

FOREIGN CORRUPT PRACTICES ACT POLICY**Introduction**

Kadant's Code of Business Conduct and Ethics states our fundamental principles in conducting our business throughout the world. Its purpose is to communicate to our employees worldwide their responsibility to conduct our business honestly and ethically, to comply with applicable laws, and to use good judgment and common sense in promoting our Company's interests. We expect all of our employees to follow the principles set forth in our Code of Business Conduct and Ethics and meet standards of behavior that preserve and enhance our Company's reputation and commitment to the honest and ethical conduct of our business.

All of our employees are required to comply with the anti-bribery and anti-corruption laws of the countries that apply to our business activities. One such law is the U.S. Foreign Corrupt Practices Act ("FCPA"), which applies to all of our businesses no matter where they are located or where they conduct business. In addition, the anti-bribery and anti-corruption laws adopted by other countries in which we operate apply to our business activities. We have adopted this Foreign Corrupt Practices Act Policy ("FCPA Policy") in order to expand upon the statements in the Code of Business Conduct and Ethics in the area of bribery prevention and detection.

Every one of our employees, regardless of where they live or conduct business on our behalf, is required to read and comply with our FCPA Policy. We encourage employees to ask for advice when they are uncertain of the application or interpretation of this FCPA Policy or applicable laws.

Who Must Comply With Our FCPA Policy?

Our FCPA Policy applies to all our employees, officers, and directors of our Company and our subsidiaries and affiliated companies, no matter where you reside or conduct business. Our FCPA Policy also applies to third parties that represent our company or solicit business on our behalf, such as agents, consultants and representatives.

What Does The FCPA Provide?

The FCPA is a criminal statute that prohibits U.S. companies or their subsidiaries, employees, agents or representatives from corruptly giving, paying, promising, offering or authorizing the payment, directly or through a third party, of anything of value to any foreign official, foreign political party or party official or candidate for foreign political office in order to persuade that individual or entity to help a company obtain or keep business or to influence or gain an improper advantage in soliciting business. This prohibition applies regardless of the fact that the practice may be

widely accepted under the local customs of the country in question.

Although the concept behind the FCPA appears simple, the law directly affects everyday business relationships with foreign officials and government-owned companies in the many countries in which we operate. All of our employees, and those third parties representing us, are expected by us to conduct business legally and ethically. The use of our funds or assets for any unlawful, improper or unethical purpose is prohibited.

The FCPA also establishes record keeping and accounting requirements that require us to maintain records that accurately and fairly reflect all our commercial payments and transactions. In addition, we are required to institute and maintain internal accounting control systems that assure management's control over our assets. We have adopted Accounting Policies and Standards applicable to all our companies to address these requirements.

What Payments Are Prohibited By Our FCPA Policy?

The FCPA and our FCPA Policy prohibits any of our employees, agents or representatives from authorizing, offering, promising or paying a **bribe** or **anything of value**, directly or indirectly:

- **to** any **foreign official**
- **for** the purpose of influencing or causing another person to influence any act or decision or to gain an improper advantage
- **to** assist us in obtaining or retaining business with any person.

These prohibitions include any payment to our agents and representatives, or to any other third party **knowing or having reason to know** that it will be made to any foreign official for an illegal purpose. Ignoring or disregarding circumstances that could reasonably be considered sufficient warning that illegal conduct will occur may be grounds for knowing of the illegal conduct.

The words that appear in **bold** type are important in understanding the scope and purpose of our FCPA Policy. For example, a **foreign official** includes any officer, employee or person acting in an official capacity on behalf of a foreign **government**, a **public international organization** or government-owned or government-controlled company.

In order to guide you as to these terms, they are defined at the end of our FCPA Policy and you are urged to read them carefully. If you are unsure how these terms or concepts may apply in a particular situation, you should contact your supervisor or president, or the Company's general counsel.

What Payments Are Permitted Under The FCPA?

In certain circumstances, minor payments or gifts to foreign officials may be permitted by applicable law. These payments or gifts generally are referred to as

“Facilitating Payments.” In general, these are small payments made to affect the timing, but not the outcome, of a routine governmental action. Examples of facilitating payments are payments made to process government papers, issue permits or take other action to expedite the performance of an official duty that is expected to be performed. Great care must be taken before making a facilitating payment, as the reason or timing may be subject to misinterpretation and in certain circumstances, can be illegal.

Great care must be taken before authorizing a facilitating payment, as it may be illegal under applicable law or even if it is legal to make the payment, it must meet certain criteria to be allowed. For these reasons, a facilitating payment may be made under our FCPA Policy and the FCPA only if no reasonable alternative to making the payment exists and all of the following conditions are determined to be met after consultation with the Company’s general counsel:

- The assistance requested and for which the payment is made is clearly an action which the foreign official receiving the payment is legally required to provide, and the payment is only to facilitate such action;
- The duties of the foreign official receiving the payment are essentially ministerial or clerical;
- Such payment is legal and customary in the foreign country in question;
- Your subsidiary is not subject to the UK Bribery Act or similar law prohibiting the making of a facilitating payment; and
- The payment has been properly authorized and recorded in accordance with your subsidiary’s policies.

When Are Gifts And Entertainment To Foreign Officials Considered Bribes?

Anti-bribery laws such as the FCPA are not intended to prevent legitimate business expenditures for gifts and entertainment in promoting a company’s business. Business gifts and entertainment can build understanding and goodwill, and are a legitimate way of promoting a company’s business interests and name recognition. Such gifts and entertainment should be reasonable in amount, not personal in nature, consistent with the laws and culture of the person giving or receiving the gift or entertainment, for a legitimate business purpose and consistent with Company policies on entertainment expenses. For example, a nominally valued gift of promotional material with the Kadant logo is a universally acceptable business gift. As a reminder, it is never a legitimate business purpose to give a gift or entertainment to a foreign official for the purpose of gaining an improper advantage in obtaining business for the Company.

On the other hand, gifts or entertainment that are excessive or lavish can “cross the line” and appear as bribes. A useful question to ask is whether the gift or entertainment is something the recipient could not easily afford or whether the gift or entertainment is offered during a period when a significant contract is under

consideration.

What Are Our Record Keeping and Accounting Obligations?

Our Code of Business Conduct and Ethics requires each one of our subsidiaries to maintain books, records and accounts that accurately reflect all transactions of the subsidiary in reasonable detail. We have adopted Accounting Policies and Standards that are intended to provide an adequate system of internal accounting control over our financial records. Our policies require that each transaction, payment or expense, entered into by us has proper authorization and approval, and is then properly and completely accounted for and reported in our financial records. These policies have been distributed to the accounting and finance staff of each of our subsidiaries. If you have any questions regarding these policies, you should contact your supervisor or your subsidiary controller, finance director or president.

The mischaracterization or omission of any transaction on our books or any failure to maintain proper accounting controls that results in such a mischaracterization or omission, violates the FCPA and our FCPA Policy. No undisclosed or unrecorded accounts are to be established for any purpose. False or artificial entries are not to be made in our books and records for any reason. Finally, personal funds must not be used to accomplish what is otherwise prohibited by our FCPA Policy.

Mischaracterizing a payment or expense that violates our FCPA Policy or applicable law, or covering up such a payment or expense, is itself a separate violation of the FCPA and similar laws.

Does Our FCPA Policy Apply To Our Third Party Representatives?

Yes. Payments that are prohibited by the FCPA or our FCPA Policy may not be made on our behalf through a third party intermediary, such as an agent or a representative. Under the FCPA, we can be held responsible for such payments if we knew or had reason to know that such an illegal payment would be made.

We engage third parties, such as agents, consultants and representatives, in some countries to solicit sales on our behalf. It is important for us to know and trust the parties that we may use as intermediaries in conducting our business, and to have a reasonable expectation that these third parties will act ethically in conducting business on our behalf. For these reasons, each of our subsidiaries is expected to follow these procedures:

- **Know your customers.** Each of our businesses is expected to know their customers. At a minimum, our businesses should know whether a customer is a government-owned entity, its reputation for ethical behavior, and the end-use and location of the products to be delivered. Examples of requests that raise concerns are customer requests to pay in cash for products or to deliver products to freight forwarders, without knowledge of the end destination.
- **Know your business partners.** Each of our businesses is expected to take appropriate precautions to ensure that business relationships are formed only

with reputable and qualified partners, agents, and representatives, and for legitimate business purposes. Our businesses should conduct due diligence to confirm the reputation, qualifications and business benefits before engaging an agent, distributor, consultant or other representative who will act on our behalf on business development or retention. Examples of appropriate due diligence procedures may include the use of interviews, questionnaires, reference checks, customer inquiries or other background checks, and the level of inquiry should take into account the risks associated with operating in certain countries with a reputation for corruption.

- **Communicate our policies to agents and representatives.** Our Code of Business Conduct and Ethics, this FCPA Policy and applicable subsidiary anti-bribery policies should be communicated to all third party agents and representatives, and acknowledged in writing.
- **Document in writing all business relationships.** Our relationships with third parties should be documented in writing in English. In some circumstances, it may be advisable to have agreements in both English and the language of the country in which the agreement will be performed.
- **Include a written undertaking to comply with applicable laws, including anti-bribery laws and related provisions, in all agreements.** Any agreement to engage or appoint an agent or other entity to represent any of our companies should include a written representation or undertaking by the agent or other entity to comply with applicable laws, including but not limited to the FCPA and other applicable anti-bribery laws. In addition, the agreement should give us the right to audit the books and records of the third party to confirm compliance and to terminate the agreement if we become aware of wrongdoing. A sample of an appropriate compliance undertaking and related language is available from the Company's general counsel.
- **Periodically Remind Agents of Their Obligations.** Our agents and other representatives should also be periodically reminded of their obligations to comply with the FCPA and other applicable anti-bribery laws. This can be done several ways, including through letters, meetings and/or certifications of compliance. Whatever method is used should be documented and we encourage reminder letters and/or certifications of compliance at least annually. When and how often to require certification should be determined by the subsidiary president engaging the agent, after consultation with the general counsel, and will depend on many factors, including the size and frequency of transactions and whether the country in which the agent conducts business has a reputation for corruption, such as Brazil, Russia, India and China.

What Are The Penalties For Non-compliance?

Penalties for violating anti-bribery and anti-corruption laws, or even an indictment for

a potential violation, can be severe and potentially devastating for each of us individually and as a company. We take our obligations very seriously, and employees who fail to comply with our FCPA Policy may be subject to adverse employment action, up to and including dismissal.

In addition, the FCPA imposes criminal and civil penalties for violations. Individuals who violate the anti-bribery provisions of the FCPA may face criminal penalties including fines of up to USD \$250,000 or twice the amount of the gain resulting from the improper payment, and imprisonment for up to five years. Individuals who violate the record-keeping provisions of the FCPA may also be fined up to USD \$1,000,000 and imprisoned up to ten years.

Violations of the FCPA are not covered by our directors and officers insurance, and individuals will not be indemnified or reimbursed by their employer for such fines and penalties. In addition, the Company will be subject to monetary penalties, will suffer reputational damage and may be precluded from doing business with the US government and other government entities in other countries.

Who Can You Contact For Additional Guidance?

The identification and interpretation of applicable anti-bribery laws to the conduct of our business can be complex, and is highly dependent on individual facts and circumstances. If you are unsure or suspect a violation of applicable laws or this FCPA Policy has occurred, you are encouraged to seek guidance from your supervisor or the president of your subsidiary. In cases where it may not be appropriate to discuss an issue with your supervisor or president, or if you and your president need assistance in applying our FCPA Policy or in determining whether a particular type of conduct is illegal or unethical, you are encouraged to contact the Company's general counsel.

How Do You Report A Violation?

If you observe or suspect a violation of any applicable anti-bribery or anti-corruption law or our FCPA Policy, you are encouraged to report that activity to the Company's general counsel. You can report such activity by any means you are comfortable with, including by calling, emailing or writing the Company's general counsel. More information on reporting can be found in our Ethics and Compliance Hotline policy and our Code of Business Conduct and Ethics at www.kadant.com under the header "Corporate Governance".

When reporting suspicious or illegal activity, it is important that we be as fully informed as possible in order to reach an appropriate solution. Be sure you have all the facts and describe the situation or activity as completely as possible, including details such as names, dates, facilities or businesses involved, and the names of individuals who can provide additional information or have knowledge.

You can report the activity anonymously. All complaints will be referred to appropriate personnel, who will evaluate, verify and investigate the complaint. In

addition, the Company will not discipline, discriminate against or retaliate against anyone who reports such activity, unless the report was not made in good faith.

Failure to comply with the standards outlined in our FCPA Policy, or to cooperate in any investigation regarding an alleged violation, will result in appropriate disciplinary action, up to and including termination of employment or other association with the Company, as determined by the Company. Certain violations of our FCPA Policy may require us to refer the matter to the appropriate governmental or regulatory authorities for investigation or prosecution.

How Do We Administer Our FCPA Policy?

Our FCPA Policy is communicated by each of our businesses to their employees, officers, directors and agents and representatives, at the beginning of their employment or other association with the Company and periodically thereafter. Employees may be required to participate in training or educational events conducted by the Company and to periodically certify that they have received, read and understood our FCPA Policy and complied with its terms.

For example, certain employees determined by management in its judgment, including sales, financial and executive personnel, and directors of the Company, will be required to annually certify that they have received, read and understood our FCPA Policy and complied with its terms.

Effective Date: November 2019
Supercedes: December 2017

KADANT INC.

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DEFINITIONS

Key words or phrases used in this FCPA Policy can be confusing or subject to interpretation and are defined below as a guide to their use. If you are unsure how these terms or concepts may apply in a particular situation, please contact your subsidiary's compliance representative or the Company's general counsel.

Anything of Value: The use of "anything of value" includes not only money but also:

- Stock
- Entertainment
- Gifts
- Discounts on products and services not readily available to the public
- Offers of employment
- Assumption or forgiveness of debt
- Payment of travel expenses, including airfare, hotels, meals and admission fees
- Personal favors

Bribe: When one party gives or offers another party, either directly or through an intermediary, any reward, advantage or benefit of any kind, in order to improperly influence the making or not making or implementation of a decision or act by the party concerned. A bribe need not be cash, but can include excessive gifts or hospitality.

Facilitating Payment: A payment made solely to expedite or secure the performance of the following routine government actions:

- obtaining licenses, permits and other official documents to qualify to do business in a foreign country;
- processing governmental papers, such as visas and work orders;
- providing police protection, mail services and inspection of goods or of contract performance;
- providing telephone service, utilities, loading or unloading cargo and protecting perishable goods from deteriorating; and
- actions of a similar nature.

Foreign Official: An officer, employee or official of any of the following, or any person acting in an official capacity for or on behalf of, the following:

- a foreign government (i.e., other than your home country)
- any department, agency, or instrumentality of a foreign government, which

- includes a government-owned or government-controlled state enterprise
- a "public international organization",
- any foreign political party (includes any party official, or any candidate for foreign political office).

Foreign officials include not only elected officials, but also consultants who hold government positions, employees of companies owned by foreign governments, political party officials and others. A company hired to review bids on behalf of a government agency or government-controlled state enterprise may be included in the definition. Significant government ownership or loans may constitute government control of a business or enterprise.

Government: An agency, instrumentality, subdivision or other body of any national, state or local government, including facilities which are owned or operated by a government, and including regulatory agencies or government-controlled businesses, corporations, companies or societies.

Knowing or Having Reason to Know: Payments made to intermediaries or foreign agents knowing or having reason to know that a payment would be made in turn to foreign officials for illicit purposes. A company or person has knowledge of prohibited conduct if the company or person is (a) aware that such person (to whom company resources are given) is engaging in such conduct, that such circumstance exists, or that such result is substantially certain to occur or (b) has a firm belief that such circumstance exists or that such result is substantially certain to occur. A company or person is also deemed to have knowledge of a particular circumstance if the company is "aware of a high probability of the existence of such circumstance, unless the person actually believes that such circumstance does not exist." Accordingly, a U.S. corporation can be held liable if its actions indicate a conscious disregard or deliberate ignorance of circumstances that should reasonably alert the company to the high probability of illegality. A U.S. corporation cannot turn a blind eye to suspicious activities of its foreign finders, agents, representatives or partners, hoping not to learn of prohibited activity.

Payment: Money, transfer of stock, bonds or any other property, the payment of expenses, the providing of services of any type, the assumption or forgiveness of any indebtedness, or any other transfer of goods, services, tangibles or intangibles that accrues to the benefit of the ultimate recipient or his or her family.

Public International Organization: Organizations as the World Bank, the International Finance Corporation, the International Monetary Fund, and the Inter-American Development Bank.

Third Party: Any person not a party to the transaction, such as a sales intermediary or agent between us and the final customer or end-user of our products.