. Langevin (6,533), Mr. McKenney (4,689), Mr. Painter (24,333), Mr. Powell (11,148), Mr. Flynn (815) and all directors and current executive officers as a group (51,236). Shares beneficially owned by the following individuals or group include the following shares underlying employee stock options that are vested and unexercised as of March 2, 2020 or will vest within 60 days after March 2, 2020: Mr. Langevin (35,424), Mr. McKenney (8,972), Mr. Powell (29,265), and all directors and current executive officers as a group (73,661). Shares beneficially owned by Mr. Painter include three shares held in a custodial account for the benefit of his son.
- (3) The address of Wasatch Advisors, Inc. is 505 Wakara Way, Salt Lake City, Utah 84108. The information about Wasatch Advisors, Inc. is based on its Schedule 13G/A filed with the SEC on February 10, 2020, and is as of December 31, 2019.
- (4) The address of BlackRock, Inc. is 55 East 52nd Street New York, NY 10055. BlackRock, Inc. filed as the parent holding company of BlackRock Advisors, LLC, BlackRock Investment Management (UK) Limited, BlackRock Asset Management Canada Limited, BlackRock Investment Management (Australia) Limited, BlackRock (Netherlands) B.V., BlackRock Fund Advisors, BlackRock Asset Management Ireland Limited, BlackRock Institutional Trust Company, National Association, BlackRock Financial Management, Inc., BlackRock Asset Management Schweiz AG, and BlackRock Investment

Management, LLC. The information about BlackRock, Inc. is based on its Schedule 13G/A filed with the SEC on February 5, 2020, and is as of December 31, 2019.

- (5) The address of Brown Brothers Harriman & Co. is 140 Broadway, New York, NY 10005. The information about Brown Brothers Harriman & Co. is based on its Schedule 13G/A filed with the SEC on February 14, 2020, and is as of December 31, 2019.
- (6) The address of Royce & Associates, LP is 745 Fifth Avenue, New York, NY 10151. The information about Royce & Associates, LP is based on its Schedule 13G/A filed with the SEC on January 23, 2020, and is as of December 31, 2019.
- (7) This information is based on a Schedule 13G/A filed jointly by Macquarie Group Limited, Macquarie Bank Limited, Macquarie Investment Management Holdings Inc, Macquarie Investment Management Business Trust, and Macquarie Investment Management Austria Kapitalanlage AG (collectively, Macquarie). The principal business address of Macquarie Group Limited and Macquarie Bank Limited is 50 Martin Place Sydney, New South Wales, Australia. The principal business address of Macquarie Investment Management Holdings Inc. and Macquarie Investment Management Business Trust is 2005 Market Street, Philadelphia, PA 19103. The principal business address of Macquarie Investment Management Austria Kapitalanlage AG is L3, Kaerntner Strasse 28, Vienna C4 1010. The information about Macquarie is based on its Schedule 13G/A filed with the SEC on February 13, 2020, and is as of December 31, 2019.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation Objectives

Our compensation policies are designed to reward and motivate executives to achieve long-term value for our stockholders by meeting our business objectives, and to attract, engage and retain dedicated, talented individuals. We believe that an executive compensation program, designed and administered with a clear and strong link to our business strategy, long-term goals, and value creation for our stockholders, will accomplish these objectives.

Executive Summary

Our executive compensation program emphasizes compensation linked to objective performance measures, which we believe are related to the creation of stockholder value. Highlights of our compensation program include the following:

- **Cash compensation in the form of base salary and an annual performance-based cash incentive opportunity (bonus).** We use objective financial measures based on earnings per share growth and return on average stockholders' equity to determine our executives' annual performance-based bonuses.
- **Equity compensation to reward performance and retain key personnel.** We annually award performance-based restricted stock units that use objective financial measures based on EBITDA. All performance-based awards are subject to additional time-based vesting periods once the performance goals have been met. We also use equity compensation in other forms that are intended to promote retention of our key personnel, and for this purpose have used time-based restricted stock units and in past years stock options.
- **All our current named executive officers are employees-at-will.** All of our current named executive officers are employees-at-will and do not have an employment agreement or severance agreement other than an agreement that provides benefits upon termination of employment following a change in control, and in the case of Mr. Painter, the Transition Agreement entered into in connection with the Succession Plan. See "Executive Compensation - Potential Payments Upon Termination or Change in Control" for more information on the change in control agreements and Mr. Painter's Transition Agreement.

We believe that our executive compensation program provides compensation opportunities that reflect our company's performance and align the pay of our executives to the long-term interests of our stockholders. Our recent financial performance has yielded strong returns. For fiscal 2019, our corporate performance measures used in our incentive plans resulted in our named executive officers earning above target performance-based cash bonus awards and pay-outs slightly below target under our performance-based equity award program.

In 2019, our board of directors adopted the Succession Plan and we entered into the Transition Agreement with Mr. Painter. Under the Succession Plan, Mr. Powell, then our executive vice president and co-chief operating officer, was appointed president effective April 1, 2019 and chief executive officer effective July 1, 2019, succeeding Mr. Painter in each role. We entered into the Transition Agreement in order to secure Mr. Painter's services in his roles as president and chief executive from February 2019 through June 30, 2019 and to thereafter become the executive chairman of our board of directors and to serve in such role through June 30, 2020.

2019 Financial Performance Highlights

Our compensation committee typically makes its determinations on executive compensation for our named executive officers, including our chief executive officer, in February and March of each year, after our company's financial results for the prior year have been determined. We reported the following financial highlights in 2019:

- Revenues of \$705 million in 2019, compared to \$634 million in 2018, an increase of 11%;
- GAAP diluted earnings per share (EPS) of \$4.54 in 2019, compared to \$5.30 in 2018, a decrease of 14%;
- Adjusted diluted EPS of \$5.36 in 2019, compared to \$5.34 in 2018, a slight increase;
- Net income attributable to Kadant of \$52 million in 2019, compared to \$60 million in 2018, a decrease of 14%;
- Adjusted EBITDA of \$127 million in 2019, compared to \$115 million in 2018, an increase of 10%;
- Cash flows from operations of \$97 million, an increase of 55%; and
- Free cash flow of \$87 million, an increase of 88%.

We were pleased with our company's financial performance in 2019, which compared favorably with our strong financial performance in 2018. Our stock price closed at \$105.76 at the end of our fiscal year, compared to \$81.12 at the end of our 2018 fiscal year. Our one-year TSR in 2019 was 30% and our three-year TSR was 20%.

Our compensation committee uses certain financial measures that are derived from generally accepted accounting principles (GAAP) to measure the performance of our named executive officers that are based upon adjusted diluted EPS and adjusted EBITDA. The non-GAAP financial measures used by our compensation committee and those presented above are not meant to be considered superior to or a substitute for results of operations prepared in accordance with GAAP. We believe these measures allow us to compare results consistently between periods and to exclude certain items that may not be indicative of our core business, operating results or future outlook. Our compensation committee uses certain non-GAAP measures as a basis for compensation decisions relating to our performance-based compensation as described below. A reconciliation of the non-GAAP financial measures presented above to the most comparable GAAP measures is included in Annex A to this proxy statement.

2019 Say-on-Pay Vote

Our stockholders cast an advisory vote ("say on pay") annually on the executive compensation of our named executive officers. At our company's 2019 annual meeting of stockholders, stockholders had the opportunity to approve our executive compensation program by casting a non-binding, advisory vote. A substantial majority of our stockholders approved our program (approximately 90% of the shares voted were cast in favor), indicating to our compensation committee that no major changes to our executive compensation program were necessary. Our compensation committee considered the stockholder vote in making its determinations regarding the structure of our compensation program in 2020.

Determining Compensation

The compensation committee of our board of directors has primary responsibility for developing and evaluating the executive compensation for the named executive officers of our company included in the Summary Compensation Table below under "Executive Compensation." In making compensation decisions, our compensation committee reviews our company's performance and evaluates each executive's performance during the year, taking into consideration performance goals, leadership qualities, scope of responsibilities, career experience, long-term potential as well as data on market compensation opportunities for comparable positions. Our compensation committee also uses its judgment in making compensation decisions.

Our compensation committee is directly responsible for evaluating the performance of our chief executive officer and determining his compensation in light of the goals and objectives of our compensation program. It also oversees the design, development and implementation of the executive compensation program for all executive officers. Our compensation committee assesses the performance of our other named executive officers and determines their compensation, based on initial recommendations from the chief executive officer. The other named executive officers do not play a role in their own compensation determinations, and our compensation committee delegates to the chief executive officer the responsibility to communicate its compensation decisions and assessment of performance to the other named executive officers.

Role of Compensation Committee Consultant. Our compensation committee retains a nationally-recognized firm, Willis Towers Watson, as its independent compensation consultant to assess the competitiveness and design of our executive compensation program and to advise the committee on the amount and form of executive compensation and succession planning. Our compensation committee has assessed the independence of Willis Towers Watson pursuant to applicable SEC rules and concluded that no conflict of interest exists that would prevent the independent representation of our compensation committee.

Our compensation committee generally relies on Willis Towers Watson to provide it with comparison group benchmarking data and information as to market practices and trends, to inform it of evolving and best practices in executive compensation, and to

summarize alternative proposals in structuring executive compensation arrangements. Willis Towers Watson meets regularly with our compensation committee and attends executive sessions without management as requested by our compensation committee.

Compensation Peer Group. As noted above, Willis Towers Watson provides annual market data and other specific information on executive compensation and regularly meets with our compensation committee and management to discuss specific compensation data and compensation trends. To ensure that compensation levels are aligned with competitive market rates, our compensation consultant conducts an annual competitive compensation review or a “benchmarking study” in our fourth quarter which is used to review and help determine competitive cash and equity-based compensation for our executives for the following fiscal year. For the compensation review, market compensation data is extracted from published executive compensation surveys from Willis Towers Watson’s own and other proprietary databases and annual proxy filings from peer group companies. The companies whose compensation we benchmark include paper and forest product companies and certain diversified manufacturing companies, some of which are principally based in New England, with whom we could potentially compete for executive talent. Because the size of the organizations in our compensation peer group varies, our compensation consultant adjusts the market data from our compensation peer group based on our revenue level to develop more comparable comparisons of executive compensation. While we use substantially the same compensation peer group in our competitive compensation review from year to year, we make changes in the composition of our compensation peer group to reflect mergers or other extraordinary corporate events (such as bankruptcy filings) and annually review and confirm the appropriate composition of our compensation peer group. The following compensation peer group, which was unchanged from the prior year, other than the removal of Xerium Technologies Inc. due to its merger, was used in the executive and director compensation surveys prepared by our compensation consultant to benchmark our executive compensation and non-employee director compensation programs for 2019 compensation:

Albany International Corporation	Columbus McKinnon Corporation	Packaging Corporation of America
Altra Industrial Motion Corp.	Dover Corporation	Potlatch Corporation
Avid Technology Inc.	ESCO Corporation	PTC Inc.
Charles River Laboratories International Inc.	Louisiana-Pacific Corporation	RBC Bearings Inc.
CIRCOR International Inc.	Lydall, Inc.	Thermo Fisher Scientific Inc.
	Neenah Paper Inc.	Watts Water Technologies Inc.

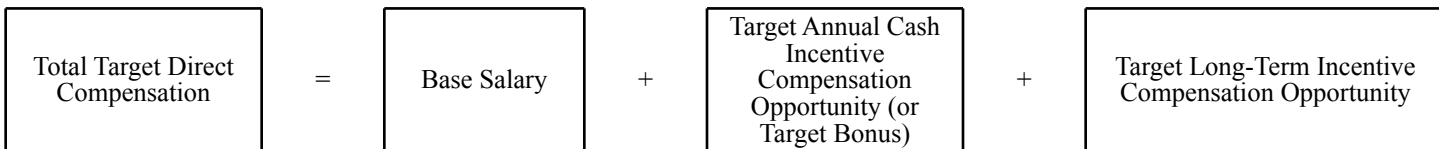
Components of Executive Compensation

Our compensation program meets our executive compensation objectives by using the following pay and benefit elements:

- annual cash compensation, consisting of base salary and cash incentive compensation opportunities;
- long-term (equity) incentive compensation, consisting of a performance-based element and a retention element; and
- other elements of compensation, including retirement and 401(k) plans, health and welfare benefits and change in control agreements.

Our compensation committee believes that the combination of these elements rewards performance, through an assessment of individual performance and company financial measures, aligns the interests of management with our stockholders, and assists in the retention of our executives. We target total direct compensation (the combination of base salary and annual and long-term incentives) for our named executive officers at approximately the 50th percentile (median) of our compensation peer group adjusted based on our revenue level for executives in similar roles, with similar responsibilities and experience. The majority of target direct compensation for our named executive officers is in the form of performance-based pay, consisting of the annual cash incentive opportunity and equity incentive compensation elements of our compensation program, with the intent of rewarding above-average performance, if achieved. In addition, our compensation committee may grant special bonuses on an individual or group basis in recognition of extraordinary achievements or to address other special situations.

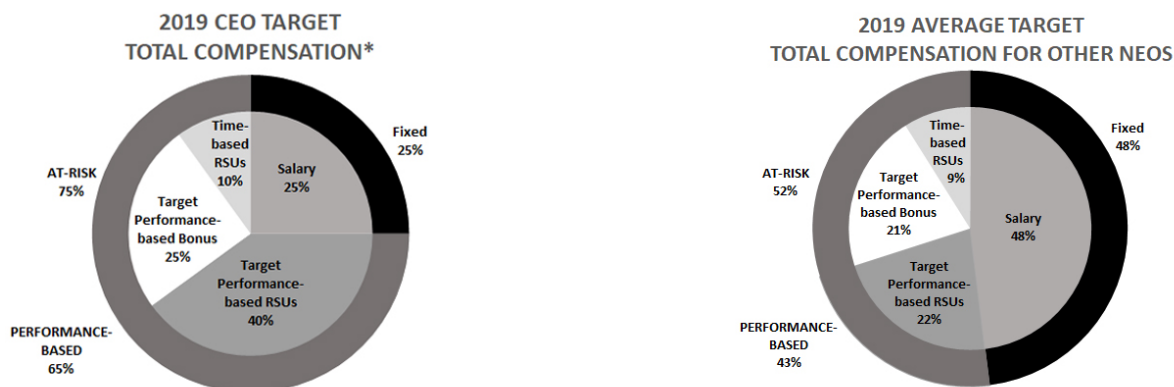
As shown below, target total direct compensation consists of base salary, target annual cash incentive compensation opportunity and target long-term incentive compensation opportunity. For an individual named executive officer total target direct compensation may be higher or lower than the median of our compensation peer group, and each element of compensation may be above or below the median for that element, based on a number of factors, including assessments of the executive’s job responsibilities, length of service, experience and skills.



Our components of total target direct compensation granted during fiscal year 2019 were:

Compensation Element	Form of Compensation	Purpose	Performance Criteria
Base Salary	Cash	Provides compensation that is not “at risk” to our named executive officers to reward them for their skill sets and service	Not performance-based
Annual Cash Incentive Compensation	Cash	Motivates our named executive officers to achieve company performance objectives	Performance-based: Objectively measured using adjusted EPS and return on shareholder investment metrics
Long-term Incentive Compensation	Performance-based Restricted Stock Unit Awards <i>(typically represents approximately 80% of value of annual long-term incentive compensation award)</i>	Provides incentive for our named executive officers to focus on company income growth and align with interests of our stockholders; once earned, encourages retention over a three-year vesting period from the time of grant	Performance-based: objectively measured using an adjusted EBITDA target
	Time-based Restricted Stock Unit Awards <i>(typically represents approximately 20% of value of annual long-term incentive compensation award)</i>	Encourages retention of our named executive officers over a three-year vesting period	Not specifically performance-based, but at risk and aligned with shareholder value creation (based on stock price performance)

In furtherance of our pay-for-performance philosophy, our executive compensation program links a significant proportion of our executives’ total target direct compensation opportunity directly to company performance. As illustrated in the charts below, our compensation committee structured Mr. Powell’s total target direct compensation opportunity as president and chief executive officer for 2019 so that approximately 75% of his pay was “at risk” and 65% of his pay was explicitly “performance-based.” For our other named executive officers (NEOs), other than Mr. Painter, on average, approximately 52% of their total direct compensation opportunity was “at risk” and approximately 43% was explicitly “performance-based,” with our named executive officers responsible for operations having a greater percentage of their total target direct compensation at risk as compared to financial and other corporate executive officers. For this purpose, we categorize our executives’ target bonus opportunity and the grant date fair value of performance-based and time-based RSUs in the calculation of “at risk” compensation and then exclude the grant date fair value of time-based RSUs to calculate “performance-based” compensation.



*Refers to Mr. Powell's annualized target compensation as CEO

Our compensation committee regularly assesses the design and effectiveness of our executive compensation program. In March 2019, our compensation committee determined that, based on the performance achieved in recent years and consistent with its compensation philosophy, modest increases in target total direct compensation for our named executive officers were appropriate, except for the total direct compensation of Mr. McKenney, our executive vice president and chief financial officer, and Ms. Krause, our vice president, general counsel and secretary, each of which fell below the 50th percentile of the peer group and is being increased over a multi-year period, to better align with the market 50% percentile.

Annual Cash Compensation

Base Salary. Base salaries are determined by considering the executive's job responsibilities and competitive compensation rates for executives with similar roles at comparable organizations in the marketplace. Base salaries are reviewed and adjusted annually at our compensation committee's discretion based on a variety of factors, including general or regional economic conditions, cost of living changes, executive performance and changes in market rates of pay for comparable executives. In March 2019, our compensation committee approved salary increases for 2019 of 16% for Ms. Krause and 22% for Mr. McKenney (to better align their compensation to the 50th percentile as discussed above) and 8.5% on average for our other named executive officers, other than Mr. Flynn, who was not an executive officer in 2018.

Cash Incentive Compensation. Cash incentive compensation opportunities are provided annually and objectively determined based on the achievement of pre-determined quantitative performance measures under our stockholder-approved annual cash incentive plan. Each year, our compensation committee selects the executives who will receive an incentive opportunity under the plan, establishes a reference (i.e., target) bonus for each executive based on competitive market compensation data, determines the performance period applicable to the award and establishes the performance goals and ranges applicable to the awards.

Our annual cash incentive program is designed to measure performance objectively and our compensation committee believes that the design of our annual incentive program is highly effective in delivering incentives correlated to the financial performance of our company and uses effective benchmarks of performance.

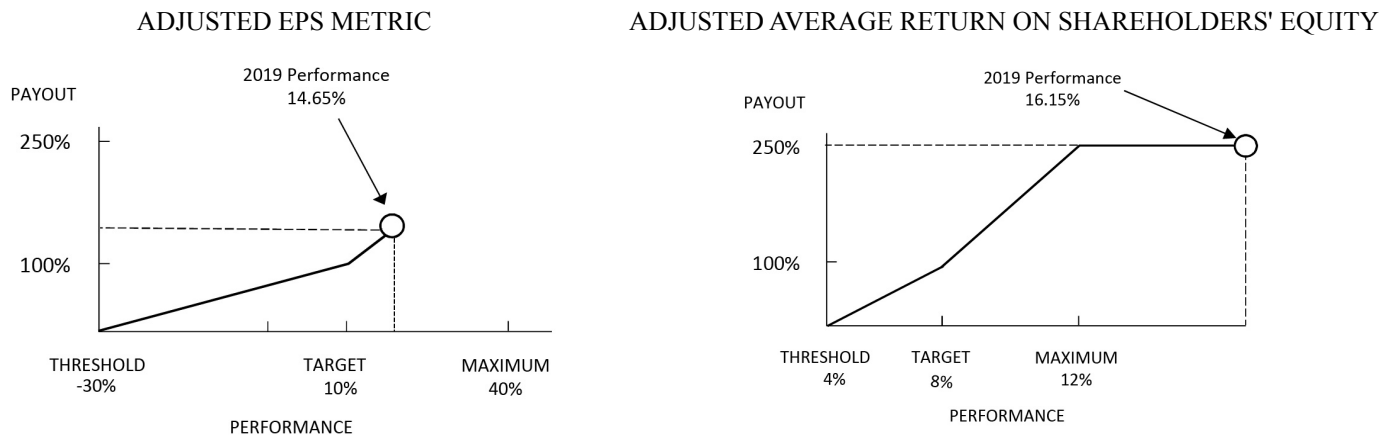
We use two performance metrics: (i) growth in adjusted diluted EPS as compared to the average adjusted diluted EPS for the prior two fiscal years and (ii) adjusted return on average stockholders' equity (the average of stockholders' equity at the beginning and end of the fiscal year). Our compensation committee adjusts the performance measures for certain non-recurring items, such as restructuring charges, acquisition costs, amortization of acquired profit inventory and backlog, gains or losses on dispositions of assets, results of discontinued operations, effects or changes in or adoption of accounting principles, write-downs of assets or asset impairment, and discrete tax items to reflect the performance of our continuing operations. At the end of the performance period, actual performance is then measured against a linear scale of performance that assigns a bonus factor to a level of actual performance for each measure. Our performance metrics consist of the following:

- The adjusted EPS metric measures performance from -30% to 40% growth compared to the average of the prior two fiscal years, with a target established at 10% growth (at which an incentive equal to 100% of the reference bonus for that metric would be earned) and a bonus factor assigned using a scale of zero to 2.5;
- The adjusted return on average stockholders' equity metric measures performance from 4% to 12%, with a target established at an 8% return on average stockholders' equity (at which an incentive equal to 100% of the reference bonus for that metric would be earned) and a bonus factor assigned using a scale of zero to 2.5;
- The two metrics (growth in adjusted diluted EPS and adjusted return on average stockholders' equity) are weighted equally; and
- Each performance metric is translated into a bonus factor ranging from zero to 2.5 using the following linear scales:
 - The linear scale used for the adjusted EPS growth metric has two slopes: from -30% to 10%, the bonus factor is calculated on a linear progression from zero to one; and from 10% to 40%, the bonus factor is calculated on a linear progression from one to 2.5. In addition, for purposes of the comparison to prior years, the performance metric used cannot be lower than -30% or higher than 40% and the maximum bonus factor that can be earned is 2.5.
 - The linear scale used for the adjusted return on average stockholders' equity metric has two slopes: from 4% to 8%, the bonus factor is calculated on a linear progression from zero to one; and from 8% to 12%, the bonus factor is calculated on a linear progression from one to 2.5 and the maximum bonus factor that can be earned is 2.5.

In March 2019, our compensation committee approved the eligible participants under our annual cash incentive plan, determined the performance measures and targets and established the 2019 fiscal year as the applicable performance period. In February 2020, our compensation committee determined the extent to which the performance measures for fiscal 2019 had been met or exceeded. Specifically, our adjusted EPS metric for 2019 exceeded the prior two-year average adjusted earnings per share by 14.65%, and resulted in a bonus factor of 1.23. The adjusted return on average stockholders' equity was 16.15% for 2019, and resulted in the maximum bonus factor of 2.5. In 2019, these performance measures were weighted equally for all the named executive officers,

and resulted in a weighted bonus factor of 1.87. In February 2020, our compensation committee determined to pay cash incentives for 2019 by applying the weighted objective bonus factor to the target bonus opportunity for each executive, resulting in the non-equity incentive plan compensation reported in the Summary Compensation Table set forth below.

The charts below illustrate the linear scales for our performance metrics and our level of achievement in fiscal 2019.



In March 2020, our compensation committee selected the executives who are eligible to receive incentive opportunities under our annual cash incentive plan for 2020, including our named executive officers other than Mr. Painter, determined the performance measures and targets and established the 2020 fiscal year as the applicable performance period. Our compensation committee approved increases in the target bonus opportunities of our named executive officers, including increases of approximately 24%, 18% and 16% for each of Mr. McKenney, Ms. Krause and Mr. Powell, respectively, to better align their respective compensation with the 50th percentile of our peer group. There was no increase approved for 2020 for the remaining named executive officers. Mr. Painter will not receive a cash bonus for fiscal year 2020 in accordance with the terms of his Transition Agreement.

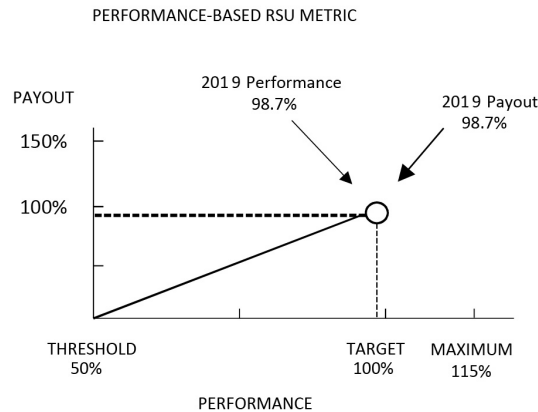
Long-term Incentive Compensation

Our compensation committee considers the award of equity-based incentives to the named executive officers each year the most essential part of our executive compensation program. Our compensation committee annually evaluates our equity compensation program against market practice using surveys conducted by its independent compensation consultant, and generally targets the total estimated value of the long-term equity awards to be delivered to executive officers to the 50th percentile of market compensation for long-term equity awards for executives in comparable positions based on our survey data. Our committee also adjusts the estimated value to be delivered to reflect the committee's assessment of individual performance, value to the organization, and similar factors. Specific target equity incentive opportunities may be higher or lower than the 50th percentile. Our compensation committee believes that a portfolio of performance-focused equity incentive vehicles and retention-focused, shareholder-aligned equity incentive vehicles allows executives to be compensated for both shorter-term performance and incorporates a longer-term retention element. Our compensation committee currently uses performance-based RSUs as the performance-focused element of its equity incentive program and substantially fewer time-based RSUs as the retention element of its equity incentive program. For the past three years, approximately 80% of the value of the annual equity incentive awards to the named executive officers has been in the form of performance-based RSUs.

Performance-based RSUs have a one-year performance measurement period linked to the fiscal year in which they are granted. Our compensation committee uses as the performance measure EBITDA generated from our continuing operations for the fiscal year in which the award is made and adjusted to exclude the effects of restructuring costs and other non-recurring items, results from acquisitions made during the year, depreciation and amortization expenses, and non-cash compensation expenses (adjusted EBITDA). At the end of the fiscal year, our compensation committee determines the actual adjusted EBITDA and compares it to the target adjusted EBITDA, to determine whether and to what extent the performance measure has been achieved, or "earned." Performance is measured against a linear progression that has two slopes, which is intended to reward performance falling within a performance range of between 50% and 115% of the target performance measure. If actual adjusted EBITDA is between 50% and 100% of the target adjusted EBITDA, the number of shares deliverable pursuant to the RSU is determined using a straight-line linear scale between 50% and 100% of the target RSU amount. If actual adjusted EBITDA is between 100% and 115% of the target adjusted EBITDA, the number of shares deliverable pursuant to the RSU is determined using a straight-line linear scale between 100% and 150% of the target RSU amount. If actual adjusted EBITDA is below 50% of the target adjusted EBITDA, no shares are earned and the RSU is forfeited. To the extent an RSU award is earned, it is then subject to additional time-based vesting in three equal annual installments on March 10, beginning with the year following the year of grant, provided that the executive remains employed with our company on the applicable vesting date. Our compensation committee seeks to establish an aggressive, but achievable, adjusted EBITDA target based on our company's expectations for each fiscal year.

In March 2019, our compensation committee awarded performance-based RSUs and time-based RSUs to our named executive officers. The estimated value of the March 2019 awards granted to our named executive officers, including our chief executive officer, was split approximately 80/20 between performance-based RSUs and time-based RSUs. The grant date fair value of the time-based RSUs and performance-based RSUs was \$86.19 per share. The target adjusted EBITDA established by our compensation committee for the 2019 fiscal year for the performance-based RSUs was \$135.7 million. In February 2020, our compensation committee determined that the actual adjusted EBITDA for fiscal year 2019 used for this purpose was \$133.9 million, which represented 98.7% of the target adjusted EBITDA, resulting in an adjustment reducing the number of performance-based RSUs earned for the 2019 fiscal year equal to 98.7% of the target RSU amount for each executive. The earned time-based RSUs and performance-based RSUs awarded in 2019 to our named executive officers are reported below in the table “Executive Compensation – Grants of Plan-Based Awards in Fiscal 2019.”

The chart below illustrates the linear scale used for measuring performance under our performance-based RSUs and our level of achievement in fiscal 2019.



In March 2020, our compensation committee awarded performance-based RSUs and time-based RSUs to our current named executive officers. The estimated value of the March 2020 awards granted to the named executive officers, was split approximately 80/20 between performance-based RSUs and time-based RSUs, other than Mr. Painter, who does not receive long-term incentive compensation in his capacity as executive chairman of the board of directors in accordance with the terms of his Transition Agreement. The grant date fair value of the time-based RSUs and performance-based RSUs granted to the named executive officers in March 2020 was \$88.92 per share.

Other Elements of Compensation and Compensation Policies

Perquisites. Our named executive officers generally do not receive perquisites.

Retirement and 401(k) Plans. We offer a 401(k) plan to our employees based in the United States, including our named executive officers. The 401(k) plan provides for a company matching contribution based on the amount the employee voluntarily contributes, up to a maximum amount. In addition, we previously maintained a noncontributory defined benefit retirement plan (Retirement Plan) and an unfunded restoration plan (Restoration Plan), in which Messrs. Painter, McKenney and Langevin participated. In December 2018, we froze and terminated both plans. Benefits under the Retirement Plan were settled in December 2019, and benefits payable upon termination of the Restoration Plan were distributed in January 2020. See below, under “Executive Compensation – Pension Benefits in Fiscal 2019” for information regarding the Retirement Plan and Restoration Plan and the benefits that certain of our named executive officers received thereunder, respectively.

Health and Welfare Benefits. We offer health and welfare benefits to all salaried employees. These benefits include medical benefits, dental benefits, life insurance, short- and long-term disability plans, accidental death and dismemberment insurance, travel insurance, dependent care and flexible spending accounts and other similar benefits. The cost of these programs is not included in our Summary Compensation Table below for the named executive officers (except as noted) because they are offered to employees generally. We do not provide post-retirement health coverage to our named executive officers, unless otherwise set forth in an executive transition agreement.

Employment and Severance Agreements. In general, we do not enter into employment or severance agreements with our named executive officers, other than the change in control agreements described below. In February 2019, our board approved the Transition Agreement with Mr. Painter, in connection with the Succession Plan, in order to secure his services as chief executive officer and president through June 30, 2019 and thereafter as executive chairman of the board of directors through June 30, 2020. This agreement is described in “Executive Compensation – Potential Payments Upon Termination or Change in Control – Transition and Executive Chairman Agreement with Mr. Painter.”

Change in Control Agreements. We have had executive retention agreements in effect with our named executive officers since 2001 (except for Mr. Powell, whose agreement was entered into in 2008, when he joined our company, and Ms. Krause and Mr. Flynn whose agreements are described below). These agreements provide severance benefits to our named executive officers if their employment is terminated under specified circumstances within 24 months after a change in control (known as a “double trigger”). We believe that such agreements help retain key management in times of transition and enable them to focus on the business and the best interests of stockholders without undue concern for the security of their jobs. These agreements are described below under “Executive Compensation – Potential Payments Upon Termination or Change in Control – Executive Retention Agreements.”

In 2015, our board of directors determined that no tax gross-ups for purposes of excess parachute payments under Section 280G of the Code would be included in future executive retention agreements entered into with any of our employees. In November 2016, our board of directors adopted a new form of executive retention agreement to be entered into with our officers appointed after 2015 who previously did not have executive retention agreements. Ms. Krause entered into this form of agreement in 2018 upon her promotion to vice president, general counsel and secretary, and Mr. Flynn entered into this form of agreement in 2019 upon his promotion to vice president. This form of agreement provides severance benefits to our officers if their employment is terminated under specified circumstances within 24 months after a change in control. However, this form of agreement does not provide any tax gross-ups and instead provides that the benefits will be cut back if the application of the parachute payment tax under Section 4999 of the Code on the full amount would leave the executive with a lower net amount than having the benefit cut back to the point at which the parachute payment tax does not apply.

Executive Succession Planning

Our compensation committee has a formal process for evaluating succession plans for the chief executive officer and key executive positions within the company. Each year, our compensation committee reviews the succession plans prepared for these positions by management and considers the leadership qualities and long-term potential of our executive team. As described above, our board of directors adopted the Succession Plan in February 2019.

Clawback Policy

In 2016, our board of directors adopted a “clawback policy” regarding incentive compensation awarded to our executive officers in the event of a material misstatement of our financial statements. In the event we were required to prepare an accounting restatement to correct one or more material errors, we will make reasonable attempts to recover from our current and former executive officers who received incentive-based compensation (including performance-based RSUs and stock option awards) during the preceding three-year period, the amount in excess of what should have been paid to the executive officer based on the corrected data. Incentive-based compensation includes any compensation granted, earned or vested wholly or in part upon the attainment of any financial measures, such as cash incentive compensation and performance-based RSUs.

Policy on Deductibility of Compensation

Section 162(m) of the Code generally disallows a tax deduction to public companies for compensation in excess of \$1 million paid to each of the company’s chief executive officer and the three most highly compensated executive officers (other than the chief executive officer and chief financial officer). Pursuant to tax legislation signed into law on December 22, 2017 (the Tax Act), for taxable years beginning after December 31, 2017, the Section 162(m) deduction limitation is expanded so that it also applies to compensation in excess of \$1 million paid to a public company’s chief financial officer. In addition, any person who was a covered employee as defined under Section 162(m)(3) as of January 1, 2017 or becomes a covered employee thereafter will remain a covered employee in perpetuity. Historically, compensation that qualified under Section 162(m) as performance-based compensation was exempt from the deduction limitation. However, subject to certain transition rules, the Tax Act eliminated the qualified performance-based compensation exception. As a result, for taxable years beginning after December 31, 2017, all compensation in excess of \$1 million paid to each of the executives described above (other than certain grandfathered compensation) will not be deductible by us.

We consider potential tax deductibility in making compensation decisions, to the extent deductibility is reasonably practicable and consistent with our other compensation objectives. We continue to believe that stockholder interests are best served by not restricting our discretion and flexibility in structuring compensation programs, even though such programs will result in non-deductible compensation expenses.

Policy on Pledging and Hedging of Company Stock

We believe that our directors and officers should not use financial vehicles such as hedges to protect themselves from declines in our stock price or to pledge our stock as collateral in margin accounts or other loans. We maintain a robust policy prohibiting our directors and officers from pledging our stock as collateral for any loan or margin account. In addition, we prohibit our directors and officers from hedging their ownership of our stock, whether in the form of prepaid variable forwards, equity swaps, collars and exchange funds, or other vehicles designed to allow an individual to hold our stock without the full risks and rewards of ownership. These prohibitions are contained in our Insider Trading Policy and Procedures and are communicated regularly to our directors and officers.

Stock Ownership Guidelines

We believe that executive stock ownership is important in aligning the interests of our executives with those of our stockholders. In March 2011, our board adopted stock ownership guidelines for our executive officers that require our chief executive officer to hold shares equivalent in value to three times his annual base salary and our other executive officers to hold shares equivalent in value to one time their annual base salary. For purposes of calculating stock ownership, we include shares beneficially held by each executive officer and time-based and performance-based RSUs to the extent the performance measure has been met or earned, even if the RSU is unvested. We do not include vested or unvested stock options. Compliance with the guidelines is measured annually following the close of the fiscal year, and our executive officers have five years from the later of the adoption of our stock ownership guidelines or their appointment as an executive officer to attain compliance.

In 2015, we enhanced our stock ownership guidelines to require our executive officers to hold 50% of shares issued upon the vesting of RSUs and shares acquired upon exercise of stock options until our stock ownership guidelines are met.

As of March 2019, all our executive officers were in compliance with our stock ownership guidelines. Our director stock ownership guidelines are described under “Director Compensation.”

Risk Assessment of Our Compensation Policies

Our compensation committee has reviewed our compensation program with its compensation committee consultant, and based on that review, has concluded that risks arising from our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on our company. We believe that our policies are applied consistently across our businesses, and that our focus on corporate profitability, as opposed to other measures such as revenue growth, encourages consistent behavior across our organization.

COMPENSATION COMMITTEE REPORT

The compensation committee of our board of directors has reviewed and discussed the preceding Compensation Discussion and Analysis with management. Based on such review and discussions, the compensation committee has recommended to our board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

By the compensation committee of the board of directors,

John M. Albertine (chairman)

Thomas C. Leonard

William P. Tully

EXECUTIVE COMPENSATION

2019 Summary Compensation Table

The following table summarizes compensation information for the last three completed fiscal years for each individual who served as our chief executive officer (our principal executive officer), our chief financial officer (our principal financial officer), and our three other most highly compensated current executive officers in fiscal 2019. These executive officers are collectively referred to as the “named executive officers.”

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards \$(1)	Non-Equity Incentive Plan Compensation \$(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(3)	All Other Compensation \$(4)	Total (\$)
Jonathan W. Painter	2019	\$ 557,500 (5)	\$ —	\$ 592,598	\$ 1,327,700	\$ 47,226	\$ 13,260	\$ 2,538,284
Executive Chairman of the Board; Former President and Chief Executive Officer	2018	\$ 675,000	\$ —	\$ 1,890,612	\$ 1,687,500	\$ 345,006	\$ 39,285	\$ 4,637,403
	2017	\$ 635,500	\$ —	\$ 1,890,920	\$ 1,588,800	\$ 383,948	\$ 39,060	\$ 4,538,228
Jeffrey L. Powell	2019	\$ 567,000 (6)	\$ —	\$ 1,306,123	\$ 878,900	\$ —	\$ 13,920	\$ 2,765,943
President and Chief Executive Officer	2018	\$ 425,000	\$ —	\$ 708,821	\$ 637,500	\$ —	\$ 34,203	\$ 1,805,524
	2017	\$ 390,000	\$ —	\$ 627,706	\$ 598,000	\$ —	\$ 33,867	\$ 1,649,573
Michael J. McKenney	2019	\$ 451,000	\$ —	\$ 435,260	\$ 392,700	\$ 4,606	\$ 13,792	\$ 1,297,358
Executive Vice President and Chief Financial Officer	2018	\$ 370,000	\$ —	\$ 413,642	\$ 375,000	\$ 262,634	\$ 27,961	\$ 1,449,237
	2017	\$ 342,000	\$50,000 (7)	\$ 272,059	\$ 324,800	\$ 212,921	\$ 25,085	\$ 1,226,865
Eric T. Langevin	2019	\$ 451,000	\$ —	\$ 464,392	\$ 486,200	\$ 8,979	\$ 13,791	\$ 1,424,362
Executive Vice President and Chief Operating Officer	2018	\$ 415,000	\$ —	\$ 472,678	\$ 625,000	\$ 149,942	\$ 34,171	\$ 1,696,791
	2017	\$ 402,000	\$ —	\$ 533,414	\$ 618,000	\$ 357,144	\$ 33,904	\$ 1,944,462
Stacy D. Krause	2019	\$ 336,000	\$ —	\$ 209,786	\$ 222,500	\$ —	\$ 13,487	\$ 781,773
Vice President, General Counsel and Secretary	2018	\$ 282,500 (8)	\$ —	\$ 147,736	\$ 200,000	\$ —	\$ 32,624	\$ 662,860
Peter J. Flynn	2019	\$ 313,404 (10)	\$ —	\$ 73,348	\$ 140,300	\$ —	\$ 54,922	\$ 581,974
Vice President (9)								

- (1) Represents the aggregate grant date fair value for equity awards made to our named executive officers in fiscal years 2017, 2018 and 2019. The amounts reported in this table do not reflect whether the named executive officer has actually realized a financial benefit from the award. Grant date fair value of equity awards is computed in accordance with Accounting Standards Codification Topic 718 (ASC Topic 718). For a discussion of the assumptions and methodologies used to calculate grant date fair value in this proxy statement, please refer to Note 3 of the financial statements in our annual report on Form 10-K for the year ended December 28, 2019. For performance-based RSU awards, these amounts reflect the grant date fair value of such awards based upon actual outcome of awards earned in 2019. The maximum potential value of the performance-based RSU awards (assuming the highest level of performance achievement) that could have been earned in 2019 was: Mr. Powell - \$1,583,741; Mr. McKenney - \$527,871; Mr. Langevin - \$563,165; and Ms. Krause - \$254,562. Neither Mr. Painter nor Mr. Flynn received a performance-based RSU award for 2019. The RSU award to Mr. Painter vested in full on March 10, 2020.
- (2) Represents amounts earned for 2017, 2018, and 2019 under our annual cash incentive plan. Our 2019 cash incentive plan awards are described above under “Compensation Discussion and Analysis – Annual Cash Compensation.”
- (3) Our Retirement Plan and the Restoration Plan were each frozen and terminated effective December 29, 2018, with no further accruals of benefits during the year ended December 28, 2019, as further described below under the heading “Pension Benefits in Fiscal 2019.” Benefits under the Retirement Plan were settled in December 2019 and accordingly there are no remaining liabilities under the Retirement Plan. The annual change in value for Messrs. Painter, McKenney and Langevin is attributable to the effect of changes in actuarial assumptions utilized in the prior year.

- (4) Represents the total amount of all other compensation provided to our named executive officers, and for 2019 includes (a) employer contributions under our 401(k) savings plan made on behalf of the named executive officer, (b) employer payments to cover premiums for life insurance policies for the benefit of the named executive officer, and (c) in the case of Mr. Flynn, housing and relocation expenses of \$34,820 related to his temporary relocation from our subsidiary Kadant Black Clawson LLC (KBC) in Lebanon, Ohio to our corporate headquarters in Westford, Massachusetts in connection with his promotion to vice president of Kadant Inc. and \$6,372 in perquisites received as president of KBC in the first half of the year. In 2019, our employer contribution made under our 401(k) savings plan was \$12,600 for each named executive officer. In 2019, our life insurance policies provided coverage of two times an executive's base salary up to a maximum of \$1 million, and the premiums paid by us on behalf of the named executive officers were as follows: Mr. Painter - \$660; Mr. Powell - \$1,320; Mr. McKenney - \$1,192; Mr. Langevin - \$1,191; Ms. Krause - \$887 and Mr. Flynn - \$1,130. Prior to 2019, the total amount of all other compensation to our named executive officers included employer costs of a leased car or a car allowance payment.
- (5) Represents the total salary earned by Mr. Painter in 2019. Mr. Painter began 2019 as our president and chief executive officer with an annual salary of \$735,000. Upon his transition to the position of executive chairman of the board of directors effective July 1, 2019 and pursuant to the terms of his Transition Agreement, his annual salary was \$380,000.
- (6) Represents the total salary earned by Mr. Powell in 2019. Mr. Powell began 2019 as our executive vice president and co-chief operating officer, with an annual salary of \$459,000. Upon his transition to the position of president and chief executive officer effective July 1, 2019, his annual salary was \$675,000.
- (7) Represents a discretionary cash bonus paid to Mr. McKenney in recognition of his performance during the 2017 fiscal year.
- (8) Ms. Krause began 2018 with a salary of \$275,000, but received an increase in salary to \$290,000 upon becoming our vice president, general counsel and secretary on July 1, 2018 in accordance with the terms of her offer letter. Ms. Krause joined our company in 2017 and was not a named executive officer in such year.
- (9) Mr. Flynn was not a named executive officer in 2017 or 2018. His compensation is therefore only disclosed for the year ended December 28, 2019.
- (10) Represents the total salary earned by Mr. Flynn in 2019. He began 2019 as the president of KBC and upon his transition to the position of vice president of Kadant Inc. effective July 1, 2019, his annual salary was \$345,000.

Grants of Plan-Based Awards in Fiscal 2019

The following table provides information on individual grants and awards of equity-based compensation made to our named executive officers during fiscal 2019. We did not grant any stock options in 2019.

Grants of Plan-Based Awards in Fiscal 2019

Name	Grant Date	Estimated Future Payouts under Non-Equity Incentive Plan Awards (\$) (1)	Estimated Future Payouts under Equity Incentive Plan Awards (#)	Grant Date Fair Value of Stock Awards (\$) (2)
Jonathan W. Painter	3/4/2019	\$ 1,327,700	—	—
	3/4/2019 (4)	—	6,806	\$ 592,598
Jeffrey L. Powell	3/4/2019	\$ 878,900	—	—
	3/4/2019 (3)	—	12,091	\$ 1,042,123
	3/4/2019 (4)	—	3,063	\$ 264,000
Michael J. McKenney	3/4/2019	\$ 392,700	—	—
	3/4/2019 (3)	—	4,029	\$ 347,260
	3/4/2019 (4)	—	1,021	\$ 88,000
Eric T. Langevin	3/4/2019	\$ 486,200	—	—
	3/4/2019 (3)	—	4,299	\$ 370,531
	3/4/2019 (4)	—	1,089	\$ 93,861
Stacy D. Krause	3/4/2019	\$ 222,500	—	—
	3/4/2019 (3)	—	1,942	\$ 167,381
	3/4/2019 (4)	—	492	\$ 42,405
Peter J. Flynn	3/4/2019	\$ 140,300	—	—
	3/4/2019 (4)	—	851	\$ 73,348

- (1) Represents the cash amount earned in 2019 pursuant to an award under our cash incentive plan. In granting the award, our compensation committee established performance goals for the 2019 fiscal year as described in “Compensation Discussion and Analysis – Annual Cash Compensation – Cash Incentive Compensation.” In February 2020, our compensation committee determined the level of achievement of the performance goals resulting in the payout of awards at the level disclosed in this table. See “Compensation Discussion and Analysis – Annual Cash Compensation.”
- (2) Represents the grant date fair value of performance-based RSUs or time-based RSUs awarded to our named executive officers in 2019. The per share grant date fair value was \$86.19, except the grant date fair value for Mr. Painter's award was \$87.07.
- (3) Represents a performance-based RSU award granted in 2019 under our 2006 equity incentive plan. These RSU awards were subject to performance goals for the 2019 performance period that our compensation committee determined were met for the 2019 performance period and reflect the grant date fair value based upon actual outcome of awards earned in 2019. See “Compensation Discussion and Analysis – Long-Term Incentive Compensation.” The maximum potential value of the performance-based RSU awards (assuming the highest level of performance achievement) that could have been earned in 2019 was: Mr. Powell - \$1,583,741; Mr. McKenney - \$527,871; Mr. Langevin - \$563,165; and Ms. Krause - \$254,562. Once the performance goals are determined to have been met, the RSUs are subject to additional time-based vesting, with one-third of each RSU award vesting on March 10, beginning with the year following the grant, provided that the named executive officer remains employed with our company on each vesting date. The vesting of the RSUs is accelerated upon death, disability or a change in control of our company.
- (4) Represents a time-based RSU award granted in 2019 under our 2006 equity incentive plan. Except for Mr. Painter's RSU award, one-third of the RSUs vest on each anniversary of March 10, beginning on March 10, 2020, provided the named executive officer remains employed with our company on each vesting date. The vesting of the RSUs is accelerated upon death, disability or a change-in-control of our company. Mr. Painter's RSU award vested in full on March 10, 2020.

Outstanding Equity Awards at 2019 Fiscal Year-End

The following table provides information on outstanding equity awards issued under our 2006 equity incentive plan and held by our named executive officers as of the end of fiscal 2019.

Outstanding Equity Awards at 2019 Fiscal Year-End

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested #(1)	Market Value of Shares or Units of Stock That Have Not Vested \$(2)
Jonathan W. Painter	—	—	—	—	30,791	\$ 3,256,456
Jeffrey L. Powell	6,768 (3)	—	\$ 24.90	3/9/2021	23,671	\$ 2,503,445
	10,287 (4)	—	\$ 21.91	3/7/2022		
	12,210 (5)	—	\$ 25.98	3/6/2023		
Michael J. McKenney	4,244 (4)	—	\$ 21.91	3/7/2022	9,467	\$ 1,001,230
	4,728 (5)	—	\$ 25.98	3/6/2023		
Eric T. Langevin	11,274 (3)	—	\$ 24.90	3/9/2021	11,739	\$ 1,241,517
	11,423 (4)	—	\$ 21.91	3/7/2022		
	12,727 (5)	—	\$ 25.98	3/6/2023		
Stacy D. Krause	—	—	—	—	3,942	\$ 416,906
Peter J. Flynn	—	—	—	—	1,584	\$ 167,524

- (1) Represents the number of our shares underlying RSU awards granted in March of 2017, 2018 and 2019, provided that the named executive officer remains employed with our company through the applicable vesting dates. For time-based RSU awards, one-third of each award vests on each of the first, second and third anniversaries of March 10 of the year of grant, with the exception of Mr. Painter's RSU award granted in March 2019, which vested in full on March 10, 2020. For performance-based RSU awards, once the performance criteria is met, one-third of each award vests on each of the first, second and third anniversaries of March 10 of the year of grant. The vesting of RSU awards is accelerated upon death, disability or a change in control of our company.
- (2) Based upon the closing price of our common stock of \$105.76 on December 27, 2019, the last trading day before the end of our fiscal year.
- (3) These awards vested over a three-year period in equal tranches and became fully vested on March 9, 2014.
- (4) These awards vested over a three-year period in equal tranches and became fully vested on March 7, 2015.
- (5) These awards vested over a three-year period in equal tranches and became fully vested on March 6, 2016.

Option Exercises and Stock Vested in Fiscal 2019

The following table provides information on the exercises of options and vesting of restricted stock units during fiscal 2019 for each of our named executive officers. No other equity awards granted to our named executive officers vested or were exercised during fiscal 2019.

Option Exercises and Stock Vested in Fiscal 2019

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
Jonathan W. Painter	189,443	\$ 14,050,979	29,186	\$ 2,509,120
Jeffrey L. Powell	11,347	\$ 869,521	9,617	\$ 826,773
Michael J. McKenney	6,449	\$ 488,748	4,516	\$ 388,241
Eric T. Langevin	18,298	\$ 1,391,925	8,025	\$ 689,909
Stacy D. Krause	—	—	1,007	\$ 86,572
Peter J. Flynn	—	—	1,025	\$ 88,119

- (1) Determined by multiplying the number of shares vesting by \$85.97, the closing price of our common stock on March 8, 2019, the last trading day prior to the March 10, 2019 vesting date.

Pension Benefits in Fiscal 2019

We historically provided retirement benefits to our named executive officers under our Retirement Plan and Restoration Plan. Mr. Painter, Mr. McKenney and Mr. Langevin each participated in the Retirement Plan and the Restoration Plan. Our Retirement Plan was closed to new participants at the end of 2005, as we shifted our focus to providing defined contribution benefit plans to employees. As a result, none of Mr. Powell or Ms. Krause, each of whom joined the company after 2005, or Mr. Flynn, who was previously employed by our KBC subsidiary, was eligible to participate in our Retirement Plan or Restoration Plan. In October 2018, our board of directors and our compensation committee approved amendments to freeze and terminate the Retirement Plan and Restoration Plan as of December 29, 2018.

Retirement Plan. Under our Retirement Plan, prior to its freeze and termination, each eligible employee received a monthly retirement benefit, beginning at normal retirement age (65), that was a percentage of average monthly compensation before retirement multiplied by years of service (up to a maximum of 30 years). Full credit was given for the first 25 years of service, and half credit was given for years over 25 and less than 30. Eligible employees who retired early (before the normal retirement age of 65) would receive reduced benefits compared to the benefits they would receive at the normal retirement age. Average monthly compensation was generally defined as average monthly base salary over the five consecutive years of highest compensation in the fifteen-year period preceding retirement, but the annualized compensation used for this calculation could not exceed an IRS-prescribed limit for each year applicable to tax-qualified plans, which was \$280,000 in 2019. The eligible employee then received a percentage of such amount, currently determined as 1.15% of average pay up to an annualized threshold that was \$132,900 in 2019, and 1.75% of average pay in excess of the annualized threshold. Benefits under our Retirement Plan became fully vested in connection with the termination of the Retirement Plan. The actual benefits that were received by the participants were subject to reduction for Social Security benefits.

Restoration Plan. Our Restoration Plan was adopted for the benefit of certain participants in our Retirement Plan whose benefits were reduced as a consequence of applicable IRS limits on the level of contributions and benefits. For those executive officers who participated in our Retirement Plan, the Restoration Plan was designed to provide participants a comparable level of retirement benefits to those provided to other participants in our Retirement Plan, relative to their compensation as defined in our Retirement Plan.

Following the participant's termination of employment, prior to its freeze and termination, the Restoration Plan was designed to provide a benefit upon retirement payable in a lump sum that was in addition to the benefit payable from our Retirement Plan. The additional benefit was equal to the difference between the benefit payable under our Retirement Plan calculated with and without application of the IRS limitations. In addition, our Restoration Plan modified the years of service limitations in our Retirement Plan, so that participants continue to accrue full credit for years of service beyond 25 years until the later of the participant's normal retirement date (the month after the participant reaches age 65) or 30 years of service.

The benefits under the Restoration Plan were fully vested for all our named executive officers participating in the Restoration Plan. The Restoration Plan was an unfunded nonqualified defined benefit plan.

2018 Amendments. In connection with the freeze and termination of the Retirement Plan, the amendment to such plan further provided for a benefit enhancement to eligible Retirement Plan participants as of October 29, 2018, such that each participant was provided with whichever of the following benefits produces the greater benefit to such participant: (i) credit of up to two additional years of service (up to a maximum of 30 years); or (ii) the calculation of the participant's average monthly earnings (for purposes of determining such participant's benefits under the Retirement Plan) using up to two additional years of compensation for 2018 (which would have been prorated if the participant retired prior to December 29, 2018). For any participant enjoying a benefit enhancement under the Retirement Plan, the benefits under the Restoration Plan were computed taking into account such additional benefits as provided in the amendment to the Retirement Plan. We did not have a policy for granting extra pension service, except that in the event of a change in control, we are contractually required under our executive retention agreements to recognize additional age and length of service in calculating the pension benefits payable to our named executive officers under these plans, and except as described in connection with the amendments to the Retirement Plan and Restoration Plan.

The Retirement Plan and the Restoration Plan were terminated effective December 29, 2018. On October 29, 2019, we received the Internal Revenue Service favorable determination letter for terminating the Retirement Plan. In December 2019, we settled the Retirement Plan benefit obligations by transferring the plan's assets and benefit obligations to an annuity provider and distributed lump-sum payments or an annuity to participants based on their elections. We settled the Restoration Plan in January 2020.

The amounts reported in the table below equal the present value of the accumulated benefit at the end of fiscal 2019 for Messrs. Painter, McKenney and Langevin, the three named executive officers who were participants in our Retirement Plan and Restoration Plan, as well as the value of the annuity premium paid to settle obligations under the Retirement Plan in fiscal 2019.

Pension Benefits in Fiscal 2019

Name	Plan Name	Number of Years Credited Service (#)(1)	Present Value of Accumulated Benefit \$(2)	Payments During Last Fiscal Year \$(3)
Jonathan W. Painter	Retirement Plan	—	—	\$ 1,112,226
	Restoration Plan	20	\$ 1,283,961	—
Michael J. McKenney	Retirement Plan	—	—	\$ 1,259,827
	Restoration Plan	21	\$ 255,388	—
Eric T. Langevin	Retirement Plan	—	—	\$ 1,477,460
	Restoration Plan	32	\$ 887,516	—

- (1) The number of years of credited service under the Retirement Plan is not applicable due to the freeze, termination and settlement of such plan.
- (2) Because of the settlement that occurred in December 2019, the "present value of accumulated benefit" for the Retirement Plan for each participant was zero as of December 28, 2019 for all participants.
- (3) Payments under the Retirement Plan represent the values of the annuity premiums paid to settle the named executive officer's benefit under such plan as part of the group annuity contract purchased in December 2019 to settle the remainder of the plan's liability. Payments of lump sum amounts to settle obligations under the Restoration Plan were made in January 2020.

CEO Pay Ratio

The following is a reasonable estimate, prepared under applicable SEC rules, of the ratio of the annual total compensation of our CEO to the median of the annual total compensation of our other employees.

The annual total compensation of Mr. Painter, our former president and chief executive officer, was \$3,900,980. This amount equals his compensation as reported in the Summary Compensation Table plus an additional amount that reflects the annualizing of his base salary, non-equity incentive plan compensation, and annual long-term equity award for 2020 consistent with the applicable SEC guidance. We annualized Mr. Painter's total compensation as follows:

Summary Compensation Table Components	Values Disclosed in Summary Compensation Table	For CEO Pay Ratio: Annualized Values + One-Time Values	Rationale
Salary	\$557,500	\$ 735,000	Represents Mr. Painter's annualized salary as president and chief executive officer.
Bonus	—	—	
Stock Awards	\$592,598	\$ 1,777,794	Pursuant to the Transition Agreement, Mr. Painter's 2019 stock award was approximately equal to 1/3 of the value of the total RSUs that he would have received for fiscal 2019.
Non-Equity Incentive Compensation	\$1,327,700	\$ 1,327,700	Pursuant to the Transition Agreement, Mr. Painter's 2019 non-equity incentive compensation represented a full year of service, and was not prorated for the time served as chief executive officer during the year.
Change in Pension Value	\$47,226	\$ 47,226	The change in value for Mr. Painter's benefits under the frozen and terminated Retirement Plan and Restoration Plan were based on previously credited years of service and would not have increased if annualized.
All Other Compensation	\$13,260	\$ 13,260	Mr. Painter remained our employee throughout 2019 even after he transitioned to executive chairman of the board of directors and his All Other Compensation values represent a full fiscal year.
Total CEO Pay	\$2,538,284	\$ 3,900,980	

We began our analysis of CEO pay relative to median employee pay in 2017 by determining that we had approximately 2,465 employees as of an October 2, 2017 determination date. As is permitted under the SEC rules, we eliminated 25 non-U.S. employees (approximately 1% of our total workforce population) from the data set. We excluded our employees in Argentina (3 employees), Australia (4 employees), Belgium (6 employees), Japan (2 employees) and Russia (10 employees).

As is permitted under the SEC rules, to determine our median employee, we used a consistently applied compensation definition that was not Summary Compensation Table total compensation and instead chose “base pay.” We used a valid statistical sampling methodology to provide a reasonable estimate of the median base pay for the employee population considered (excluding our CEO). Then we identified employees who we expected were paid within a +/- \$5,000 range of that value, based on our assumptions that the median employee was likely to be within that group and that those within that group had substantially similar probabilities of being the median employee. We next analyzed multiple years of taxable wages to ensure we chose a median employee with stable wages. Finally, we selected an employee from that group and determined that person’s Summary Compensation Table annual total compensation.

Through the end of fiscal 2019, there had been no change in our employee population or employee compensation arrangements that we reasonably believe would result in a significant change to our pay ratio disclosure. Under SEC rules, we are permitted to use the same median employee identified in 2017 and to exclude the approximately 250 persons who became our employees as a result of our acquisition of Syntron Material Handling Group, LLC and its subsidiaries on January 2, 2019, in order to calculate the applicable pay ratio for fiscal 2019. That employee's Summary Compensation Table annual total compensation in fiscal 2019 was \$69,528. As disclosed above, our former president and chief executive officer Mr. Painter’s total compensation as chief executive officer annualized for 2019 was \$3,900,980. Based upon this methodology, we estimate that the ratio of CEO pay to median employee pay is 56:1. Given the different methodologies that various public companies will use to determine an estimate of their pay ratio, the estimated ratio reported above should not be used as a basis for comparison between our company and any other companies.

Potential Payments Upon Termination or Change in Control

Transition and Executive Chairman Agreement with Mr. Painter. In connection with the Succession Plan, on February 13, 2019, we entered into the Transition Agreement with Mr. Painter, which terminates upon Mr. Painter's retirement on June 30, 2020 (Painter Retirement Date) or Mr. Painter's earlier resignation, termination, death or disability (such date when employment ends shall be referred to as the Painter Separation Date). We agreed to pay the following amounts to Mr. Painter as an incentive in the form of a stay bonus and related benefits in the event he remains employed with us through the Painter Retirement Date. The following payments were subject to Mr. Painter's delivery of a release to us pursuant to the Transition Agreement.

Mr. Painter was paid an annual base salary of \$735,000 through June 30, 2019. To reflect his part-time schedule as executive chairman, from and after July 1, 2019 through his retirement on the Painter Separation Date, Mr. Painter's annual base salary was \$380,000. He remained eligible to participate in our cash incentive plan based on a target bonus of \$710,000 for the fiscal year ending December 28, 2019 (the 2019 Painter Bonus). The 2019 Painter Bonus was not prorated, and Mr. Painter will not be paid a bonus for the 2020 fiscal year. Until his retirement on the Painter Separation Date, Mr. Painter will also be eligible to participate in our executive and employee benefit plans (to the extent eligible under their terms) and will receive the same benefits that are generally provided to other executive officers of the company.

Mr. Painter's outstanding stock options and restricted stock unit awards continue to be governed by the applicable plans and agreements. As contemplated in the Transition Agreement, the compensation committee of the board approved the revisions to Mr. Painter's outstanding restricted stock unit awards to accelerate the vesting thereof on the Painter Separation Date for awards that would vest after March 10, 2020, provided that he either remain employed until the Painter Retirement Date or his employment was terminated by us without Cause (as defined in the Transition Agreement) or as a result of death. His departure will be treated as a "retirement" for purposes of the stock option awards that provide for exercise after retirement for up to two years. In March 2019, our Compensation Committee awarded Mr. Painter 6,806 time-based RSUs, approximately equal to a third of the value of the total RSU award that he would have received for fiscal 2019, in accordance with past practice. This award vested and became distributable on March 10, 2020. While serving as executive chairman of the board of directors, Mr. Painter is not eligible to receive any additional compensation as a result of his service on the board of directors, nor is the board of directors obligated to grant him additional equity awards as a result of his service as executive chairman of the board of directors. Provided that Mr. Painter continues to be a director after the Separation Date, he shall receive the compensation paid to non-employee directors beginning on July 1, 2020, prorated for the remainder of the year.

Under the Transition Agreement, in the absence of a change in control and prior to June 30, 2020, if Mr. Painter's employment is terminated (i) by us without Cause (as defined in the Transition Agreement) or as a result of death, he or his estate will receive an amount equal to the base salary, an amount equal to the 401(k) contribution, and an amount equal to the value of any executive benefits, each as he would have received had he remained an employee through his planned retirement on such date, and including his actual bonus for fiscal year 2019 (paid on the regular bonus timing and reduced by any amount previously paid on such bonus), employer-side premiums for continuation health coverage as applicable, and accelerated vesting of certain restricted stock units (subject to the determination of performance for performance-based awards) or (ii) because of a disability, he or his estate will receive his target bonus for fiscal year 2019. In the event of both a change in control of us and the termination of Mr. Painter's employment on or before the Painter Separation Date, in lieu of any termination benefits provided for by the Transition Agreement, Mr. Painter will receive the benefits, if any, and be subject to the obligations contained in the Amended and Restated Transition Agreement entered into between us and Mr. Painter on December 9, 2008. Pursuant to the Transition Agreement, during the period of his employment and for one (1) year after his retirement or the earlier termination of his employment, Mr. Painter agrees not to compete with us, and for two (2) years after his retirement or the earlier termination of his employment, Mr. Painter agrees not to solicit our customers or employees or assist any other party to cause a change in control of us. He also agrees to maintain the confidentiality of our information during the period of his employment and thereafter.

Executive Retention Agreements. We have no employment agreements or severance agreements with our current named executive officers (other than as described above for Mr. Painter) that provide benefits upon termination of employment, other than executive retention agreements that provide benefits upon termination following a change in control.

Prior Retention Agreements. Executive retention agreements have been in effect with Messrs. Painter, McKenney and Langevin since 2001 (as amended, the Prior Retention Agreements) and provide severance pay and continuation of certain welfare benefits in the event of a change in control and a termination of the executive's employment under specified circumstances within 24 months following the change in control. Mr. Painter's executive retention agreement remains in place through the Painter Retirement Date. Mr. Powell entered into a Prior Retention Agreement in January 2008, when he joined our company.

A "change in control" is defined in the Prior Retention Agreements as:

- the acquisition by any person of 20% or more of our outstanding common stock or voting securities;
- the failure of our incumbent directors to constitute a majority of our board of directors, with "incumbent directors" meaning directors who are members of our board of directors on the date of the agreement and members who are subsequently nominated or elected by a majority of the incumbent directors;

- the consummation of a merger, consolidation, reorganization, recapitalization or statutory share exchange, or the sale or other disposition of all or substantially all of our assets, unless immediately after such transaction (a) the holders of our common stock immediately prior to the transaction own more than 80% of the outstanding voting securities of the resulting or acquiring corporation in substantially the same proportions as their ownership immediately prior to such transaction and (b) no person after the transaction owns 20% or more of the outstanding voting securities of the resulting or acquiring corporation; or
- approval by our stockholders of a plan to completely liquidate or dissolve our company.

The Prior Retention Agreements provide for the immediate vesting of all of the named executive officer's unvested equity incentive awards upon a change in control.

In addition, the Prior Retention Agreements provide severance benefits in the event the named executive officer's employment is terminated during the 24-month period following the change in control (a "double-trigger" event). If there is a change in control and the named executive officer's employment terminates due to death, disability or voluntarily without "good reason," the named executive officer receives a lump sum payment equal to:

- his or her salary through the date of termination;
- any cash incentives earned but not yet paid for the most recently completed fiscal year; and
- a pro rata cash incentive for the year in which his or her employment terminates based on the higher of the individual's current target bonus or cash incentive for the most recently completed fiscal year (a "pro rata bonus").

In the event the named executive officer's employment is terminated, either voluntarily with "good reason" or involuntarily "without cause," during the 24-month period following a change in control, the Prior Retention Agreements provide for severance payments and the continuation of certain welfare benefits. In such event, the named executive officer would receive:

- salary through the date of termination;
- any bonus earned but not yet paid for the most recently completed fiscal year;
- a pro rata bonus (calculated as above);
- a lump sum severance payment equal to two times the sum of the highest annual salary and bonus (or current year reference bonus if higher) within the five years prior to the year of termination;
- continuation of health, welfare and other fringe benefits applicable immediately prior to termination for a period of two years;
- additional age and length of service equal to two years in calculating the pension and supplemental retirement benefits payable to the named executive officers under our Retirement Plan and Restoration Plan; and
- a cash payment to be used toward outplacement services equal to \$20,000.

The timing of payments under the Prior Retention Agreements is subject to applicable provisions of Section 409A of the Code. In addition, the Prior Retention Agreements require gross-up payments for any excise tax imposed on the named executive officer if payments under the agreements are deemed to be "excess parachute payments" under Section 280G of the Code (Section 280G).

Current Retention Agreements. In 2016, our board of directors adopted a new form of executive retention agreement for new agreements entered into from and after November 16, 2016 (Current Retention Agreement, and together with the Prior Retention Agreements, the Executive Retention Agreements). Ms. Krause entered into a Current Retention Agreement when she became our vice president, general counsel and secretary on July 1, 2018. Mr. Flynn entered into a Current Retention Agreement when he became our vice president on July 1, 2019.

The Current Retention Agreement is substantially similar to the Prior Retention Agreement, subject to changes to the definitions of "cause" and "good reason" and the exceptions described below.

The "change in control" definition is the same as the Prior Retention Agreement, except that:

- The threshold for an acquisition in the definition of "change of control" has been increased to 40% or more of our outstanding common stock or voting securities (from 20%); and
- In the definition of "change of control", in the stated requirements for a consummation of a merger, consolidation, reorganization, recapitalization or statutory share exchange, or the sale or other disposition of all or substantially all of our assets, the ownership threshold of outstanding voting securities of a resulting or acquiring corporation for holders of our common stock immediately prior to a transaction in the definition of "change of control" has been decreased to 60% (from 80%).

Like the Prior Retention Agreement, the Current Retention Agreement also provides for immediate vesting of all of the named executive officer's unvested equity incentive awards upon a change in control, provided that the named executive officer executes a release that becomes enforceable within 60 days from his or her date of termination.

In the event that the named executive officer's employment is terminated, either voluntarily with "good reason" or involuntarily "without cause," during the 24-month period following a change in control, the Current Retention Agreements provide for severance payments and the continuation of certain welfare benefits. In such event, the named executive officer would receive:

- salary and unpaid accrued vacation pay through the date of termination;
- any bonus earned but not yet paid for the most recently completed fiscal year;
- a pro rata bonus (calculated as above);
- a lump sum severance payment equal to two times the sum of (x) the greater of the executive officer's highest annual salary in effect in the 12-month period ending on the change of control date or termination date and (y) the greater of average annual bonus within the three years prior to the year of termination or the executive's reference bonus (the higher of the reference bonus for the year of the change in control or the year of the termination date);
- COBRA premiums for coverage under our group health and dental insurance the named executive officer would have received if employment had not been terminated (less the named executive officer's portion of the premiums) for a period of 18 months;
- matching contributions we would have made to the named executive officer's 401(k) if he or she had contributed at the same rate and under the same matching formula for a period of two years;
- reimbursement for any unpaid business expenses submitted prior to the named executive officer's termination date; and
- a cash payment to be used toward outplacement services equal to \$20,000.

The Current Retention Agreement does not provide for tax gross-ups for purposes of excess parachute payments under Section 280G. The Current Retention Agreement also provides that benefits will be cut back if the application of the parachute payment tax under Section 4999 of the Code on the full amount would leave the executive with a lower net amount than having the benefit cut back to the point the parachute payment tax does not apply.

If a "change in control" (as defined under the Executive Retention Agreements) had occurred on December 28, 2019 (the last day of our 2019 fiscal year), all of our named executive officers would have received the cash incentive payment reported in the Summary Compensation Table under the column headed "Non-Equity Incentive Plan Compensation." In the event of a termination for "cause," the named executive officer would only receive his or her salary through the date of termination and any previously earned but deferred bonus. If a termination for cause had occurred on December 28, 2019, no additional payments would have been received by our named executive officers.

The following table sets forth the estimated compensation that would have been payable to our named executive officers had a change in control event occurred as of December 28, 2019 and their employment were to have been terminated for good reason by the executive or without cause by us on that date.

Estimated Payments Upon a Change in Control and Termination of Employment for "Good Reason" or "Without Cause" as of December 28, 2019

Name	Lump Sum Severance Payment	Value of Acceleration of Vesting of Equity Incentives (1)	Present Value of Pension Plan Benefit (2)	Continuation of Benefits (3)	Outplacement Services	Estimated Parachute Tax Gross-up Payment
Jonathan W. Painter	\$ 4,845,000	\$ 3,256,456	—	\$ 56,540	\$ 20,000	—
Jeffrey L. Powell	\$ 3,107,800	\$ 2,503,445	—	\$ 47,656	\$ 20,000	—
Michael J. McKenney	\$ 1,689,400	\$ 1,001,230	—	\$ 58,264	\$ 20,000	—
Eric T. Langevin	\$ 2,152,000	\$ 1,241,517	—	\$ 58,261	\$ 20,000	—
Stacy D. Krause (4)	\$ 946,604	\$ 416,906	—	\$ 57,654	\$ 20,000	—
Peter J. Flynn	\$ 990,000	\$ 167,524	—	\$ 37,737	\$ 20,000	—

- (1) Represents equity incentives in the form of RSUs and the incremental value of in-the-money stock options that would vest assuming a change in control event and employment termination on December 28, 2019, the last day of our 2019 fiscal year, and that are valued using \$105.76 per share, the closing price of our common stock on December 27, 2019, the last trading day before the end of our 2019 fiscal year. These amounts do not include awards granted after December 28, 2019.

- (2) The Retirement Plan and the Restoration Plan were terminated effective December 29, 2018. Each of Mr. Painter, Mr. McKenney and Mr. Langevin was entitled to receive his accrued benefit pursuant to the terms of such plans as a result of the termination of such plans, and a change of control event would not impact such benefits. Payouts under such plans are described above under "Pension Benefits in Fiscal 2019".
- (3) Represents the estimated benefits which would continue to be provided for the period covered by the executive retention agreement, based on the 2019 amount reported for "All Other Compensation" in the Summary Compensation Table. This amount includes (a) employer contributions under our 401(k) savings plan made on behalf of the named executive officer, and (b) employer payments to cover premiums for life insurance policies for the benefit of the named executive officer. In addition, this amount also includes the aggregate amount of premiums we currently pay on behalf of the named executive officer for health and welfare benefits, which would continue to be provided for the period covered by the executive retention agreement. We paid the following in premiums in 2019 for each named executive officer: Mr. Painter - \$15,010; Mr. Powell - \$9,908; Mr. McKenney - \$15,340; Mr. Langevin - \$15,340; Ms. Krause - \$15,340; and Mr. Flynn - \$5,139.
- (4) The estimated compensation that would have been payable to Ms. Krause in the event of a change in control event that occurred as of December 28, 2019 and the termination of Ms. Krause's employment for good reason by her or without cause by us on that date would exceed the limit for excess parachute payments under Section 280G. Therefore, the cash severance payment values shown for Ms. Krause in this table reflect the amounts after a cutback of her benefits is applied pursuant to the terms of her Current Retention Agreement, as discussed above.

DIRECTOR COMPENSATION

The compensation of our directors who are not employees is reviewed annually by our compensation committee. Our compensation committee's philosophy has been generally to target cash compensation of non-employee directors at approximately the 25th percentile of the comparative data from the peer group of companies we benchmark against for executive compensation purposes and to target annual equity compensation at approximately the 75th percentile of our peer group. At our 2017 annual meeting, in connection with the approval of the amendment and restatement of our 2006 equity incentive plan, our stockholders approved a cap on total annual non-employee director compensation of \$750,000 (based on the grant date fair value of equity awards for financial reporting purposes and cash payable to any non-employee director in any fiscal year).

Our directors who are not employees were paid the following cash compensation for serving on our board of directors in 2019:

- An annual retainer of \$50,000.
- An additional annual retainer for the non-employee chairman of the board of \$60,000.
- An additional annual retainer for chairmen of the following committees: audit committee - \$10,000; compensation committee - \$7,500; nominating and corporate governance committee - \$5,000; risk oversight and sustainability committee - \$5,000.
- Reimbursement of out-of-pocket expenses incurred in attending or participating in meetings of our board of directors or its committees.

We do not provide any meeting fees to our directors for their board service. All retainers are paid in equal monthly installments. We do not pay any director compensation to our directors who are also employees, such as Mr. Painter, who is the executive chairman of our board of directors, and Mr. Powell, who is our president and chief executive officer. In March 2020, the board of directors approved an increase in the annual retainer for non-employee directors to \$65,000 for 2020.

Our compensation committee has approved a compensation framework for determining the annual equity component of non-employee director compensation. Under this framework, we continue to target director cash compensation at approximately our peer group's 25th percentile and director equity compensation at approximately our peer group's 75th percentile. However, with respect to equity compensation, our compensation committee considers adjusting the value of the award based on the 75th percentile by considering our performance, including our financial performance and TSR, in the last fiscal year. Our compensation committee believes that this framework ensures that our director compensation program is never significantly out of line with market practice but will allow our performance to be factored into the calculation.

In the first quarter of 2019, our compensation committee conducted its review and recommended that the annual equity awards to our non-employee directors, other than William A. Rainville, who had notified us that he did not wish to seek reelection as a director upon the expiration of his term at the 2019 annual meeting, be reduced from 2,700 RSUs granted in 2018 to such number of RSUs determined by dividing \$165,000 by the closing price of our common stock on the day of grant, which would be the date of our 2019 annual meeting, subject to stockholder approval. Our compensation committee determined the appropriate size of the annual equity award for non-employee directors to recommend by referring to the annual benchmarking study prepared by its compensation consultant, Willis Towers Watson; measuring the compensation of our directors against our compensation peer group, and the GICS 20/Russell 3000 (excluding the S&P 1500) index used by ISS to review director compensation; and by considering other factors,

including our operational and financial performance, our one- and three-year TSR and current stock price, and the value of a potential award. In 2018, the company's financial performance was above the median for its peer compensation group; our one-year TSR was down 18%, but our three-year TSR was over 27%. The RSU awards were approved by the stockholders at our 2019 annual meeting, with approximately 92% of shares voted to approve the awards. These RSUs vested as follows: 50% on June 1, 2019 and 25% at the end of each of the third and fourth fiscal quarters of 2019.

In the first quarter of 2020, our compensation committee conducted its review and recommended that the annual equity awards to our non-employee directors be increased to such number of RSUs determined by dividing \$170,000 by the closing price of our common stock on the day of grant, which would be the date of our 2020 annual meeting, subject to stockholder approval. Our compensation committee determined the appropriate size of the annual equity award for non-employee directors to recommend by referring to the annual benchmarking study prepared by its compensation consultant, Willis Towers Watson; measuring the compensation of our directors against our compensation peer group, and the GICS 20/Russell 3000 (excluding the S&P 500) index used by ISS to review director compensation; and by considering other factors, including our operational and financial performance, our one- and three-year TSR, and the value of a potential award. In 2019, the company's financial performance was above the median for its peer compensation group; our one-year TSR was 30% and our three-year TSR was 20%. Our board of directors granted these awards subject to stockholder approval as described in Proposal 4 in this proxy statement. If the awards are approved by the stockholders, the RSUs will vest as follows: 50% on June 1, 2020 and 25% at the end of each of the third and fourth fiscal quarters of 2020. On July 1, 2020, Mr. Painter will become a non-employee director, and he will receive a prorated annual retainer for the remainder of 2020, as well as an RSU award, the number of shares of common stock underlying which will be equal to half of the number of shares underlying the RSU award to each other non-employee director, as described above, rounded down to the nearest whole share, and vesting in equal installments at the end of the third and fourth quarters of 2020, subject to Mr. Painter continuing as a director of our company.

All awards to directors are made under our stockholder-approved equity incentive plan. The vesting of all awards accelerates in the event of a change in control of our company. Any awards, to the extent not previously vested, are forfeited if the individual is no longer a member of the board of directors on the vesting dates.

Our non-employee directors may also be granted stock options periodically under our stockholder-approved equity incentive plan. In such event, the size and the terms of any grant would be determined by the compensation committee of our board of directors. No stock options were granted to directors in 2019.

Under our stock ownership guidelines adopted in March 2011, our non-employee directors are required to hold shares of our stock equivalent in value to three times their annual cash retainer. For purposes of calculating stock ownership, we include shares beneficially held by each director and unvested RSUs. We do not include vested or unvested stock options. Compliance with the guidelines is measured annually following the close of the fiscal year, and each director has five years from the later of the adoption of our stock ownership guidelines or their appointment as a director to attain compliance. As of March 1, 2020, all of our directors were in compliance with our stock ownership guidelines. Our stock ownership guidelines for executive officers are described in "Compensation Discussion and Analysis—Stock Ownership Guidelines."

Director Compensation for Fiscal 2019

The following table provides compensation information for our non-employee directors in fiscal 2019. Our directors do not receive any non-equity incentive plan compensation, hold deferred compensation cash balances, receive pension benefits or perquisites or other personal benefits for service on our board of directors. Mr. Rainville did not seek reelection to our board in 2019 and received fees for only the portion of the fiscal year in which he served as our director. Mr. Painter does not currently and will not receive any compensation for his service as a director through June 30, 2020 in his role as executive chairman of the board of directors. Mr. Powell is our president and chief executive officer and does not receive any compensation for his service as a director. See "Executive-Compensation- 2019 Summary Compensation Table" for information about the compensation we paid Messrs. Painter and Powell in 2019.

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2)(3)	Total (\$)
John M. Albertine	\$ 57,500	\$ 164,117	\$ 221,617
Thomas C. Leonard	\$ 60,000	\$ 164,117	\$ 224,117
William A. Rainville (4)	\$ 45,833	\$ 81,915	\$ 127,748
Erin L. Russell	\$ 50,000	\$ 164,117	\$ 214,117
William P. Tully	\$ 60,000	\$ 164,117	\$ 224,117

- (1) The amounts reported in this column are for annual board and chairman retainers earned in 2019. During 2019, Dr. Tully served as the chair of the nominating and corporate governance committee and the risk oversight and sustainability committee. In March 2020, Ms. Russell was appointed chair of the risk oversight and sustainability committee, of which Dr. Tully remains a member.

- (2) Represents the grant date fair value of the 1,858 RSUs granted to each of our non-employee directors, other than Mr. Rainville, in 2019, which was \$88.33 per share, computed in accordance with ASC Topic 718.
- (3) Represents the grant date fair value of the 935 RSUs granted Mr. Rainville, in 2019, which was \$87.61 per share, computed in accordance with ASC Topic 718.
- (4) Mr. Rainville ceased serving as non-employee chairman and a member of our board of directors on May 16, 2019. His fees are prorated for five months of service in 2019.

AUDIT COMMITTEE REPORT

The role of the audit committee is to assist the board of directors in its oversight of our company's financial reporting process, as stated in the charter of the committee, which is available on our website at www.kadant.com. The audit committee provided the following report.

Management is responsible for the preparation, presentation and integrity of our company's financial statements, its accounting and financial reporting principles, and its internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Our company's independent registered public accounting firm is responsible for auditing our company's financial statements and expressing an opinion as to their conformity with generally accepted accounting principles. The audit committee is responsible for providing independent, objective oversight of these functions.

In the performance of our oversight function, we have reviewed and discussed the audited financial statements of our company for the fiscal year ended December 28, 2019, with management and our independent registered public accounting firm, KPMG LLP. We also discussed with KPMG LLP the reasonableness of significant judgments and the clarity of disclosures in the financial statements, the quality, not just the acceptability, of our company's accounting principles and such other matters as are required to be discussed with the committee under generally accepted auditing standards, including the matters required to be discussed pursuant to the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and the SEC. We have received from KPMG LLP the letter and other written disclosures required by applicable requirements of the PCAOB standards regarding the independent auditors' communication with the audit committee concerning independence, and have discussed with KPMG LLP their independence from our company. We have also considered whether the provision of other non-audit services by KPMG LLP is compatible with maintaining their independence.

Based on our review of the materials and discussions with management and the independent registered public accounting firm described in this report, we recommended to the board of directors that the audited financial statements be included in our company's annual report on Form 10-K for the year ended December 28, 2019 for filing with the SEC.

By the audit committee of the board of directors,

Thomas C. Leonard (chairman)
John M. Albertine
Erin L. Russell
William P. Tully

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Fees

The following table summarizes the aggregate fees (including out-of-pocket expenses) billed for professional services rendered by KPMG LLP for fiscal 2019 and 2018. All such services were approved by our audit committee in accordance with its pre-approval policy and procedures as described below in the section captioned "Pre-approval Policy and Procedures."

Fee Category	Fiscal 2019	Fiscal 2018
Audit Fees (1)	\$ 3,343,621	\$ 3,484,700
Audit-Related Fees (2)	10,600	—
Tax Fees (3)	60,200	—
All Other Fees	—	—
Total Fees	\$ 3,414,421	\$ 3,484,700

- (1) Audit fees consist of fees for the audit of our annual consolidated financial statements (including an assessment of our internal control over financial reporting), the review of interim consolidated financial statements included in our quarterly reports on Form 10-Q, and other professional services provided in connection with statutory and regulatory filings or

engagements. These fees also include expanded audit procedures or consultations with our management as to the accounting or disclosure treatment of transactions or events under the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, Financial Accounting Standards Board or other regulatory or standard-setting bodies.

- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or the review of our financial statements and are not reported under “Audit Fees.” Audit-related services provided by KPMG in 2019 represented fees for assistance with the use of its eXtensible Business Reporting Language (XBRL) software at one of our foreign subsidiaries for its annual statutory financial statement filing.
- (3) Tax fees consist of fees for tax compliance, tax advice and tax planning services. Tax compliance services relate to the preparation of original and amended tax returns, claims for refunds and tax payment-planning services. Tax advice and tax planning services relate primarily to assistance with tax audits and appeals, due diligence, and international tax planning. The tax fees in 2019 represented fees for international tax planning services.

Pre-Approval Policy and Procedures

The audit committee of our board of directors has adopted a policy requiring that all audit and non-audit services to be performed by our company’s independent registered public accounting firm be approved in advance by the committee. Generally, the services must be approved in advance by the audit committee at a meeting, at which the services to be provided are described, any non-audit services to be performed are confirmed to be permissible non-audit services, and a maximum amount for the services are provided. The monetary limit may not be exceeded without obtaining further pre-approval under this policy.

The audit committee may pre-approve specified types of services that are expected to be provided to our company by our independent registered public accounting firm during the next 12 months. A condition to such pre-approval is that the service be described in sufficient detail and be subject to a maximum dollar amount. An example of such services would be the quarterly review of our interim financial statements.

The audit committee has delegated to the chairman of the committee the authority to pre-approve any audit or permitted non-audit services to be provided by the independent registered public accounting firm, provided that the service is described in sufficient detail and is subject to a maximum dollar amount. The approval of such services must be reported to the entire committee at its next regular meeting.

OTHER ACTION

We are not aware at this time of any other matters that will be presented for action at the 2020 annual meeting of stockholders. Should any such matters be presented, the proxies grant power to the proxy holders to vote shares represented by the proxies in the discretion of the proxy holders.

STOCKHOLDER PROPOSALS

Stockholder proposals intended to be included in the proxy statement and form of proxy relating to our 2021 annual meeting of stockholders and to be presented at that meeting must be received by us for inclusion in the proxy statement and form of proxy no later than November 27, 2020. In addition, our bylaws contain an advance notice provision that requires stockholders who desire to bring proposals before an annual meeting (which proposals are not to be included in our proxy statement and are submitted outside the processes of Rule 14a-8 of the Exchange Act) to comply with the advance notice provision. The advance notice provision requires that stockholders give timely written notice of their proposal to our corporate secretary. To be timely, notices must be delivered to our corporate secretary at our principal executive office not less than 60 nor more than 90 days before the first anniversary of the prior year’s annual meeting of stockholders. Accordingly, a stockholder who intends to present a proposal at the 2021 annual meeting of stockholders must provide written notice of the proposal to our corporate secretary after February 11, 2021 and before March 13, 2021. Proposals received at any other time will not be voted on at the meeting. Stockholders who wish to nominate director candidates for the stockholders to consider must include in the notice the additional information specified in our bylaws including, among other things, the candidate’s name, biographical data and qualifications. If a stockholder makes a timely notification, the proxies that we solicit for the meeting may still exercise discretionary voting authority on the proposal, consistent with the proxy rules of the SEC.

SOLICITATION STATEMENT

The cost of this solicitation of proxies will be borne by us. Solicitation will be made primarily by mail, but our regular employees may solicit proxies personally or by telephone, electronic or facsimile transmission. Brokers, nominees, custodians and fiduciaries are requested to forward solicitation materials to obtain voting instructions from beneficial owners of shares registered in their names, and we will reimburse such parties for their reasonable charges and expenses.

Westford, Massachusetts

March 26, 2020

ANNEX A

Non-GAAP Financial Measures

Adjusted Net Income and Adjusted Diluted EPS Reconciliation	Fiscal Year Ended December 28, 2019		Fiscal Year Ended December 29, 2018	
	(\$ in millions)	Diluted EPS	(\$ in millions)	Diluted EPS
Net Income and Diluted EPS Attributable to Kadant, as Reported	\$ 52.1	\$ 4.54	\$ 60.4	\$ 5.30
Adjustments for the Following, Net of Tax:				
Acquisition Costs	0.6	0.06	1.1	0.10
Amortization of Acquired Backlog and Profit in Inventory	3.7	0.32	0.2	0.02
Discrete Tax Items (a)	(3.3)	(0.29)	(3.3)	(0.29)
Impairment and Restructuring Costs (b)	1.9	0.17	1.3	0.11
Settlement and Curtailment Losses (c)	6.4	0.55	1.1	0.09
Adjusted Net Income and Adjusted Diluted EPS (d)	<u>\$ 61.4</u>	<u>\$ 5.36</u>	<u>\$ 60.8</u>	<u>\$ 5.34</u>

Adjusted Operating Income and Adjusted EBITDA Reconciliation (in millions)	Fiscal Year Ended December 28, 2019	Fiscal Year Ended December 29, 2018
Net Income Attributable to Kadant	\$ 52.1	\$ 60.4
Net Income Attributable to Noncontrolling Interest	0.5	0.6
Provision for Income Taxes	16.3	18.5
Interest Expense, Net	12.5	6.7
Other Expense, Net	6.4	2.4
Operating Income	87.8	88.6
Impairment and Restructuring Costs	2.5	1.7
Acquisition Costs	0.8	1.3
Amortization of Acquired Backlog and Profit in Inventory	5.0	0.3
Adjusted Operating Income	96.1	91.9
Depreciation and Amortization	31.0	23.3
Adjusted EBITDA	<u>\$ 127.1</u>	<u>\$ 115.2</u>

Free Cash Flow Reconciliation (in millions)	Fiscal Year Ended December 28, 2019	Fiscal Year Ended December 29, 2018
Cash provided by operations	\$ 97.4	\$ 63.0
Capital expenditures	(9.9)	(16.6)
Free cash flow	<u>\$ 87.5</u>	<u>\$ 46.4</u>

- (a) Includes discrete tax items related to the exercise of employee stock options in 2019 and adjustments to the provisional amounts recognized due to the U.S. tax legislation enacted in December 2017 and the reversal of tax reserves associated with uncertain tax positions in 2018.
- (b) Includes an intangible asset impairment charge of \$2.3 million (\$1.8 million after tax) and a restructuring charge of \$0.2 million (\$0.1 million after tax) in 2019 related to our Wood Processing Systems segment's timber-harvesting product line and a restructuring charge of \$1.7 million (\$1.3 million after tax) in 2018 related to our Papermaking Systems segment's stock-preparation product line.
- (c) Includes a settlement loss of \$5.9 million (\$6.4 million after tax) in 2019 and a curtailment loss of \$1.4 million (\$1.1 million after tax) in 2018 associated with the termination of benefit plans at one of our U.S. operations.
- (d) Adjusted Diluted EPS was calculated using the reported weighted average diluted shares as reported in each of the fiscal years presented.

Adjusted operating income, adjusted net income, adjusted diluted earnings per share (EPS), adjusted earnings before interest, taxes, depreciation, and amortization (adjusted EBITDA), and free cash flow are non-GAAP financial measures. Non-GAAP financial measures are not meant to be considered superior to or a substitute for the results of operations prepared in accordance with GAAP. In addition, the non-GAAP financial measures 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 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.

We believe that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide 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 to gain an understanding of our underlying operations and future prospects, consistent with how management measures and forecasts our performance, especially when comparing such results to previous periods or forecasts. Such measures are also used by us in our financial and operating decision-making and for compensation purposes.

KADANT INC.
EMPLOYEES' STOCK PURCHASE PLAN
As amended and restated effective as of January 1, 2021

1. **Definitions.** As used in this Employees' Stock Purchase Plan of Kadant Inc., the following terms shall have the meanings respectively assigned to them below:
 - 1.1 **Board** means the board of directors of the Company.
 - 1.2 **Code** means the Internal Revenue Code of 1986, as amended.
 - 1.3 **Company** means Kadant Inc., a Delaware corporation.
 - 1.4 **Company Stock** means the common stock, \$.01 par value, of the Company.
 - 1.5 **Compensation** means gross annual or annualized wages and salary, sales commissions, bonuses, and overtime payments.
 - 1.6 **Covered Transaction** shall have the meaning set forth in Section 9.8 hereof.
 - 1.7 **Eligible Employee** means a person who is eligible under the provisions of Section 7 to receive an Option as of a particular Grant Date.
 - 1.8 **Enrollment Agreement** means an agreement whereby a Participant authorizes the Company to withhold payroll deductions from his or her Compensation as contemplated by Section 9.9.
 - 1.9 **Exercise Date** means a date not more than one year after a Grant Date, as determined by the Board, on which Options must be exercised by Eligible Employees.
 - 1.10 **Grant Date** means a date designated by the Board on which Options are to be granted to Eligible Employees.
 - 1.11 **Market Value** means, as of a particular date, the last sale price of the Company Stock if such stock is reported on a national stock exchange, or if no such price is reported for such date, the average of bid and asked prices of the Company Stock last quoted in the over-the-counter market on such date, or if no bid and asked prices are quoted in the over-the-counter market on such date, the average of the bid and asked prices last quoted in the over-the-counter price market before such date. If no sales of Company Stock were made on such date, the Market Value shall be the reported price for the next preceding day on which sales were made.
 - 1.12 **Offering Period** means a period beginning on a Grant Date and ending on an Exercise Date.
 - 1.13 **Option** means an option to purchase shares of Stock granted under the Plan.
 - 1.14 **Option Shares** means shares of Stock purchasable under an Option.
 - 1.15 **Participant** means an Eligible Employee to whom an Option is granted and who authorizes the Company to withhold payroll deductions by completing an Enrollment Agreement.
 - 1.16 **Participating Employer** means the Company or any Related Corporation which is designated by the Board as a corporation whose Eligible Employees are to receive Options as of a particular Grant Date.
 - 1.17 **Plan** means this Employees' Stock Purchase Plan of the Company, as amended from time to time.
 - 1.18 **Related Corporation** means any corporation which is a parent corporation or a subsidiary corporation with respect to the Company, as determined under Section 424(e) and Section 424(f) of the Code.

1.19 **Section 423** means Section 423 of the Code.

2. **Purpose of the Plan.** The Plan is intended to encourage ownership of Company Stock by Eligible Employees and to provide additional incentive for them to promote the success of the business of the Company. It is intended that the Plan shall be an “employee stock purchase plan” within the meaning of Section 423.
3. **Effective Date.** The Plan became effective on November 1, 1993 and was amended and restated effective December 8, 2009 and as of January 1, 2021.
4. **Administration of the Plan.** The Plan shall be administered by the Board, which shall determine (i) whether to grant Options and, if Options are to be granted, (ii) the Grant Dates and Exercise Dates for such Options and all other terms relating to such Options, including the terms under which Compensation may be withheld to purchase shares of Company Stock under such Options; provided, that the maximum aggregate percentage of each Participant's Compensation which may be withheld for the purpose of purchasing shares of stock under this Plan and all other employee stock purchase plans (as defined in Section 423) administered by a Related Corporation and in which the Participant may participate shall not exceed ten percent (10%) of the Participant's Compensation. The Board shall have authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms of Options granted under the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The Board may appoint a committee of the Board to administer the Plan and may, in its sole and absolute discretion, delegate any or all of the functions specified herein regarding administration of the Plan to such committee or to officers or other representatives of the Company.
5. **Termination and Amendment of Plan.** The Board may terminate or amend the Plan at any time; provided, however, that no amendment, unless approved by the stockholders of the Company as required under Treasury Regulations Section 1.423-2(c), shall effect any change for which stockholder approval would be required under that regulation. For the avoidance of doubt, Section 9.8, rather than the foregoing sentence, shall apply to Board actions taken in connection with Covered Transactions. Upon termination of this Plan, all amounts in the accounts of participating employees shall be promptly refunded.
6. **Shares of Stock Subject to the Plan.** No more than an aggregate of 114,935 shares of Company Stock may be issued or delivered pursuant to the exercise of Options after January 1, 2021 under the Plan (such number of shares representing the number of shares authorized by stockholders to be issued under the Plan, after giving effect to adjustments made in accordance with Section 9.8) minus the number of shares issued or delivered pursuant to the exercise of Options on December 31, 2020, subject to further adjustments made in accordance with Section 9.8. Option Shares may be either shares of Company Stock which are authorized but unissued or shares of Company Stock held by the Company in its treasury. If an Option expires or terminates for any reason without having been exercised in full, the unpurchased Option Shares shall become available for other Options granted under the Plan. The Company shall, at all times during which Options are outstanding, reserve and keep available shares of Company Stock sufficient to satisfy such Options and shall pay all fees and expenses incurred by the Company in connection therewith.
7. **Persons Eligible to Receive Options.**
 - 7.1 If the Board determines to grant Options as of any Grant Date, each employee of the Company or a Participating Employer who (i) is employed on the Grant Date and (ii) will not, after the grant of the Option, own (or be deemed to own after application of the constructive ownership rules of Section 424(d) of the Code) stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Related Corporation shall be entitled to participate in such Option grant as of such Grant Date, subject to Section 7.2 below.
 - 7.2 For purposes of this Section 7, employment shall include any leave of absence for military service, illness or other bona fide purpose which does not exceed the longer of ninety (90) days or other period during which the absent employee's reemployment rights are guaranteed by statute or contract.
 - 7.3 The Board retains the discretion to determine which eligible employees may participate in an Offering Period pursuant to and consistent with Treasury Regulation Sections 1.423(e) and (f).
8. **Dates for Granting Options.** Options shall be granted on such date or dates as are designated by the Board.
9. **Terms and Conditions of Options.**

9.1 **General.** All Options granted on a particular Grant Date shall comply with the terms and conditions set forth in Sections 9.3 through 9.12, and all Options granted on a particular Grant Date shall be identical except as to the

number of shares of Company Stock purchasable under the Option, which shall be determined in accordance with Section 9.2. Option Shares may only be purchased with accumulated payroll deductions.

9.2 **Number of Shares.** On the Grant Date of an Offering Period, the Board will grant to each Participant an Option to purchase on the Exercise Date at the applicable purchase price (as described below) up to a whole number of shares of Company Stock determined by multiplying \$2,083.30 by the number of full months in the Offering Period and dividing the result by the Market Value on the Grant Date; provided however, that no Participant may be granted an Option which permits his rights to purchase Company Stock under this Plan and any other employee stock purchase plan (as defined in Section 423 (b) of the Code) of the Company and its Related Corporations, including this Plan, to accrue at a rate which exceeds \$25,000 of the Market Value of such stock (determined on the Grant Date of such Option) for each calendar year in which the Option is outstanding at any time. The Company may reduce or refund Participants' payroll deductions if the Company determines in its reasonable discretion that there is a material risk that the limits described in this Section 9.2 would otherwise be exceeded.

9.3 **Purchase Price.** The per-share purchase price of Option Shares shall be eighty-five percent (85%) of the lower of (i) the per-share Market Value of the Company Stock as of the Grant Date, and (ii) the per-share Market Value of the Company Stock as of the Exercise Date. If the Grant Date or Exercise Date shall fall on a Saturday, Sunday or other legal holiday, the applicable Market Value shall be determined as of the trading day immediately preceding such weekend or legal holiday.

9.4 **Restrictions on Transfer.** Options may not be sold, assigned, transferred, pledged or otherwise encumbered other than by will or under the laws of descent and distribution. An Option may not be exercised by anyone other than the Participant during the lifetime of the Participant. The Board may, in its sole discretion, impose the requirement that Option Shares may not be sold, assigned, pledged, encumbered or otherwise transferred by the Participant for a period of up to one year after the Exercise Date. The Company shall have the right to place a legend on all stock certificates representing Option Shares setting forth the restriction on transferability of such shares, and by exercising an Option the person exercising such Option shall be deemed to have agreed to such restrictions on transferability of Option Shares.

9.5 **Expiration.** Each Option shall expire at the close of business on the Exercise Date or on such earlier date as may result from the operation of Section 9.6 or Section 9.8.

9.6 **Termination of Employment of Participant.** If a Participant ceases for any reason, voluntary or involuntary (other than death), to be continuously employed by the Company or a Related Corporation, his or her Option shall immediately expire and the Participant's accumulated payroll deductions shall be returned by the Company pursuant to Section 9.12. For purposes of this Section 9.6, a Participant shall be deemed to be employed throughout any leave of absence for military service, illness or other bona fide purpose which does not exceed the longer of ninety (90) days or the period during which the Participant's reemployment rights are guaranteed by statute or by contract. If the Participant does not return to active employment prior to the termination of such period, his or her employment shall be deemed to have ended on the ninety-first (91st) day of such leave of absence. If the employee is employed by a Participating Employer that ceases to be a Related Corporation, or if the employee is transferred to a subsidiary of the Company that is not a Participating Subsidiary, the employee shall be deemed to have terminated employment for the purposes of this Plan as of the date of such divestiture or transfer.

9.7 **Death of Participant.** If a Participant dies, the Participant's accumulated payroll deductions will remain credited under the Plan and be used to purchase shares on the Exercise Date to the same extent as the Participant would have been entitled to purchase such shares had he or she continued to be employed by the Company, unless, at least thirty (30) days before the Exercise Date, the Participant's executor or personal representative notifies the Company that the accumulated payroll deductions should be paid to the estate or heirs. The number of shares purchasable shall be limited by the amount of the Participant's accumulated payroll deductions as of the date of his or her death.

9.8 **Capital Changes Affecting the Stock; Transactions Involving the Company.** In the event of a stock split, stock dividend or similar change in the Company's capital structure, the number of shares available to be issued under the Plan, the maximum number of shares purchasable under Options then outstanding, and other Plan and Option terms shall be appropriately adjusted by the Board. In the event of a merger or consolidation involving the Company, a transaction in which the Company becomes a subsidiary of another entity, a sale or other disposition of all or substantially all of the assets of the Company (including a liquidation of the Company) or any other transaction which the Board of Directors determines to be a similar transaction (any of the foregoing, a "Covered Transaction"), the Board may (i) terminate all then outstanding rights to purchase stock under the Plan, in which event amounts contributed for the purchase of shares will be refunded as soon as practicable, (ii) modify or adjust the terms of the outstanding Options, (iii) if there is a survivor or acquiror entity, provide for the assumption, modification, or adjustment to the terms of outstanding Options by the survivor or acquiror or an affiliate thereof or for the grant of replacement rights by the survivor or acquiror or an affiliate thereof, in each case on

whatever terms the Board may determine, (iv) accelerate the stock purchase date for outstanding rights or (v) provide for any combination of the foregoing.

9.9. **Payroll Deductions.** Any Eligible Employee who wishes to authorize payroll deductions for the purchase of Option Shares under the Plan, must complete and return to the administrator of the Plan prior to the Grant Date an Enrollment Agreement indicating the total percentage (which shall be a full integer not less than one (1) and not greater than the maximum determined by the Board in accordance with Section 4 hereof) of his or her Compensation which is to be withheld each pay period. After the Grant Date and prior to the Exercise Date, and subject to such reasonable administrative requirements as the Company may impose, the Participant shall be permitted to (a) request a withdrawal of accumulated payroll deductions (only one withdrawal during each Offering Period is permitted and the Company shall determine the date (s) on which such withdrawals shall be effective or permitted), (b) discontinue payroll deductions, or (c) decrease, but not increase, the percentage of Compensation withheld. The effective date of such changes shall be subject to reasonable administrative requirements. A Participant who suspends payroll deductions may not recommence payroll deductions at any time prior to the Exercise Date; provided, that the foregoing limitation shall not prevent the suspension or adjustment of payroll deductions to the extent such suspension or adjustment is required by applicable law. If a Participant elects to discontinue his payroll deductions but does not elect to withdraw his funds, funds deducted prior to his election to discontinue will be applied to the purchase of Company Stock on the Exercise Date, subject to Section 9.6 hereof.

9.10. **Exercise of Options.** On the Exercise Date, the Participant shall be deemed to have exercised his or her Option to purchase the maximum number of Option Shares purchasable by his or her accumulated payroll deductions; provided, that:

(a) The number of Option Shares of Company Stock purchasable shall not exceed the number of shares the Participant is entitled to purchase pursuant to Section 9.2.

(b) If the total number of Option Shares of Company Stock which all Participants elect to purchase, together with any Option Shares of Company Stock already purchased under the Plan, exceeds the total number of shares of Company Stock which may be purchased under the Plan pursuant to Section 6, the number of shares of Company Stock which each Participant is permitted to purchase shall be proportionately reduced.

(c) If the number of Option Shares purchasable by a Participant includes a fraction, such number shall be adjusted to the next smaller whole number and the total purchase price for the Option Shares purchasable by the Participant shall be reduced accordingly.

(d) If a Participant is unable to use all of his or her accumulated payroll deductions to purchase Option Shares under Section 9.10(c) hereof because the number of purchasable Option Shares includes a fraction, the remaining balance of the Participant's accumulated payroll deductions attributable to such fractional shares will be added to the Participant's future payroll deductions for the next Offering Period unless the Participant does not participate in the Plan for the next Offering Period, in which case such balance will be returned to the Participant. For the avoidance of doubt, Participants may not apply withheld sums to purchase Company Stock in future Offering Periods except to the extent permitted by the foregoing sentence.

(e) A Participant may notify the administrator of the Plan prior to an Exercise Date, subject to such reasonable administrative requirements as the Company may impose, that he or she elects not to exercise his or her Option and desires to withdraw all of his or her accumulated payroll deductions withheld under the Plan, as provided in Section 9.12.

9.11. **Delivery of Stock.** Within a reasonable time after the Exercise Date, the Company shall deliver or cause to be delivered to the Participant a certificate or certificates for the Option Shares purchased by the Participant. Certificates for Option Shares may be issued only in the name of the Participant, in the name of the Participant and another person of legal age as joint tenants with rights of survivorship, or (in the Company's sole discretion) in the name of a brokerage firm, bank or other nominee holder designated by the Participant. The Company may, in its sole discretion and in compliance with applicable laws, authorize the use of book entry registration of shares in lieu of issuing stock certificates. If any law or applicable regulation of the Securities and Exchange Commission or other body shall require that the Company or the Participant take any action in connection with the purchase of Option Shares, delivery of the certificate or certificates for such Option Shares shall be postponed until the necessary action shall have been completed. If the Company is required to take such action, such action shall be taken by the Company at its own expense, without unreasonable delay. The Participant shall have no rights as a shareholder in respect of shares for which he or she has not received a certificate.

9.12. **Return of Accumulated Payroll Deductions.** In the event that a Participant is entitled to the return of accumulated payroll deductions, whether by reason of voluntary withdrawal, termination of employment, or death or in the

event that accumulated payroll deductions exceed the price of Option Shares purchased and are not added to the Participant's future payroll deductions pursuant to Section 9.10(d) hereof, such amount, shall be returned within a reasonable time by the Company to the Participant or his or her estate or heirs. The Board may, in its sole discretion, authorize the payment of interest on the amount returned to the Participant and shall fix the amount of interest to be paid, which may be zero, prior to the commencement of the particular Offering Period; provided, however, that interest shall not be paid on any amount returned which is less than the purchase price of one Option Share of Company Stock for which such payroll deductions were withheld.

9.13. **Equal Rights and Privileges.** In connection with any grant of Options, all Eligible Employees awarded Options as part of such grant shall have the same rights and privileges with respect thereto, subject only to such differences as may be permissible under Section 423(b)(5) and related regulations.

10. **Miscellaneous**

10.1 **Participants Not Stockholders.** Neither the granting of an Option to a Participant nor the deductions from his pay shall constitute such Participant a stockholder of the Company Stock covered by an Option under this Plan until such shares have been purchased by and issued to him.

10.2 **Rights Not Transferable.** Rights under this Plan are not transferable by a Participant other than by will or the laws of descent and distribution and are exercisable during the Participant's lifetime only by the Participant.

10.3 **Application of Funds.** All funds received or held by the Company under this Plan may be combined with other corporate funds and may be used for any corporate purpose.

10.4 **Governmental Regulations.** The Company's obligation to sell and deliver Company Stock under this Plan is subject to listing on a national stock exchange or quotation on the Nasdaq National Market (to the extent the Company Stock is then so listed or quoted) and the approval of all governmental authorities required in connection with the authorization, issuance or sale of such stock.

10.5 **Governing Law.** The Plan shall be governed by Delaware law except to the extent that such law is preempted by federal law.

10.6 **Notification upon Sale of Option Shares.** Each Participant agrees, by entering the Plan, to promptly give the Company notice of any disposition of Option Shares purchased under the Plan where such disposition occurs within two years after the date of grant of the Option pursuant to which such shares were purchased.