

CODE OF BUSINESS CONDUCT AND ETHICS FOR GOVERNMENT CONTRACTORS

Purpose and Scope of the Code

While Kadant's policy is to conduct all business ethically and in compliance with the law, certain of Kadant's businesses engage in government contracting. For these businesses in particular, there are special heightened standards that apply to the conduct of Kadant's business. This Code of Conduct ("Code") reflects the Company's commitment to comply with the requirements of the Federal Acquisition Regulation 52.203-13, Contractor Code of Business Ethics and Conduct.

Who is the Code for?

The Code applies to any Company that holds a government contract at any tier. In such companies, the Code applies to anyone acting on behalf of Kadant or the Company, including its officers, employees, agents, and subcontractors, and representatives of those companies (hereinafter referred to as the "employee"). Strict compliance with all applicable laws and regulations and with this Code is expected of all employees. Please take this Code and use it as a reference guide as you seek integrity in the workplace. You are expected to live with and by the Code. Failure to do so may result in disciplinary action including termination in some cases.

What is expected?

All employees must abide by the provisions of this Code and report any suspected violations. Employees also have an obligation to ask questions and seek guidance if they are unsure of their obligations under this Code. In particular, supervisors and managers have an affirmative duty under this Code of Conduct to:

- Set an example – showing what it means to act with integrity;
- Ensure that those they supervise have adequate knowledge and resources to follow the Code of Conduct's standards;

- Consult with supervisors to obtain clarity or support on ethics and compliance issues;
- Monitor compliance of the people they supervise;
- Enforce the standards of the Code of Conduct and all other related Company standards;
- Support employees who in good faith raise questions or concerns about compliance and integrity;
- Never retaliate or permit retaliation; and
- Report instances of noncompliance to the proper management level.

In general, all employees should follow some guidelines that serve to prevent unethical conduct:

- Never seek or accept confidential bid information or government sensitive information related to a competitor;
- Never give or authorize the giving of any cash payment to any government official;
- Never give or authorize the giving of payments in goods to any government official;
- Never offer or provide gifts, gratuities or entertainment to any government official;
- Conform strictly to the contract's terms and conditions;
- Billings must always be accurate, complete, and in full compliance with all rules and regulations;
- Labor hours and other costs, especially when performed under cost-reimbursable, time and materials, and labor-cost type contracts must always be accurate, complete, and in full compliance with all rules and regulations;
- Be truthful, accurate, and complete in all invoices, representations and certifications;
- Know your government client's specific rules and regulations; and

- Do not initiate any discussions about employment with any current or former government employee, government program, government office, or Prime Contractor of the company with whom you have had a business relationship.

Above all – *if you have questions, or are unsure of what conduct is appropriate* – ASK for assistance!

1. We Do Not Allow Drugs or Alcohol Use in the Workplace

Kadant is firmly committed to providing its employees with a safe and productive work environment to the extent possible and promoting high standards of employee health. Accordingly, the Company expects all of its employees to report to work and be able to perform his or her duties productively and safely. Drug and alcohol abuse by employees is regarded as unsafe and creates an increased risk to the safety of themselves, their fellow employees, and our clients and is contrary to the Company's interests in maximizing its productivity. Therefore, drug and alcohol abuse will not be tolerated and anyone caught using drugs or alcohol in the workplace will be subject to discipline, including termination.

2. We Prohibit Bribery and Corruption

The commission or receipt of bribes in any form is unacceptable. Bribery includes the offering, promising, giving or receiving anything of value to or from a public official or private individual with the intent to obtain or retain business, gain an unfair advantage or to influence an official act. No bribe should ever be offered and any demand for a bribe must immediately be refused. Breaching anti-bribery and anti-corruption laws is a serious offense. Companies and individuals breaching these laws may be punished by fines, and individuals may also face imprisonment. Even something that can be perceived to breach anti-bribery or anti-corruption laws can severely damage the Company's reputation.

Kadant is committed to conducting its business in compliance with all laws prohibiting bribery and other corrupt practices. One of the applicable laws is the Foreign Corrupt Practices Act ("FCPA"), which prohibits U.S. companies and their representatives from trying to obtain or retain business by offering improper gifts or payments to foreign officials. The FCPA and other anti-bribery laws and regulations prohibit payments of money or giving any gifts or other items of value, directly or indirectly, to any non-U.S. Government officials to obtain or retain business or to secure any improper business advantage. Specifically, it prohibits you, directly or through a third-party intermediary, from giving, offering, or promising anything of value to non-U.S. Government officials—defined very broadly—or political parties, officials, or candidates for the purpose of influencing them to misuse their official capacity to obtain, keep, or direct business or to gain any improper advantage.

3. We Prohibit Kickbacks

Kadant is committed to ensuring that all transactions and business dealings with its customers, vendors and suppliers are conducted in compliance with the Anti-Kickback Act. The Anti-Kickback Act prohibits prime contractors and subcontractors from offering, soliciting, providing, or accepting anything of value for the purpose of obtaining or rewarding favorable treatment in connection with the award of government prime contracts or subcontracts.

Kadant deals fairly and honestly with its customers, vendors and suppliers. This means that our relationships are based on price, quality, service and reputation, among other factors. No employee should accept or solicit any personal benefit from a customer or potential customer. Similarly, no employee should offer or provide any personal benefit to a customer or potential customer.

Should you suspect that a kickback or attempted kickback has occurred, you must report it immediately so that the Company can investigate the matter.

4. We Prohibit Gifts to Government Officials

U.S. Government officials are generally prohibited from accepting gifts, subject to certain limited exceptions. Because we provide services to the U.S. Government, providing gifts to U.S. Government officials could create the appearance of impropriety. To avoid creating even the appearance of impropriety, Kadant employees are prohibited from offering or giving anything of value to any government official.

The strict gift rules pertaining to U.S. Government officials are not applicable to other commercial entities. However, we always seek to win business on the basis of our excellent service. Gifts, meals, and entertainment with customers, suppliers, and partners must be reasonable and not excessive. We believe no gift should be accepted or provided if it will obligate, or appear to obligate, the receiver. You must not compromise or appear to compromise the Company's ability to make neutral, "arm's length" business decisions. If others believe that a business decision was made because of a gift or business courtesy and not purely on the basis of merit and sound business judgment, our reputation will be harmed.

5. We Require Procurement Integrity

Employees are strictly prohibited from obtaining or seeking to obtain procurement sensitive information related to upcoming or ongoing federal procurements. Employees are also prohibited from obtaining bid and proposal information of any Kadant competitor.

6. We Prohibit Conflicts of Interest

Employees must avoid situations in which their personal interests could conflict with, or even appear to conflict with, the interests of the Company. Conflicts of interest arise when an individual's position or responsibilities with Kadant present an opportunity for personal gain of profit separate and apart from that individual's earnings from the Company or where the employee's interests are otherwise inconsistent with the interests of Kadant. A conflict of interest may arise in any number of situations and it is impossible to describe each and every instance. If a conflict of interest is identified, you should withdraw from any decisionmaking that creates or could be perceived to create the conflict. As a general matter, if you think that any situation may be a potential conflict of interest, you should consult with the General Counsel.

Conflicts of interest can take many forms; the Code of Conduct addresses several of them. It is the responsibility of each employee to prevent conflicts of interest or the appearance of one by seeking advice when there may be a conflict. It is also each employee's responsibility to disclose all situations that might present a real or perceived conflict of interest.

Defining of Terms:

In disclosing and assessing whether a real or potential conflict exists, employees must consider situations involving themselves and their "family members," defined as a spouse, domestic partner, or significant other, parents, children, a spouse's parents, the employee's or spouse's siblings and their spouses, and any person in the employee's household. Similarly, third parties that must be considered by associates in disclosing and assessing conflicts of interests are defined as follows:

- Competitor – A person offering for sale, selling, or planning to offer or sell products or services in competition with Kadant, or any party with which Kadant has teamed or contracted with on a particular project.
- Client – Any person or entity who Kadant seeks as a client or who currently buys, rents, or otherwise procures from Kadant, any goods or services.
- Vendor – Any person who does or seeks to provide any goods or services to Kadant.

Presumed Conflicts which MUST be Disclosed and Resolved:

Employees must disclose any of these circumstances that involve themselves or their family members:

- An employee's position at Kadant involves dealing with a family member as a competitor, vendor, or client of Kadant.
- Employment at Kadant and at any other place at the same time if the employment negatively impacts the time or attention that must be devoted to Kadant's affairs.
- Employment by Kadant and by anyone else at the same time that is a present or potential competitor, vendor, or client of Kadant.
- Holding of any substantial financial interest in any competitor, vendor, or client of Kadant. "Substantial" means an interest valued at more than 20% of your annual Kadant salary. The term "financial interest" refers to any form of ownership or partial ownership, but does not include interests in publicly traded mutual funds, index funds, or similar pooling of securities. NOTE: Ownership of securities acquired as part of a stock purchase plan for employees during prior employment need not be disclosed, but additional purchases of such stock must be disclosed if in excess of 20% of Kadant salary.
- Offers of or acceptance of employment or membership on the board of directors of any competitor, vendor, or client of Kadant, or as a consultant or advisor to any such board of directors or to the management of such firm or person.
- Lending money, guaranteeing debts, borrowing money, or accepting gifts or favors in a way that could appear to place an employee under obligations to a competitor, vendor or client of Kadant.

Where to Go to Disclose and Resolve Conflicts of Interest:

Any employee that becomes aware of any transactions or relationships that may give rise to a conflict of interest must disclose the transaction or relationship. An employee's direct supervisor is the appropriate initial resource for assessing potential conflicts of interest. However, while it is the Company's desire to address such matters internally, no provision of this Code or of any other agreement or Company policy prohibits you from (i) communicating with government agencies without notice to or approval from the Company, including but not limited to the Securities and Exchange Commission, the Equal Employment Opportunity Commission, or similar state or local agencies or to any legislative body or self-regulatory organization (each, a "Government Entity") about possible or actual violations of the law, or otherwise providing information to a Government Entity, filing a charge or complaint with a Government Entity, or participating, testifying, or

otherwise assisting in Government Entity investigations or proceedings without notice to or approval from the Company, or (ii) making disclosures or communications to engage in protected, concerted activity or otherwise exercising rights under Section 7 of the National Labor Relations Act. Additionally, nothing in this Code or any other agreement or Company policy limits an employee's, officer's, or director's right to receive an award from any Government Entity for or in connection with information provided to the Government Entity.

Disclosure of a conflict may not resolve the conflict. Once a conflict is disclosed, the supervisor or other responsible personnel will work with the employee to address the risks associated with the conflict. This process may include termination of the arrangements that created the conflict.

7. We Keep Accurate Books, Records and Reports

You should never falsify or distort any information or document related to your work for Kadant or its clients. All transactions must be recorded in a way which accurately, clearly and unambiguously describes the nature of the transaction, and all business records, accounts and reports to government agencies and others must be prepared with care and honesty. Records are valuable Company assets and must be properly managed. Inaccurate records could result in Kadant failing to satisfy legal or regulatory obligations and cast doubt on the Company's integrity and honesty. Employees should never destroy or alter a document with the intent of impairing its integrity or availability in any internal or government investigation or legal proceeding.

8. We Comply with Laws, Rules and Regulations

All employees must respect and obey the local, state and federal laws, rules and regulations applicable to Kadant. Although not all employees are expected to know the full details of these requirements, it is important to know enough to determine when to seek advice from supervisors or managers.

If an employee is unsure of what laws, rules and regulations are applicable to his/her work with Kadant, s/he should consult his/her supervisor or manager.

9. Kadant Only Does Business With Responsible Companies

Kadant is committed to maintaining an ethical work environment. Toward that end, the Company will only transact business with companies that are also committed to this principle. If Kadant does business with another company that is found to have engaged in inappropriate conduct, Kadant's reputation could suffer. Therefore, business integrity and responsibility are key requirements for doing business with Kadant.

Before entering into agreements, Kadant intends to use the government's database known as the System for Award Management to determine whether the prospective partner is ineligible for government contracts, subcontracts or non-procurement transactions, such as grants or cooperative agreements. If the prospective partner is ineligible, Kadant will not do business with the party unless a government customer determines that there are compelling reasons to continue to do business with the party.

In addition to the measure described above, the Company expects all employees to report any concerns they have pertaining to prospective business partners. Further, should any Kadant employee ever be listed on SAM as ineligible for government contracting, that employee must immediately report the matter.

10. We Protect Customer Information

Many of our customers handle classified information, sensitive national security information or other proprietary business information. If customer information is improperly accessed or disclosed, our reputation will suffer and national security may be harmed. Kadant is committed to safeguarding customer information, whether that information is work related or personal. Kadant's employees are strictly prohibited from improperly accessing or attempting to access any confidential customer information.

11. We Make Accurate Representations & Certifications

All individuals acting on behalf of Kadant are required to make accurate representations and certifications on its behalf, including in oral and written communications. This requirement extends to both affirmative representations and certifications as well as to implicit representations and certifications. Every time an employee stamps, initials, or signs a document, he or she is approving of the representations contained within the document and independently representing that the statements are accurate. It is a breach of this Code to make any misrepresentation or false statements to any customer, subcontractor, individual or entity you encounter in your dealings on behalf of Kadant.

a. We Cooperate with the Government

i. Investigations

Kadant's employees must be truthful and honest and fully cooperate with government audits or investigations into the Company's business. Employees must preserve all documents, data, and other materials related to any matter subject to investigation, audit or review. It is the Company's policy to cooperate with any reasonable and lawful request by government investigators seeking information concerning Kadant's operations for law enforcement purposes. At the same time, employees are entitled to the safeguards provided by law, including representation

of counsel. Therefore, if you are contacted by any authority, you should report it immediately.

ii. Mandatory Disclosures

Kadant, through its counsel, will make timely disclosures, in writing, to the appropriate government officials, including where applicable to the appropriate Office of Inspector General and/or Contracting Officer(s), whenever, in connection with the award, performance, or closeout of any government contract or subcontract performed by the Company, the Company has “credible evidence” that a principal, employee, agent, or subcontractor of the Company has committed (1) a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in 18 U.S.C.; (2) a violation of the civil False Claims Act (31 U.S.C. § 3729-3733), or (3) a “significant overpayment” on the contract.

b. Consequences for Code violations

Any violation of this Code is cause for disciplinary action that may result in any of the following consequences:

- Reprimand.
- Loss of compensation, seniority, or promotional opportunities.
- Reduction in pay.
- Demotion.
- Suspension with or without pay
- Termination.

This list is not exhaustive or exclusive, and Kadant reserves the right to take additional disciplinary measures as necessary or appropriate.