



2022 **TCFD Report**

**Taskforce on Climate-related
Financial Disclosures Report**

ALBANY
INTERNATIONAL

About Us

We are Albany International (Albany) – a leading developer and manufacturer of engineered components, using advanced materials processing and automation capabilities, within two core businesses.

Machine Clothing (MC) is the world's leading producer of custom-designed, consumable fabrics and process belts essential for the manufacture of all grades of paper products.

Albany Engineered Composites (AEC) is a growing designer and manufacturer of advanced engineered composite components for engine and airframe applications for commercial and military aircraft, missiles and unmanned vehicles, and renewable energy creation and distribution.

Through these two businesses, we support our customers in their drive to create more sustainable processes and end products by reducing energy consumption, enhancing resource efficiency, and improving fuel efficiency. We leverage innovation leadership, operational excellence, and the expertise of our talented, diverse, and engaged global team to drive sustainably positive results for our company and our stakeholders.

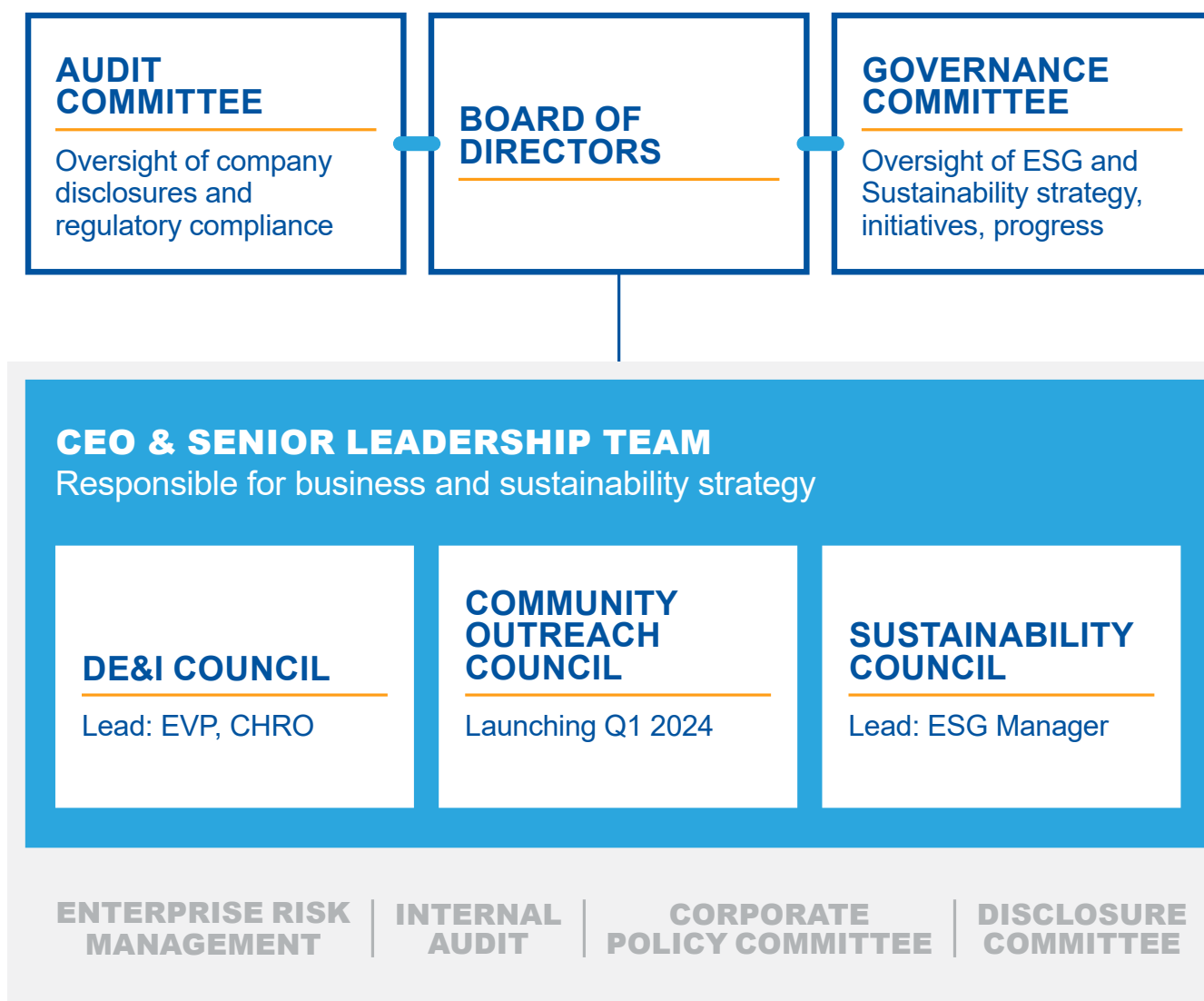
Albany is headquartered in Rochester, New Hampshire, and, with the [acquisition of Heimbach Group](#) in 2023, now operates 32 facilities in 14 countries, and employs approximately 5,400 people worldwide.

About This Report

This report discusses our approach to evaluating and managing climate change risks and opportunities for fiscal year 2022 and is guided by the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The recommendations of the TCFD focus on four thematic areas: governance, strategy, risk management, and metrics and targets. As we continue to expand our climate programs and work towards our carbon reduction goals, we will continue to evolve our TCFD reporting.

Governance

Sustainability Oversight Framework



Board Oversight

Albany's Board plays a role in the oversight of sustainability, including how sustainability and climate-related risks and opportunities inform overall business strategy and enterprise risk management.

The Governance Committee specifically has oversight of sustainability, including climate-related risks and opportunities. The Committee receives biannual updates from the Sustainability Council. The Committee's responsibilities include:

- Review and discuss with management the Company's environment, social and governance (ESG) and climate strategy, initiatives, and policies.
- Review and monitor the operational, regulatory, and reputational risks and impacts of ESG and climate on the Company and provide oversight with respect to the Company's management of such risks and impacts.
- Review and discuss reports from management regarding the Company's progress toward its key ESG and climate objectives.

The Audit Committee has oversight over legal, regulatory and compliance, including disclosure consideration of climate-related risks, once signed off by the Disclosure Committee.



Management Oversight

The CEO and Senior Leadership Team (SLT) have overall responsibility for Albany's business strategy, which includes sustainability and climate risks and opportunities. The SLT has ownership and accountability for how climate-related risks and opportunities guide, and are integrated with, business strategy, and ensures that initiatives, commitment and investments are aligned and integrated into the overall company strategy and practices.

Implementation of Albany's sustainability strategy is led by the Sustainability Council, which reports to the Governance Committee of the Board of Directors twice per year. The mission of the Sustainability Council is to guide development of Albany's strategy as it relates to sustainability, providing technical input and advice to the SLT. The Sustainability Council meets at least quarterly and has the following responsibilities:

- Collecting and managing sustainability and climate-related data for company operations and products.
- Setting climate-related corporate targets.
- Advising on setting and/or managing major capital and/or operational expenditures related to low-carbon products or services (including R&D).
- Assessing climate-related risks and opportunities.

The Sustainability Council is comprised of cross functional leaders from across the company, including finance, legal, human resources, technology, environmental, procurement, health and safety, and business unit representatives. The Sustainability Council monitors climate-related issues through the Enterprise Risk Management system, which is [described further on next page](#).



Strategy and Risk Management

Albany's core business is influenced by climate-related risks and opportunities, particularly around our products and services which support our customers on their sustainability journey by reducing resource and energy intensity for paper machine clothing and aerospace product applications. In 2022, Albany established the company's baseline for Scope 1 and 2 emissions. In 2023, Albany partnered with an independent third-party enterprise climate platform to enhance measurement, reporting, and reduction of our carbon emissions. This work sets the foundation for developing a climate transition plan to address both our products and services as well as our company operations and manufacturing footprint.

Process to Determine Climate-Related Risks and Opportunities

Climate-related risks and opportunities are integrated in Albany's Enterprise Risk Management system through our Enterprise Risk Approach, which takes into account the probability of occurrence and severity of impact. The approach covers direct operations, upstream, and downstream, and all time horizons. Albany's Enterprise Risk Management system defines a substantive financial or strategic impact on the business as one having greater than \$2M financial impact or moderate-to-major impact on the strategy and/or reputation of the company.

The Board of Directors oversees Albany's risk management processes. Albany's Chief Executive Officer and Chief Financial Officer review with the Board, at each regularly scheduled quarterly meeting, the most significant top-level enterprise risks facing the company, and the processes by which Albany mitigates such risks. This review is supported by periodic (but no less than quarterly) formal reviews by senior management of all significant enterprise risks, facilitated by the Chief Financial Officer.

The Board requests that management, from time to time, supplement these quarterly reviews with a more detailed analysis of one or more specific risks, selected by the Board, including related mitigation actions. The Board also reviews management's annual operating plan and strategic plan to ensure that they are consistent with, and appropriately address, Albany's risks and risk management processes.

Strategy and Risk Management

The Audit Committee is responsible for assisting the Board in its oversight of Albany's risk management processes. The Audit Committee periodically reviews the adequacy of the processes by which Albany handles risk assessment and risk management, and discusses such processes with management, Albany's internal audit function, and the independent auditor. The Committee receives periodic reports from Albany's finance department regarding liquidity and other financial risks; from the finance and internal audit function regarding internal control risks; and from the finance, legal, and internal audit departments regarding processes for addressing fraud, legal and compliance risks, and the adequacy of Albany's disclosure controls and procedures. Each year, the Committee reviews the results of management's annual fraud risk assessment. It also regularly reviews and discusses cyber-security risks to Albany with the Chief Information Officer and the internal audit function, and reviews and discusses with senior management the risk factors disclosed by Albany in its periodic filings with the Securities and Exchange Commission (SEC).

Climate-Related Risks and Opportunities

Albany considers climate-related risks and opportunities across the short-, medium- and long-term horizons, consistent with how we evaluate all risks and opportunities. We define these time horizons as:

Short-term

One year, this time horizon is aligned with our annual operating plan.

Medium-term

One to five years, this time horizon is aligned with our annual five-year strategic planning process.

Long-term

More than five years, this is considered Albany's long-term strategy and Research & Technology (R&T) planning, which, given the long-term nature of Albany's program contracts, includes product and program lifecycle.



Factors Considered in Climate Risk Assessments

In our climate-related risk assessments, we consider current and emerging regulations, legal, technology, market, reputation, and physical risks as discussed in the table below.

Current Regulation

Albany is subject to numerous, and sometimes conflicting, legal regimes on a diverse range of topics including ESG, environment, and climate. The global nature of our operations further increases the difficulty of compliance. As such we continually monitor, review, and assess current regulation in all of our geographies as part of our risk management process.

Compliance with diverse legal requirements can be costly, time-consuming and require significant resources. Violations of one or more of these regulations in the conduct of our business could result in significant fines, enforcement actions or criminal sanctions against us and/or our employees, prohibitions on doing business and damage to our reputation. Violations of these regulations in connection with the performance of our obligations to our customers also could result in liability for significant monetary damages, fines, enforcement actions and/or criminal prosecution or sanctions, unfavorable publicity and other reputational damage and restrictions on our ability to effectively carry out our contractual obligations.

Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws may not be well developed or provide sufficiently clear guidance and may be insufficient to protect our rights.

Emerging Regulation and Legal

Increasing stakeholder ESG expectations, physical and transition risks associated with climate change, emerging ESG regulation, contractual requirements, and policy requirements may pose risk to our market outlook, brand and reputation, financial outlook, cost of capital, global supply chain and production continuity, which may impact our ability to achieve long-term business objectives. Changes in environmental and climate change laws or regulations could lead to additional operational restrictions and compliance requirements upon us or our products, require new or additional investment in product designs, result in carbon offset investments or otherwise could negatively impact our business and/or competitive position.

Increasing industry performance standards, increasing sustainability disclosure requirements in the US and globally, and requirements on manufacturing and product air pollutant emissions, especially greenhouse gas (GHG) emissions, may result in increased costs or reputational risks and could limit our ability to manufacture and/or market certain of our products at acceptable costs, or at all. Regulatory implications of the physical impacts of climate change, increasing global chemical restrictions and bans, and water and waste requirements may drive increased costs to us and our suppliers and impact our production continuity and data facilities.

We continually monitor, review, and assess proposed and incoming regulatory change as part of our risk management process. Examples as of September 2023 include CSRD in the EU, the proposed SEC climate-related disclosure rule in the US, and SB253 (known as the Climate Corporate Data Accountability Act) and SB261 (known as the Climate-Related Financial Risk Act) in California.

Technology

Albany produces advanced products for the paper making and aerospace industries which promote energy and resource efficiency, and as such technology risks are included in our risk assessment process. We invest heavily in R&D of new technologies to support our customers in their initiatives towards carbon neutrality and endeavor to maintain our technological market leadership.

Market

Many of the products Albany produces use raw materials derived from petroleum and petroleum by-products. Increases in the prices of petroleum or petroleum derivatives through climate action or unclear market signals around traditional energy costs could increase our costs, and we may not be able to fully offset the effects through price increases, productivity improvements, and cost-reduction programs.

Reputation

We believe our brand names and our reputation are important corporate assets that help distinguish our products and services from those of our competitors and also contribute to our efforts to recruit and retain talented employees.

Our brand and reputation are associated with our public commitments to various corporate ESG initiatives, including our goals for climate action and sustainability. Our failure to achieve our commitments could harm our reputation and adversely affect our relationships with customers and suppliers or our talent recruitment and retention efforts. In addition, positions we take or do not take on environmental issues may be unpopular with some of our employees or with our customers or potential customers, which may in the future impact our ability to attract or retain employees or customers. We also may choose not to conduct business with potential customers or suppliers or discontinue or not expand business with existing customers due to these positions.

**Acute and Chronic
Physical**

Natural disasters at one or more of our facilities could make it difficult for us to meet our supply obligations to our customers. For example, AEC's production of LEAP engine components is currently located in three facilities. Acute and chronic physical climate risks (e.g., flooding, extreme weather events) at any of these locations could have a significant adverse effect on AEC's ability to timely satisfy orders for LEAP components. Production of almost all of AEC's other legacy and growth programs – including components for the F-35, fuselage components for the Boeing 787, components for the CH-53K helicopter, and missile bodies for Lockheed Martin's JASSM air-to-surface missiles – is located primarily in facilities in Salt Lake City, Utah or Boerne, Texas.

Significant consolidation of manufacturing operations in our MC segment over the past decade has reduced the number of facilities available to produce our products, and increased utilization significantly at remaining facilities. Not all product lines are produced at, or capable of being produced at, all facilities. We have MC facilities located near Mexico City, which has been identified as an area vulnerable to flood, storm surge and earthquake risks, and in the Pearl River Delta area of China, which has been identified as vulnerable to flood, storm and storm surge risks.

**Acute and Chronic
Physical
(cont.)**

A significant interruption in the operation of any one or more of our plants, whether as the result of a natural disaster or other causes, could significantly impair our ability to timely meet our supply obligations to customers being supplied from an affected facility. While the occurrence of a natural disaster or other business interruption event in an area where we have a facility may not result in any direct damage to the facility itself, it may cause disruptions in local transportation and public utilities on which such locations are reliant, and may also hinder the ability of affected employees to report for work.

Although we carry property and business interruption insurance to help mitigate the risk of property loss or business interruption that could result from the occurrence of such events, such coverage may not be adequate to compensate us for all loss or damage that we may incur.



Scenario Analysis

Climate-related scenario analysis has been used informally to apprise Albany's strategy as a key driver of risk and opportunity for the business. Through our partnership with our enterprise carbon platform, more structured climate-related scenario analysis is currently being incorporated into Albany's strategic planning and sustainability strategy.

Climate Risks and Opportunities: Influence on Strategy

Products and Investment in R&D

We are committed to continuing to introduce innovative products that help our customers improve their environmental footprint and the sustainability of their products and processes.

Our paper machine clothing products enable our paper-making customers to reduce their own environmental footprint by reducing their energy consumption, improving resource efficiency, and helping maintain and improve water quality.

Energy is one of the top three cost components in the paper making process. Our machine clothing solutions use innovative technologies to reduce the amount of heat energy required for paper production. We continue to innovate and remain focused on developing and bringing to market proprietary products aimed at improving the energy and resource efficiency needed for our customers' products and their production processes. Efforts include:

- Developing technologies to reduce energy consumption of paper machines, reducing load demands by 10-15%.
- Furthering the production of lightweight packaging with the same strength (reduced basis weight without performance reduction), resulting in less energy needed to transport products throughout the supply chain and more efficient utilization of wood fiber.
- Reducing belt contamination, resulting in fewer cleanings and lower water consumption.
- R&D efforts targeting thermoplastic structures, which can be recycled.

In aerospace, weight savings that drive fuel efficiency are essential for aircraft producers, if the industry is to achieve its goals for sustainable aviation. This fundamental design goal has driven the increased use of lightweight composite structures in an ever-broadening sphere of aerospace applications. Albany has led the introduction of new, proprietary process technologies that enable additional weight savings in certain structurally demanding aerospace applications, which are currently served by heavier, metallic structures and for which traditional laminated composites do not possess the required structural characteristics. Our proprietary 3D woven technology expands the role lightweight composites can serve as the next generation of aircraft is designed and built:

- Albany's proprietary 3D woven composite technology helps make the CFM International LEAP turbofan engine significantly lighter and durable resulting in ~15% better fuel efficiency.
- The use of composite parts in the Sikorsky CH-53K heavy-lift helicopter for the US Marine Corps improves fuel efficiency and extends the aircraft range.

Supply Chain and Value Chain

In 2023, Albany began evaluating climate-related risks and opportunities in our value chain, including creating the following initiatives:

- Engaging with suppliers to understand their carbon footprints.
- Partnering with an independent third-party to comprehensively map and understand supply chain and value chain risks and opportunities.
- Initiating external partnerships to work on product level carbon footprint and lifecycle assessments.

Operations

In 2022, we completed efforts to gather, aggregate, and report comprehensive and comparable information on the energy use and emissions across the 23 Albany facilities in the 11 countries where we have historically operated, in accordance with the GHG Protocol for Scope 1 and Scope 2. In 2023, we continue to focus on the impact of our own operations by evaluating our risks and identifying actionable opportunities to drive meaningful improvement in our energy and GHG emissions intensity. With the acquisition of Heimbach Group in the third quarter of 2023, we will integrate their operations into our energy use and emissions reporting. In 2023 we also partnered with an enterprise carbon management platform to help measure, report and reduce our carbon emissions. Now that we have an emissions baseline, we will be working to evaluate and adopt meaningful and appropriate GHG reduction targets, as well as a comprehensive decarbonization strategy.

We are also already taking steps to reduce our energy use and increase our overall energy efficiency. In 2022, this primarily took the form of initiatives by facility leaders, leveraging our core focus on continuous improvement and innovation. For example, one of our facilities recently changed energy suppliers to one with a higher mix of renewable energy. We are currently evaluating opportunities to enhance our energy reduction efforts across all our facilities, starting with converting existing lighting in plants to more efficient LEDs. We also engaged a third-party assessment of the energy consumption at several facilities to provide recommendations on potential measures to reduce annual energy spend and emissions. Several areas for improvement were identified including equipment and systems upgrades to more modern, energy efficient versions, as well as identifying and executing maintenance/operating improvements. The assessment included a feasibility study of solar photovoltaic technology which Albany continues to explore in 2023.

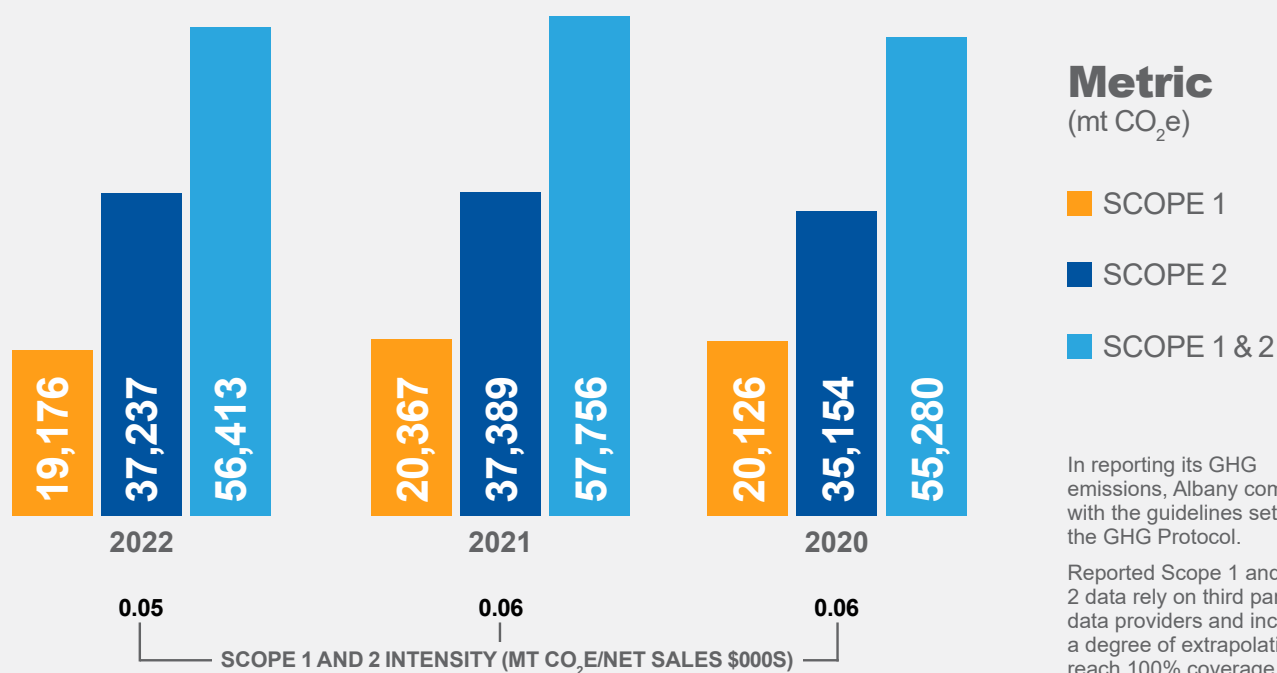
We are committed to reducing waste, both from our own operations as well as our customers', and we continue to look for opportunities to reduce waste generated. For example, at one of our facilities we achieved zero landfill in 2022 through recycling and converting waste to energy sources. In 2022, our MC business continued its partnerships with third-parties on key environmental projects including chemical recycling of regenerated fibers, developing innovative fiber blends, yarn spinning techniques, and mechanical textile recycling. At one of our facilities, we installed a rainwater harvesting system as well as wastewater treatment centers, while in another we built a water recirculation system to save water.

Metrics and Targets

Albany believes in the importance of setting goals and targets and reporting those to our various stakeholders. The first step in introducing an emissions target has been to accurately track emissions. As described above, in 2022, we calculated our GHG emissions in accordance with the GHG Protocol for Scope 1 and Scope 2, going back to 2019. We also developed and integrated a global environmental dashboard to assist with tracking and monitoring emissions across the entire company.

Now that we have an emissions baseline, we are working in partnership with our third-party enterprise carbon platform to evaluate and adopt meaningful and appropriate GHG reduction targets, which will be developed alongside a comprehensive decarbonization plan.

In 2023, we continue to focus on the impact of our own operations (including operations acquired during the third quarter of 2023) by evaluating our risks and identifying actionable opportunities to drive meaningful improvement in our energy and GHG emissions intensity, as well as our products' environmental impact.



Forward looking statement/legal disclaimer

Readers are cautioned that certain statements made by Albany International relating to sustainability and environmental, social and governance matters, including those included on its sustainability webpage or sustainability reporting (such statements, “Sustainability Statements”), may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Act”). Forward-looking statements include any statement that does not directly relate to any historical or current fact. Forward looking statements may project, indicate or imply future results, events, performance or achievements, and such statements may contain the words “expect,” “intend,” “plan,” “anticipate,” “estimate,” “believe,” “will be,” “will continue,” “will likely result,” and similar expressions. In addition, any statement concerning future performance, ongoing strategies or prospects, and possible actions taken by Albany International are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to a variety of risks and uncertainties, many of which are beyond Albany International’s control, that could cause actual results to differ materially from those anticipated or projected. Developments in any of the risks or uncertainties facing Albany International, including those described in risk factors included in annual and quarterly reports and other filings with the Securities and Exchange Commission (“SEC”) made by Albany International, could cause results to differ materially from results that have been or may be anticipated or projected. Given these risks and uncertainties, readers should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made and Albany International expressly disclaims any obligation or undertaking to update these statements to reflect any change in expectations or beliefs or any change in events, conditions or circumstances on which any forward-looking statement is based. The inclusion or absence of information in Albany International’s Sustainability Statements should not be construed to represent any belief regarding the materiality or financial impact of that information. Sustainability Statements may be based on expectations and assumptions that are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring and reporting on many sustainability matters. Calculations, statistics, and certain facts included in Sustainability Statements may be based on third-party information, current estimates, assumptions and projections and therefore subject to change. Albany International’s Sustainability Statements have not been externally assured or verified by independent third parties. Albany International’s Sustainability Statements may contain links to other internet sites or references to third parties. Such links or references are not incorporated by reference into the applicable Sustainability Statement and Albany International cannot provide any assurance as to their accuracy. These Sustainability Statements represent current Albany International policy and intent and are not intended to create legal rights or obligations.