



2018

Corporate Sustainability Report

SUSTAINABLE SOLUTIONS.
ENDLESS INNOVATION.™

KRATON™

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Message from the President and CEO

Kraton conducts business in collaboration with and through the support of many stakeholders, including our shareholders, employees, customers, and the communities in which we operate. We seek to balance their needs and expectations in developing sustainable, useful and competitive solutions that provide long-term benefits for everyone. Sustainability creates value for our company, giving us the potential to grow our business, improve productivity and manage risks.

As a specialty chemical company, the heart of “specialty” is innovation. It drives our organic growth into more specialized and diversified products, delivering exceptional value to our stakeholders while promoting more sustainable solutions. In 2018, we brought new innovations that enable our customers to meet their sustainability goals and worked on solutions that fuse the technologies of our Chemical and Polymer segments, such as recycled and highly-modified asphalt applications.

Our core value of Creativity is integral to our innovation approach. For example, we innovate to simplify manufacturing processes and eliminate unnecessary steps. We invest in our plants and equipment to optimize efficiency, increase reliability and reduce environmental impact. In 2018, we improved performance across various environmental indicators, such as emissions to air, water use and waste generation. We made clear progress toward achieving our target of 25 percent reduction in GHG emissions by 2030, which we will accelerate by commencing a project in 2019 to engineer a natural gas fired electricity generator at our Belpre, Ohio site. We also began rolling out Kraton’s responsible procurement program in 2018 to further improve sustainability and reduce risks in our supply chain.

Safety is our number one core value. I am particularly concerned that 2018 saw a downward trend in our safety performance following three consecutive years of improvement. We experienced too many incidents that, while categorized as minor in severity, were clearly avoidable. The health, safety and security of our employees is of paramount importance. We simply must do better, and we will. What gives me confidence is that our team has formed an immediate collective response and has developed plans across multiple functions to improve our safety performance going forward.

Today, approximately 50 percent of our business consists of products derived from renewable resources. I am proud of Kraton’s commitment to sustainable operations in the interests of all our stakeholders. I believe that the only way to deliver long-term value in a resource constrained world is through our commitment to sustainability. It also plays an integral role in achieving our vision of becoming an admired Fortune 500 specialty chemical company.

The specialty chemicals industry is pivotal in creating tomorrow’s sustainable future, and Kraton is well-positioned to take a leading role. This report captures our sustainability story – highlighting our ambitions, reporting on our progress and reflecting our performance in 2018. Thank you for your interest in Kraton, and I look forward to engaging with you on these topics as we collectively strive to improve people’s lives by making a Positive Difference in our jobs, for our customers and to the world.

Kevin M. Fogarty

Kevin M. Fogarty
President and CEO

About Kraton

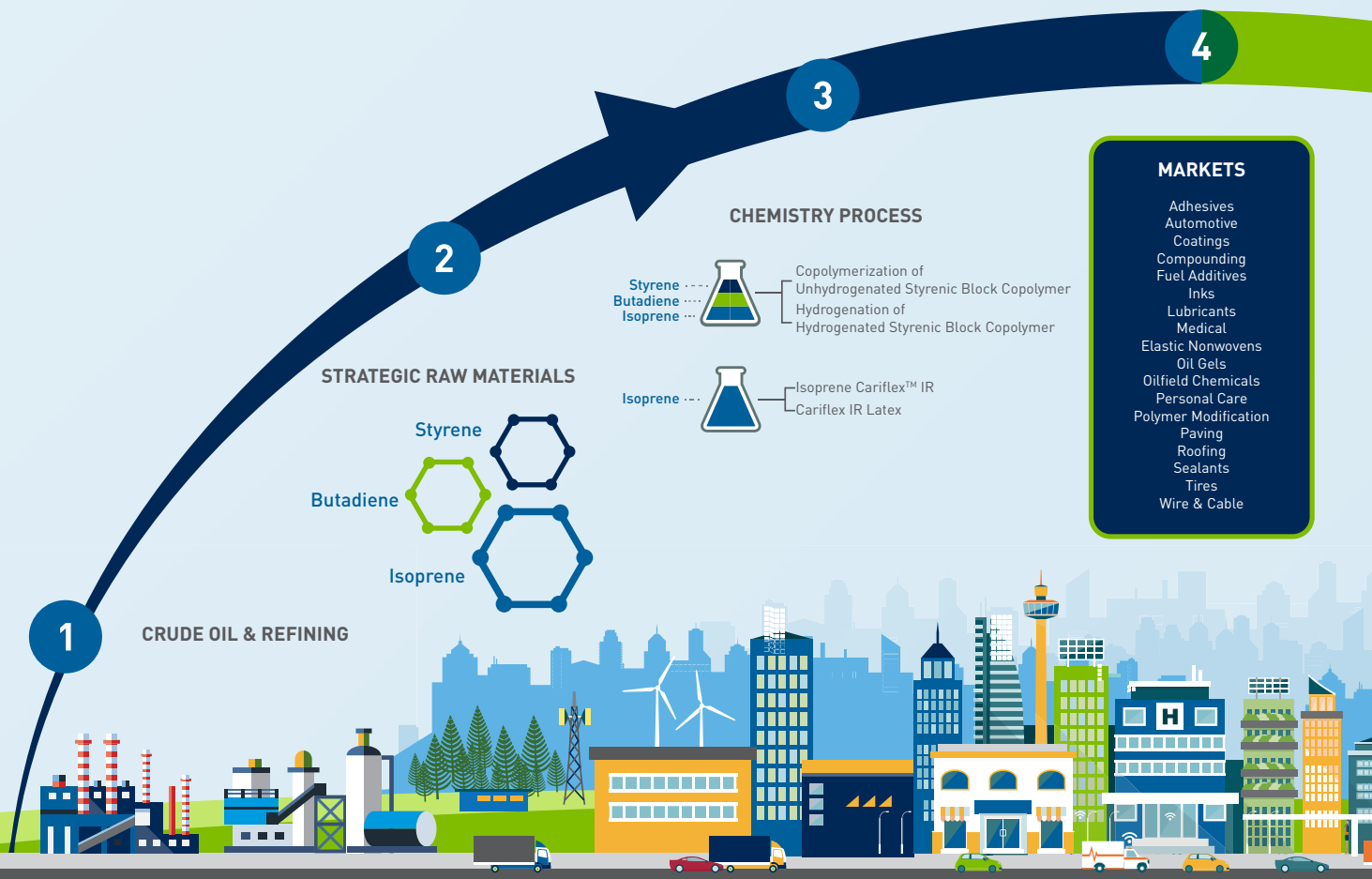
Kraton at a Glance

Who We Are

Kraton Corporation (NYSE: KRA) develops, manufactures and markets biobased chemicals and specialty polymers that deliver exceptional value and enhance the lives of people all over the world. As a leading global producer of styrenic block copolymers (SBC) and pine chemicals, we manufacture high-performance materials that differentiate our customers' products and meet multiple market needs. Our global footprint, extensive expertise and integrated portfolio of high-quality products help push the boundaries of performance to power the future of innovation.

Global Reach

Kraton works with more than 700 customers across a diverse range of end markets in over 70 countries. We manufacture SBC and pine chemical products on four continents: North America, South America, Europe and Asia. Our worldwide locations include 14 manufacturing plants, five innovation centers and multiple regional offices that enable us to support our broad global customer base.

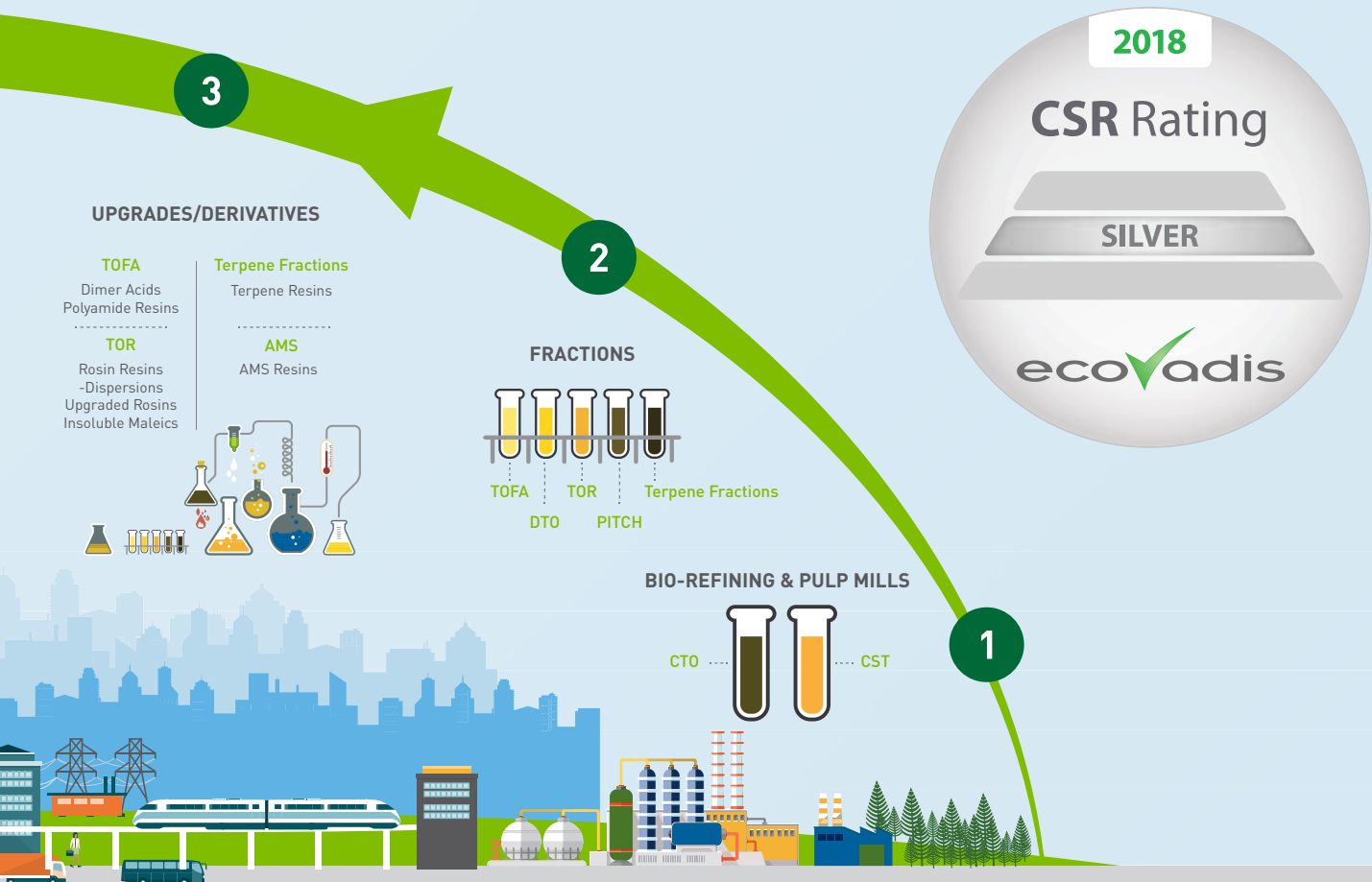


Business Segments

Kraton operates through two major segments: Polymer and Chemical. Our Polymer Segment is known for its SBC products – a class of thermoplastic elastomers that offers excellent flexibility, high impact resistance, safety and recyclability. The segment also includes isoprene rubber and isoprene rubber latex, which are recognized industry-wide as an ideal alternative to natural rubber for their ability to minimize allergy risks while offering purity, strength and softness. Our Chemical Segment pioneered the process for refining crude tall oil (CTO) and crude sulfate turpentine (CST), into biobased chemicals that provide high-performance capabilities with renewable attributes. CTO and CST are byproducts of the kraft pulp industry.

The Market

Kraton operates in a complex environment. To conduct our business, we depend on a wide variety of stakeholders for maintenance, freight forwarding, warehousing, tolling and more. Many factors impact our ability to compete, including breadth of product offering, supply reliability, market cycles and operational sustainability. Our biobased and performance-enhancing products enable us to differentiate and provide a more sustainable solution to a broad range of alternative materials ranging from hydrocarbon to vegetable-based substitutes. Our customers appreciate our biobased-certified products and our progress in corporate sustainability management in general. We achieved the EcoVadis Silver Rating with a higher level of sustainability performance than our industry's average.

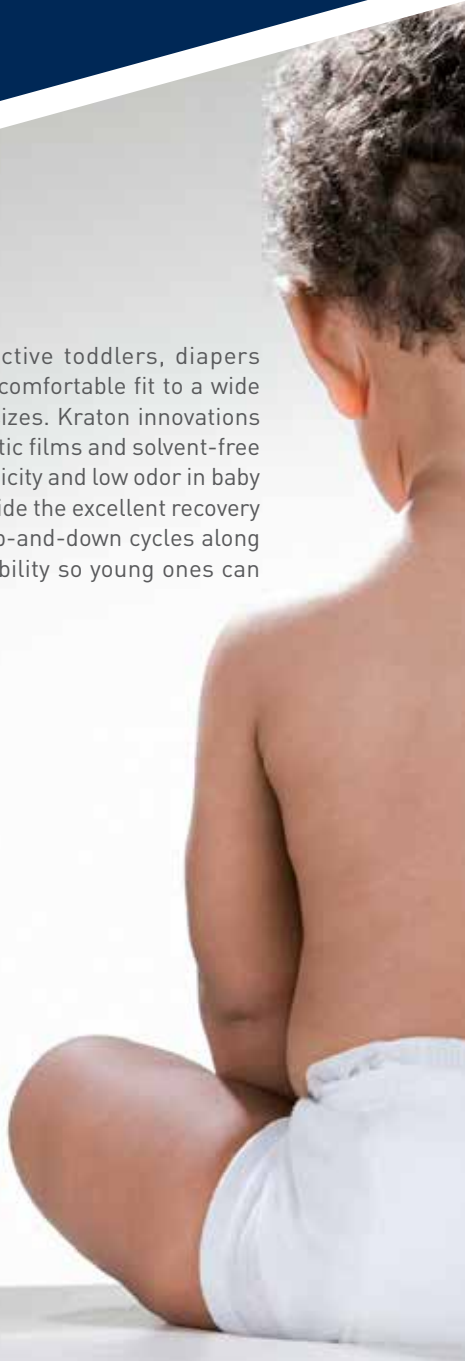


We are Part of Your Daily Life

Kraton provides innovations that allow chemical formulators and consumer brands to touch lives in the most imaginative ways. Whether the market demands a longer lasting asphalt or more sustainable paint, Kraton enables the development of groundbreaking innovations that change the way we live. Whether you are at home or on the road, our products improve the quality of countless everyday items that enhance your way of life.

Baby Diapers

From newborn babies to active toddlers, diapers must offer a safe, snug and comfortable fit to a wide variety of body shapes and sizes. Kraton innovations enable the production of elastic films and solvent-free adhesives that offer soft elasticity and low odor in baby diapers. Our innovations provide the excellent recovery to withstand repeated pull up-and-down cycles along with stretch, fit and breathability so young ones can continue to be on the move.



Roads

Concrete can take up to a month to fix when it cracks or fails. This results in lengthy construction times that create hazardous roadblocks while generating high emissions due to increased traffic. Alternatively, asphalt can be repaired or replaced overnight when needed. Unmodified asphalt is susceptible to harsh weather conditions, rutting and cracking. Kraton innovations allow for the development of highly modified asphalt designed to withstand extreme hot or cold weather as well as high traffic. Furthermore, cracks can lead to potholes that damage tires, so our biobased solutions enable the development of cold patches that can quickly fill those holes. A longer lasting road and shorter reconstruction time allow for a safer driving experience while reducing carbon footprint.



Fiber Optic Cables

In a constantly connected world, we rely on fiber optic cables to keep our cellphone data and internet lines running. These cables are often placed underground, so water prevention is critical. If water touches the fibers transferring the data, it degrades the data connectivity speed. Kraton polymers protect the cable's fiber by reducing the likelihood of water penetration, allowing for fast and continuous contact with everyone around you.

Wood Coatings

A fresh coat of paint adds new life to a house, whether it's a new home or one with new beginnings. A protective layer of alkyd-based coating or varnish will protect your wooden floors and stairs while keeping them looking new. Exterior wood coatings ensure that your woodwork withstands wind, rain and UV while keeping its color. Kraton solutions enable paint to dry faster while minimizing scratch and corrosion for long lasting aesthetics. Our biobased material also significantly reduces the carbon footprint of every paint job.



Our Approach

Message from the Sustainability Policy Director

Nella Baerents
Sustainability Policy Director

Kraton is working toward our vision of becoming an admired Fortune 500 specialty chemical company, delivering exceptional value to our shareholders, customers and employees. Sustainability remains an integral part of achieving that vision. During 2018, we made great strides to further integrate sustainability throughout the organization.

In collaboration with the Kraton Sustainability Council, we facilitated an accelerated rollout and integration of the sustainability strategy. This includes a strategy map that defines our ambitions and provides direction, value drivers that help us achieve those ambitions, and performance indicators to track our progress and steer the direction. In 2019, we will track and report our progress on a quarterly basis to the Sustainability Council.

In 2018, we also certified many new product families under the biobased certification scheme. We are very proud of this because independent certification provides transparency, scientific proof and credibility that our customers appreciate and trust.

Furthermore, we committed to a company-wide target to conduct 12 life cycle assessments (LCA) for enumerated key products by 2020, and we took the first steps in delivering on our target. LCA helps us understand where negative impacts occur upstream, in our operations and during transportation. It also improves our ability to support customers by providing the transparency they need to understand their supply chain sustainability. Through this collaboration, we can actively help customers measure and reduce their environmental impacts.

Going forward, we remain focused on key areas such as raw material use, operational efficiency, mitigating environmental impact, health and safety, human rights and transparency, including upstream in our supply chain. With this report, we look forward to engaging with you about our sustainability ambitions, strategy and 2018 performance.



Global Trends

By 2050, the United Nations expects the global population to reach approximately 9.5 billion people. While this is expected to drive demand for our products, there are concerns about meeting the growing population's need for infrastructure, housing and mobility on a fixed resource base. Kraton believes in continuously improving our operational efficiency, producing safe and sustainable products, and offering biobased alternatives to help support a growing population.

The use of resources to support a growing population drives environmental impacts such as climate change. These impacts raise concerns about economic and human health that regulators and governments tackle through new policies, commitments and regulations relating to Environmental, Social and Governance (ESG) issues. In 2018, we invested \$9.6 million to remain in compliance with applicable laws and regulations relating to health, safety, environmental and security matters. Kraton stays informed of the developing regulatory landscape to better understand future requirements, allowing us to learn what the future might look like and prepare accordingly.

Complex and globalized supply chains present risks relating to human rights, labor, environmental and anti-corruption issues. We place increasing attention on responsible supply chain management. In 2017, Kraton started work to develop a Responsible Procurement Program (see chapter: Working with Suppliers, page 41) and implemented actions to address these risks. In 2018, we continued this work and actively engaged suppliers to participate in our Responsible Procurement Program.

Across the globe, sustainability is high on the agendas of governments, investors, customers and other stakeholders. There is a demand for companies to proactively manage ESG issues, work toward more sustainable outcomes and transparently report about our actions – with the ultimate goal of driving more sustainable economies that support a highly-populated future. Kraton is well positioned to create exceptional value by delivering on tomorrow's innovative products and solutions.

Our Strategy

In 2017, we embarked on laying the foundation for our sustainability strategy. We set goals, created policy documentation and built the sustainability organization to support the strategy and implementation over the coming years. The initial work involved understanding our operating environment, sustainability context and the frameworks available to us.

In early 2018, building upon those activities, we constructed a Value Creation Model (VCM) that was presented in our previous Sustainability Report. The VCM describes the different capitals Kraton depends on to develop, manufacture and market specialty chemicals. These capitals include our plants and equipment, the people working at our plants, the raw materials that go into the manufacturing process and the financial capital necessary to make the process work. The VCM also identified that Kraton's business activities impact Economic, Social and Environmental themes.

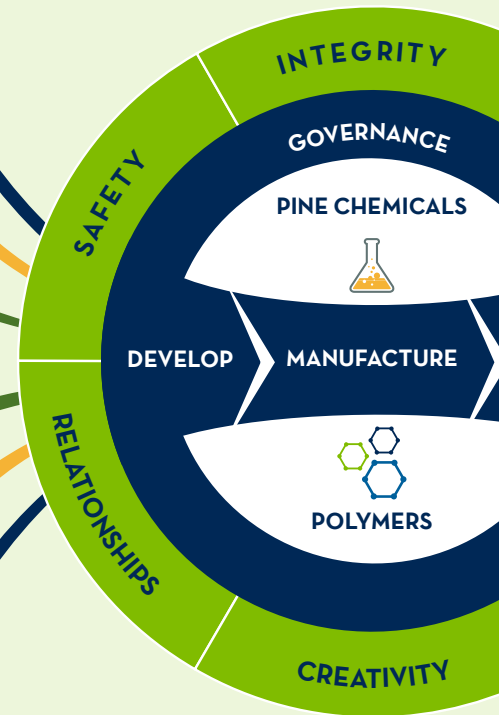
During 2018, we worked with senior leaders and managers from various functions to design a sustainability strategy map and scorecard. We started by defining Economic, Social, and Environmental ambitions.

To achieve our ambitions, we identified value drivers that help us grow, improve productivity or reduce risk. Today, Kraton has a sustainability strategy map that incorporates ambitions, value drivers and action-oriented key performance indicators (KPI).

In total, we developed 12 value drivers. Each one is supported through multiple KPI that, starting in 2019, will be reported internally on a quarterly basis. In this way, sustainability is embedded across multiple functions and existing company processes.

Value Creation Model

Inputs



All data as of 31st December 2018.

Outputs



FINANCE
\$378 Million
 Adjusted EBITDA
\$694 Million
 Shareholder value

MANUFACTURED
\$2.012 Billion
 Revenue
 Pine Chemicals and Engineered
 Polymers Product Sales

INTELLECTUAL
1,397
 Patents and Patent Applications
107
Biobased-certified Products
 Innovative Products
 and Technologies

HUMAN
0.81
 Incident Rate

SOCIAL
700 +
 Customers
 Supply Chain Transparency
 Global Community Initiatives

NATURAL
24,902 Tons
 Waste Disposal
0.57 MTC02E/Ton
 -20% GHG intensity
 reduction (comp. 2014)



ECONOMIC IMPACT

Creating long-term value for employees, shareholders and customers
 Marketing of our sustainability performance and products
 Enabling the biobased economy with our products



SOCIAL IMPACT

Improving HSES and process safety performance
 Creating solutions toward safer products
 Making a Positive Difference for our employees and communities



ENVIRONMENTAL IMPACT

Increasing responsible procurement
 Improving resource efficiency in our company and value chain
 Enabling sustainable development through innovative products

The Value of Sustainability

Sustainability impacts many different functions in our business. As Kraton evolves, our approach increasingly shifts toward sustainability as an enabling strategy to deliver on key business goals, rather than being a goal in itself. Sustainability creates value for our company and our stakeholders, providing us with the potential to affect all of the value creation levers that help grow our business, improve productivity and manage risks.

We seek to grow our business by delivering exceptional value for our customers. Sustainability acts as a pull for the innovation process, helping us develop new, better, safer materials that improve the sustainability performance of our customers' products and their supply chain. By collaborating with customers directly in joint development programs, we help them develop better and more sustainable products. As consumers and governments demand higher levels of sustainability, we believe our focus on sustainability leads to future business growth while contributing sustainable solutions to the world.

Sustainability acts as a pull for continuous productivity improvement. We implement initiatives to remain compliant with regulations and go beyond to protect the health and safety of our employees, the communities we operate in and the environment. We optimize processes, improve supplier reliability, foster supply continuity and manage environmental, social and governance risks through the procurement process. The goal is smooth and efficient operations. Sustainability initiatives often provide an economic, environmental and social return on investment. With the increasing challenge of finding and retaining high-quality talent, Kraton's sustainability strategy provides a strong reason for today's workforce to be attracted to our company. Sustainability helps us appeal to the future workforce, who want to make a positive difference in workplaces where they can make a meaningful impact. Overall, sustainability provides a powerful internal framework that leads to improved productivity and relationships with our employees and communities.

Finally, these sustainability initiatives contribute to managing, mitigating or avoiding risks as well as building our intangible assets. A strong sustainability profile strengthens our social license to operate within our communities and commands a higher regard with customers, investors and other stakeholders. In this way, sustainability is multi-faceted and contributes to our business in many ways.



Risk Management and Materiality

Risks are present in all business activities. Well-managed risks add value to a business and provide opportunities. Kraton's senior leaders identify and assess risks and evaluate their impact continuously. This assessment is an integral part of the company's Enterprise Risk Management (ERM) process in which risks are evaluated and prioritized based on the likelihood of occurrence and the potential severity of impact. The prioritized enterprise risks are reviewed on a quarterly basis via a process in which Kraton's senior leaders discuss and refine risk statements, reassess consequences and likelihood of occurrence, risk contributors, effectiveness of risk controls and other mitigating actions, and consider new and emerging risks. Kraton's ERM process is facilitated by its Internal Audit department that reports to the Audit Committee of the Kraton's Board of Directors. The Audit Committee assists the Board in fulfilling risk oversight responsibility. More information regarding risks are available in Kraton's Annual Report on Form 10-K and its Proxy Statement.

Sustainability risks are evaluated as part of the ERM process. We manage these risks through our Sustainability Council, which is comprised of company senior executives. Our Board, recognizing the importance of sustainability to our long-term business strategy, has delegated oversight of sustainability at the board level to our Nominating, Governance & Sustainability Committee, which receives periodic reports on our sustainability progress.

In 2018, material topics considered by the Sustainability Council and reported to the Board, included:

Upstream

Increasing Responsible
Procurement

Our Operations

Sustainable Governance
Carbon Emissions
Energy Intensity
Waste Management
Spills Management
Water Consumption
Health & Safety
Community Engagement

Downstream

Product Sustainability
Product Safety





”Sustainability is an integral part of Kraton’s value proposition, which is creating long-term value through ethical, responsible and transparent business operations. The Board of Directors are confident that Kraton is moving diligently in that direction.”

Dominique Fournier
Chair of the Nominating, Governance and Sustainability Committee

Snapshot of our Board

Average Tenure 6 Years

Gender Diversity 40%

Average Age 62

All Directors Possess

- High Integrity and Ethical Behavior
- Senior Leadership and Board Experience
- Strategic Thinking
- Corporate Governance Knowledge
- Diverse Cultural Experiences
- Compliance & Risk Management Knowledge

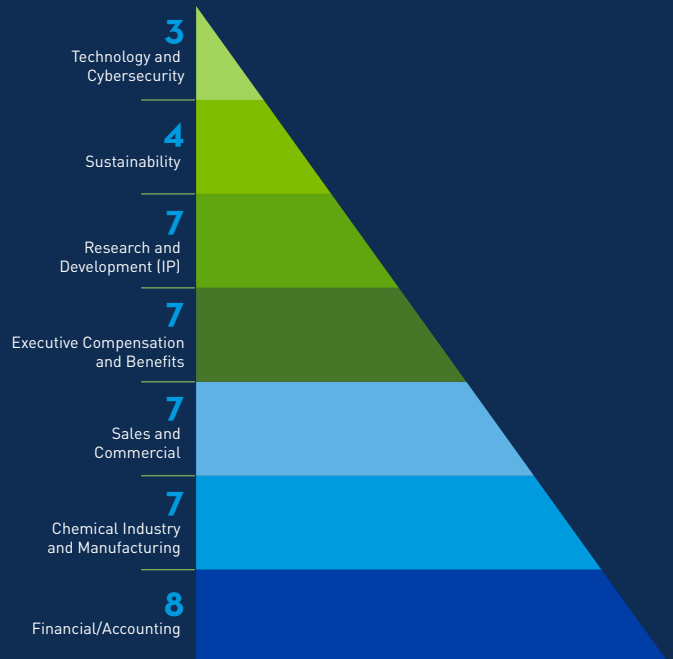
Governance

As a publicly traded company, Kraton’s Board of Directors is comprised of ten members. Barry J. Goldstein will retire May 22, 2019 reducing the number of Board members to nine. With the exception of Kevin M. Fogarty, our President and Chief Executive Officer, all directors are independent under the listing standards of the New York Stock Exchange and the applicable rules of the U.S. Securities and Exchange Commission. We have four standing committees of the Board: Nominating, Governance & Sustainability, Audit, Compensation, and Executive (Kraton’s committee charters are available on the Kraton website).

Board Refreshment

Kraton thrives through a strong, efficient and effective Board. Our Board has refreshed itself over the last few years with three new members. Board refreshment is important, as it ensures new perspectives and ideas that help us identify new opportunities and emerging risks. In 2018, Kraton welcomed Billie Williamson onto the Board, increasing gender diversity to 40 percent female members. Kraton’s Board has significant international and chemical industry experience.

Other Relevant Skills



Fresh Perspectives, New Ideas: Keys to an Effective Board

Interview with Anna Catalano and Dominique Fournier,
Members of Kraton's Nominating, Governance and Sustainability Committee

1. Why is Board refreshment important to Kraton?

Anna: Board refreshment is very important to Kraton. We are in the business of making things for the world. The world continues to evolve and change with technology, population and demographics. It is important for our Board to identify opportunities and challenges within these changing dynamics. This is difficult to do unless you have regular refreshment on the Board, with new ideas, new experiences and new perspectives.

Dominique: If you do not refresh, you become a little bit complacent and a little bit cozy with management. You tend not to challenge each other. So refreshment helps to avoid groupthink.

2. How does Board refreshment work in practice at Kraton?

Anna: When we know somebody is going to leave, we identify the skills, competencies and experience that we believe the Board will benefit from. This can be in-depth industry experience or a financial background, for example. Underneath the skills, competencies and experience of candidates, we always seek for diversity of background, ethnicity, gender, and more.

Dominique: As members have decided to step down over time, Kraton's Board has been able to regularly refresh and seek new directors.

3. How do strong Board refreshment practices benefit Kraton?

Anna: I think Kraton's executive team benefits from strong Board refreshment. A good, continually refreshed Board keeps a very healthy external, outside-in perspective in the conversation. Board members ask the questions that perhaps the executives do not ask due to their busy agendas. So a refreshed Board brings new thoughts, ideas and perspectives to the executive conversation.

Dominique: New perspectives, views and new ideas help seize opportunities and avoid risks. Questions are raised in the boardroom that otherwise might not have. We also paid attention to the fact that the new members we sought adhere to the spirit of the Board, and who fit into the chemistry of the Board. This is very important, finding the right balance between challenge and respect.

4. What makes an effective Board member?

Anna: An effective Board member is someone who not only brings their past experience to the table, they also bring what they are learning and continue to learn. The most effective Board members are those that can stretch the thinking of other Board members. So a Board member has to bring more than their work experience from ten years ago. It is important for Board members to stay relevant, to stay in tune with things like innovation, technology and the changing dynamics of the world around us.

Dominique: First, it is the capacity to prepare yourself well, to be very knowledgeable about what is going on. Preparation is the number one prerequisite. Second, it is to speak up when you have to speak up, which is something I believe this Board is good at. Third, not to be afraid to have a different opinion, a different view, and to express it – even if you are the only one to express this view.

5. Why is diversity important in the Board?

Anna: The value of diversity on the Board is really, different perspectives, different experiences, so that if any question arises to the table of the Board there is someone who has previously experienced it, and dealt with it in some way. Or for any given topic you will have people that have different perspectives based on different experiences.

Dominique: The diversity element helps us in our effectiveness in allowing for a richer conversation and debate, where we can build on each other's differing perspectives. For example, if we were all men, we may be less likely to have this rich conversation and debate.



Compliance

One of Kraton's core values is Integrity. Kraton is committed to 100 percent compliance, 100 percent of the time. Compliance work is overseen by the Audit Committee of the Board and the internal Corporate Compliance Committee (CCC), which reports to the Audit Committee. Members of the CCC consist of Kraton executive leadership and business leaders from Europe, Asia and South America to gain the broadest possible perspective on our compliance challenges and how we address them. Our global Ethics and Compliance program is designed to promote and reinforce ethical behavior in every aspect of our business. We do this by:

- communicating the company's expectations for behavior as described in the Code of Ethics and Business Conduct and our other policies covering anti-corruption, anti-bribery, competition law, international trade and sanctions compliance. These policies are posted on our intranet and translated into the primary languages spoken by our employees;
- monitoring and auditing compliance with these policies. Every year, Internal Audit undertakes one or more projects directly linked to our biggest compliance risks;
- providing ongoing training in areas of the law that impact our business; and
- investigating allegations of improper conduct that come through the internal whistleblower system or other means.

We provide employees with comprehensive training on compliance and key risk areas, including training on anti-corruption, anti-bribery and international trade. Just over 50 percent of our workforce – more than 1,100 non-operator employees – are required to complete two online compliance trainings every quarter. This totaled almost 9,000 person hours of training in 2018. These employees typically have responsibilities in which they are likely to interact with customers, suppliers, media or other external parties. We take these training programs seriously. Prior to the quarterly deadline, senior management is informed of employees who have not completed their online training. Those who do not complete their training on time may be disqualified from receiving part of their year-end bonus. In 2018, 99.9 percent of the online compliance trainings were completed timely.

Employees with more externally focused roles – such as those in sales and procurement – have frequent, in-person training given by senior management with greater emphasis in more challenging jurisdictions and matters. In 2018, the number of in-person hours of training exceeded 1,300.

We also conduct periodic compliance training with our distributors and marketing representatives and other third-party representatives. Typically, these sessions are presented in English as well as the attendees' native language, ensuring minimal information is lost-in-translation regarding our compliance expectations. In 2018, we conducted three in-person trainings in Asia for distributors and marketing representatives with about 80 participants.

Our Code of Ethics and Business Conduct is available at www.kraton.com/docs/Code of Ethics.pdf.

Product Stewardship

Product regulatory is focused on responsibly managing the health, safety and environmental aspects of raw materials and products throughout their lifecycle and across the value chain to prevent or minimize negative impacts. This includes ensuring the compliance and safety of our products and the communication of hazards and risks to stakeholders. Global regulations affecting products are constantly evolving, and we continuously monitor those changes, assess impact and take action to manage risks. We strive to anticipate future trends and policies that can directly impact our products and our customers.

In 2018, we completed our final phase-in tier of product registrations for REACH in Europe prior to the May 31, 2018 deadline. In the US, the Environmental Protection Agency (EPA) implemented a Toxic Substances Control Act (TSCA) inventory reset requirement as part of the Lautenberg Chemical Safety Act. To fulfill this requirement, we provided a list of products manufactured or imported between 2006-2016 that we wanted to keep active on the TSCA inventory list. We completed the development of the 11 Product Safety Codes of Practice under the American Chemistry Council Responsible Care® initiative as part of Kraton's effort to achieve certification of the Responsible Care Management System (RCMS) by the end of 2019. Many of our products are used in sensitive applications, like food packaging and medical devices, so we have ongoing efforts to audit our facilities, toll manufacturers and warehouses for Good Manufacturing Practices (GMP) to ensure the acceptability of our products.

Consumers' increasing demand for sustainability also impacts product stewardship, resulting in initiatives from major retailers to ban or severely restrict the selling of products containing certain chemicals in their stores. As consumers have a more active participation in upstream supply chain decisions, retailers face pressure from end-users to minimize exposure to chemicals that are perceived as a health or safety issue to themselves and their families. These demands are opportunities for Kraton, given our innovation capabilities in meeting product needs for enhanced safety, purity and sustainability.

Stakeholder Engagement

As a global enterprise, Kraton interacts with many stakeholders worldwide. We strive to ensure customers, investors, policymakers and community residents are informed of our activities. We aim to conduct open dialogue, share issues, build trust and create value-added solutions. Based on the identified material topics, we regularly explore who and how we should engage. Below are some of our key stakeholders and ways we engage them:

- **Communities:** volunteering and donations to local charities and non-governmental organizations (NGOs), engagement with local government and association participation, regular emergency preparedness reviews with first responders
- **Customers:** regular meetings, customer satisfaction surveys, EcoVadis Sustainability scorecard
- **Employees:** annual performance reviews, employee engagement surveys, corporate intranet, quarterly company magazine, town halls, quarterly employee conference calls, regular safety meetings, quarterly compliance trainings, Lean Six Sigma trainings, ethics hotline, local engagement councils
- **Governments:** meetings and engagement with government officials on legislative and regulatory issues
- **Industry:** national industry association memberships and national standardization associations, American Chemistry Council (ACC), Responsible Care®, European Chemical Industry Council (CEFIC), Pine Chemicals Association (PCA)
- **Shareholders:** quarterly earnings calls and webcasts, regular meetings with institutional investors and Kraton leadership, annual engagement on executive compensation and governance
- **Suppliers:** Supplier Code of Conduct, supplier performance assessments, Responsible Procurement Program

Innovation

Sustainability is an integral part of our innovation strategy. Our criteria for new product development programs require addressing the efficient use of constrained resources while providing sustainable solutions to our customers. Our innovation focus areas include renewable energy, healthcare and infrastructure. We continuously look for ways to replace solvent-based materials and help reduce emissions, consumption of water and energy, and waste generation.

As of December 31, 2018, Kraton has 1,054 patents and 343 pending applications in our patent portfolio. Our global R&D team has more than 200 scientists, engineers and staff members. The team has direct alignment to our business units, ensuring product developments meet customer needs. In 2017-2018, we implemented New Product Blueprinting training for 54 team members from R&D, Sales and Marketing functions – a key initiative in our ongoing efforts for collaborative innovation. By investing in R&D programs and personnel training, we can bring products to market quicker; innovate on specialty, sustainable solutions; grow our portfolio of intellectual property; and nurture close relationships with customers.

Surgical Gloves

The surgical glove market is increasingly concerned about residual presence of vulcanization chemicals, which are irritants that can cause Type IV allergies. These vulcanization chemicals are needed to crosslink traditional rubber polymers like natural rubber. The solution comes in the form of our Cariflex™ IR2GL1 Latex – the latest offerings for medical and consumer applications needing high safety, strength and purity. This clean, pure thermoplastic elastomer latex provides excellent flexibility and softness while minimizing Type IV allergies as well as Type I allergies. While Cariflex latex was designed for surgical gloves, this next generation technology can deliver exceptional value across many healthcare and consumer applications.





Wire and Cables

A major trend is substituting for PVC in consumer products with materials that deliver equivalent performance with safer properties. Our polymers help replace PVC in many wire and cable applications for consumer electronics, including smartphone chargers, cords and earplugs. Our materials enable higher comfort to the end user with minimal contaminants and better end-of-life properties.

Medical Devices

Medical devices have high demands for safety, purity and reliability, as regulations drive the need to reduce the use of potentially toxic chemicals. Kraton™ G1645 is a new HSBC polymer without intentionally-added phthalate- and BPA-based chemicals, which helps avoid contamination issues caused by plasticizers. When combined with random copolymer polypropylene, Kraton G1645 is an industry-proven alternative to PVC. The HSBC/PP blends are designed to have excellent UV, ozone and chemical resistance; poses no known risk to health or environment during processing; and can be easily recycled. This provides sustainable alternatives to PVC, which can release hazardous chemicals and be difficult to recycle when blended with other polymers. We also developed a new polymer for medical tubing that allows for a cleaner product. Both of these low molecular weight HSBC products are produced at our joint venture HSBC facility in Mailiao, Taiwan.



Protective Films

Brand new home appliances, electronics, cars and other consumer items have thin plastic films to guard against scratches. These films typically require a second step of applying solvent-based coatings. Kraton developed an alternative system with our thermoplastic technology, enabling manufacturers to extrude an adhesive layer at the same time the film is extruded. This eliminates the need for coatings, providing an alternative option that is healthier for people and the environment.



Automotive Panels

Kraton™ G1657 is used to formulate thermoplastic polyolefin (TPO) compounds found in automotive rigid instrument panels with seamless passenger airbags. Our polymer enables the compound – and thus the instrument panel – to have a ductile failure mode, even at significantly low temperatures. The feature prevents the formation of dangerous shards during airbag deployment.

Roads

Kraton D0243™ is a benchmark polymer used in road construction, providing exceptional durability. It improves the performance of the entire road bed – allowing thinner full-depth pavements and longer road life while requiring less raw materials. It also has self-crosslinking capabilities, which eliminates the need for sulfur, therefore reducing hydrogen sulfide emissions. In 2018, we developed Kraton™ MD0247, a SBS development grade that delivers the benefits of Kraton D0243 with more stable viscosity and operational efficiency.

SYLVAROAD™ RP1000 Performance Additive allows for high content recycling of old asphalt in new asphalt mixes without losing quality. Customers can achieve up to 100 percent recycled asphalt mix, reducing the use of fossil raw materials to address the growing issue with piles of used asphalt pavement.

We are working to combine our pine chemistry with our polymers' performance solutions. Our new PolyRejuvenator innovation, which brings together our SYLVAROAD RP1000 and Highly Modified Asphalt (HIMA) technology, can help the paving and roofing industry improve its carbon footprint. The solution enables the recycling of old asphalt while maintaining the high performance derived from our polymers. We are also delivering products that combine standard bitumen materials with pitch, a leftover stream from our biorefinery. Since pitch is a renewable material, this biobitumen can replace standard bitumen for a more environmentally-friendly alternative.



Adhesives

The adhesives industry is continually looking for ways to develop products that are safer, lighter and cleaner. As new types of substrates are produced, their adhesive performance becomes more difficult. Kraton innovation enables the development of tapes and labels that can better stick to these surfaces. For example, whether vehicles are in the hot sun or harsh winters, adhesives for automotive tape must withstand broad temperature ranges.

For non-woven adhesives (often found in diapers), Kraton developed SYLVARES™ 6100 styrenated terpene – a non-limonene-based product that provides customers with high performance and economic stability.

AQUATACT™ 2685 tackifier dispersion is used in the paper label adhesives. This sustainable solution enables high performance in pressure-sensitive labels, improving adhesion to low surface energy substrates. The tackifier has minimal solvent and alkylphenolethoxylate, enabling customers to increase the bio-renewable content in their formulations. Other new developments include SYLVARES™ 1105 and SYLVARES™ 1150 – both thermoplastic terpene phenolic resins that provide superior adhesion and thermal stability in hot-melt adhesives.



Bioenergy

Kraton develops a broad range of biobased oleochemicals, and we upgrade those materials into specialized products for demanding applications such as tires, adhesives and oilfield chemicals. Pitch is one of the resulting components from the refining process. Some of our pitch is sold to customers who extract high-value components that are used for key applications, such as sterols used in food products for their cholesterol-reducing properties. The leftover pitch is offered to our suppliers as a raw material to produce bioenergy in their pulp mills. Our suppliers appreciate this, because they do not have to seek alternative energy sources with low environmental impact. In return, Kraton ensures our refinery stream is fully optimized as we continue our journey to create even higher value from the resource.



Coatings

SYLFAT™ tall oil fatty acids are used in coating applications. They provide low odor, fast drying time and good hardness properties that enhance scratch and corrosion resistance. SYLFAT™ tall oil fatty acids have the lowest carbon footprint compared to known substitutes such as soy or other vegetable-based materials. The 100 percent biobased product allows alkyd binder formulators to achieve substantially lower carbon dioxide emissions, enabling coatings manufacturers to reduce carbon footprint for the development of more sustainable coatings.

Another recent development is the Kraton™ MD1653 polymer, which offers a low solution viscosity. This enables the formulation of higher solid sealants and coatings, which reduces volatile organic compound (VOC) emissions. HSBC sealants in VOC-exempt solvents have substantially higher viscosity than common organic sealants, and recent regulations call for the reduction of VOC. Kraton MD1653 is designed to reduce sealant viscosity with minimal impact on performance.

Road Markings

Road markings are a critical component of traffic safety as they help drivers see the road ahead. Kraton products enable formulators to develop thermoplastic road markings – the most popular and cost-effective type of permanent road marking technology due to its fast return-to-service, long service life, high retro-reflectivity and lack of VOC emissions. Our SYLVACOTE™ 4200 rosin ester offers excellent thermal stability for consistent color, which is critical for visibility and durability. Since it doesn't require a Globally Harmonized System hazard pictogram, it offers peace of mind to users and authorities about physical health and environmental safety. Other innovations for road markings include UNI-REZ™ 2631, which is used in road preform for enhanced durability; and SYLVATAC™ RE101RM and SYLVACOTE™ 4984, which improves visibility for safer driving.



Tires

Our portfolio of natural, synthetic and hybrid products enables manufacturers to develop tires that meet consumer demands for safety, fuel economy and sustainability. Our tread enhancement additives (TEA) help optimize the balance between wet grip – hence shorter braking distance – and low rolling resistance, a key enabler for improved fuel efficiency. In many cases, they also enhance wear characteristics, enhancing longer tire life. SYLATRAXX™ terpene-based TEA are made up to 100 percent bio-renewable materials, which meet consumer and tire manufacturers' demands for sustainable solutions. In 2018, we rolled out two key innovations for the tires market: SYLVATRAXX™ 6720, which is designed for ultra-high performance tires; and SYLVATRAXX™ 5281, which is optimized for original equipment tires for passenger cars.

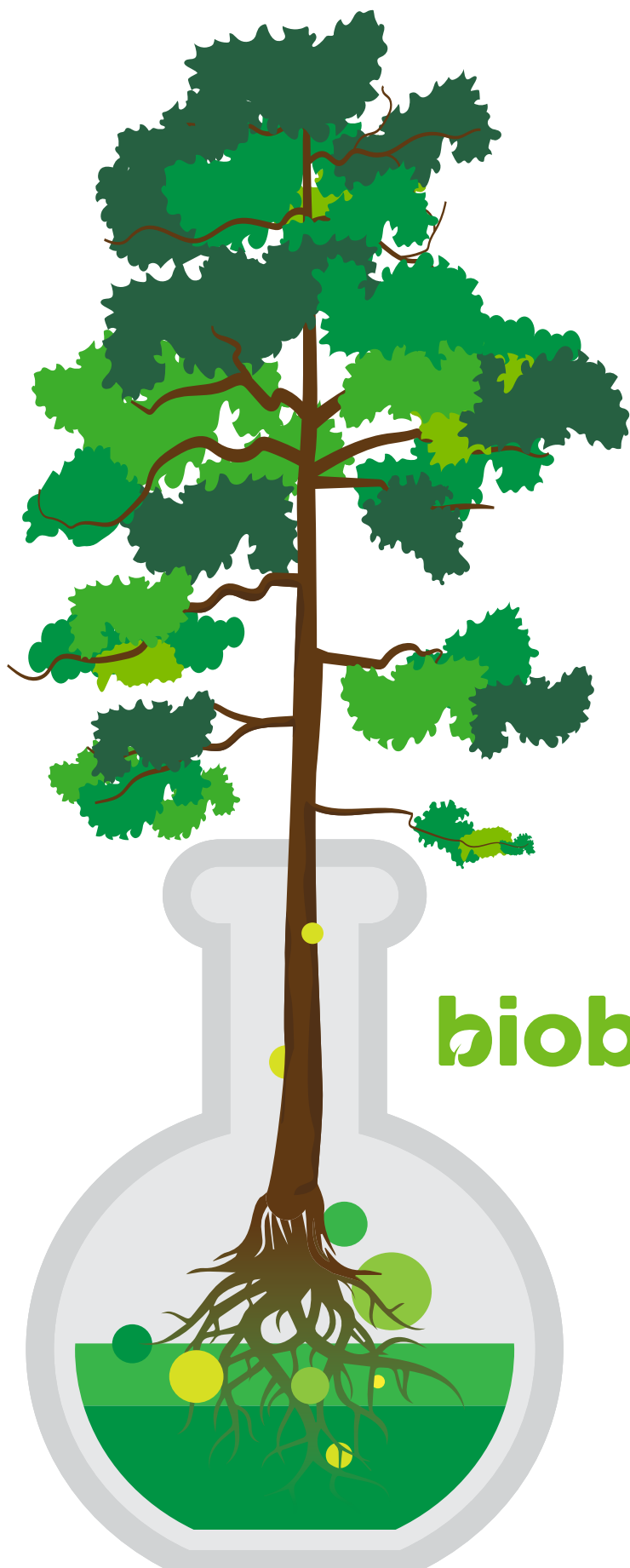
Roof Shingles

In the roofing industry, our polymers enable the development of modified asphalt shingles that are sturdier than alternative products. This enables roofs to better withstand harsh weather conditions like hail or storms, reducing the costly need for maintenance and replacements. Kraton™ D243 is used for self-adhesive roofing felts, which can be applied using mechanical pressure without the need for torching.



Rotational Molded Tanks

Kraton™ G1657 polymer is a benchmark HSBC often used as an impact modifier in thermoplastics or compounding formulations for automotive, adhesive, sealant and coating applications. The clear, linear triblock copolymer is also used to support the development of compounds made of recycled and virgin high-density polyethylene. By adding this polymer, manufacturers can increase the amount of recycled content while improving the mechanical properties of rotational molded tanks.



Biobased Certification

A product is biobased when it is wholly or partly derived from biomass. As a leading global producer of pine-based chemicals, the biobased certification enables us to differentiate our products while meeting our customers' requirements for safer, more sustainable alternatives. The Biobased Certification Scheme was pioneered by the Netherlands Standardization Institute to specify and validate the amount of biomass in a product, based on the European standard EN 16785-1. Through certification, we can provide customers with scientific evidence of our products' biomass content, which is independently verified by a certification body. It also helps the market differentiate between a broad range of products that include hydrocarbon and renewable materials.

In 2018, Kraton certified 11 new product families, bringing our total to 30 product family certifications covering more than 100 products. This represents 96 percent of the products we intend to certify.

biobased 

How it Works

The Process from Pine to Product

#1 Tall Oil

Black liquor soap - a sidestream from the kraft pulp process - is converted to crude tall oil. We capture the valuable substances contained in tall oil and turn them into specialty chemicals in our biorefineries.



Renewable Raw Material

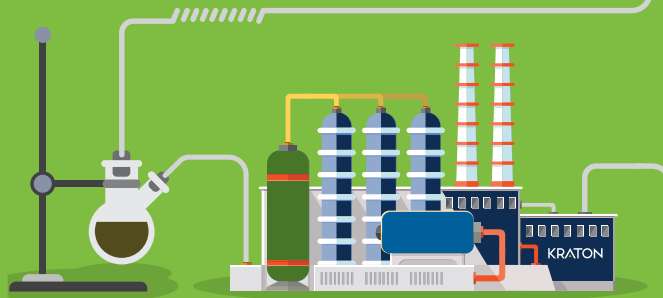
Pulpwood is delivered to pulp mills and is chipped and boiled in white liquor; the fibers are filtered out to become paper pulp.

From Black Liquor Soap to Tall Oil

The digester liquid left once the fibers have been filtered out is called black liquor. Soap is recovered from the black liquor. Crude tall oil is extracted from the soap in a separate process and later sold to the pine chemical industry.

#2 Processing

We distill tall oil to extract valuable materials. We produce **tall oil fatty acids, tall oil rosin, distilled tall oil** and **tall oil pitch**. We call these fractions.



Time for Separation

The tall oil is pumped into our bio-refinery. Here it is slowly heated under vacuum and then separated into four different parts - tall oil fatty acid, tall oil rosin, distilled tall oil and tall oil pitch.

The Lab

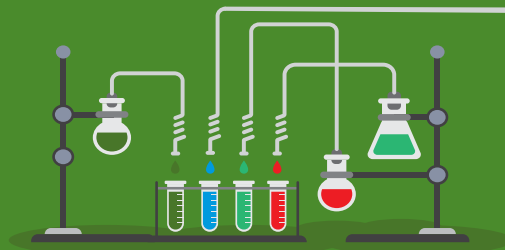
In the lab, frequent measurements and tests check the quality of our products.

Operations Center

The process is monitored and controlled from the operations centre.

#3 Product Development

The fractions are refined and upgraded into a wide range of biobased specialty chemicals. These are sold to customers who seek superior product performance. By replacing fossil-based chemicals, customers also achieve their sustainability goals. Our biobased products enable customers to improve product performance, reduce GHG emissions and enable the reuse of materials.



Tall Oil Fatty Acids

Natural raw material for the production of fuel additives, paints, detergents, soap, lubricants and specialty chemicals for the paper industry.



Tall Oil Rosin

Used as a tack agent for sticky tape and hot melt adhesive; as a bonding agent in printing ink and road marking paint, and as a paper adhesive in writing and printing paper.



Distilled Tall Oil

Combines the advantages of fatty acids and rosin acids. It is used in the production of metal working fluids, oilfield chemicals, soaps and cleaners, paints and varnishes.



Pitch

Low-sulphur, natural and renewable product that can replace fossil heating oil for the pulp industry and heating plants.



Case Study: Skanska

Skanska, a leading global project development and construction company, aims to be more sustainable with a goal to become climate neutral by 2045. To achieve that, they sought to increase the use of recycled asphalt (RAP) in all road layers. This means using more SYLVAROAD™ RP1000, a biobased rejuvenator, to allow for more effective asphalt recycling and minimization of virgin asphalt and aggregates production. Ultimately, this is intended to decrease the amount of greenhouse gas emissions in the environment, reducing Skanska's carbon footprint.

In late 2017, Skanska paved a section of Motorway E20, in southwest Sweden, with 30 percent RAP on its binder layer and 50 percent on its base layer.

The test trial showed that the SYLVAROAD additive enabled performance levels that were at least equal to the reference with 20 percent RAP on its binder layer and 30 percent on its base layer.

SYLVAROAD additives help reduce the cost of purchasing virgin materials as well as the potential disposal fees, while increasing asphalt mix sustainability. These factors can lead to significant cost savings without affecting performance quality. In a mix with 60 percent RAP, formulators can achieve a 25 percent cost reduction compared to 100 percent virgin mix.

By using this biobased solution, Skanska achieved higher environmental and economic sustainability.

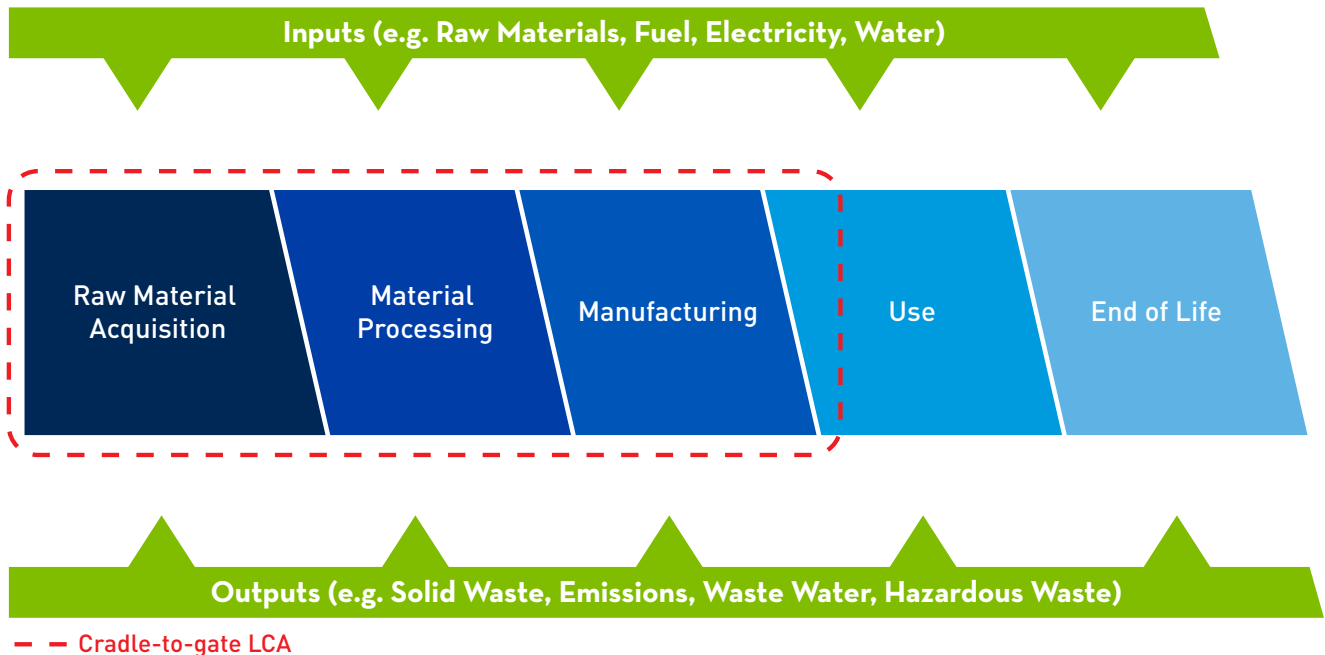
Life Cycle Assessments

Kraton manages processes that manufacture products. We depend on raw materials, catalyzers, energy, chemicals, water and many more inputs. Our manufacturing operations create highly-valued raw materials as well as different types of wastes in solid, liquid or gaseous form that can impact the environment. To reduce those environmental effects, transparency is needed to discover where the impacts occur, such as upstream, in our operations and during transportation.

Life cycle assessments (LCA) provide that transparency. They offer facts and figures upon which decisions can be based. LCA allows us to identify, for example, if switching a raw material, introducing a manufacturing process change, altering a specific transportation method/route, or recapturing and selling a byproduct improves the product’s overall sustainability footprint.

LCA also provide opportunities to collaborate more closely with our suppliers, supply chain partners and customers around their products – building customer loyalty and our reputation as an engaged partner. An example of this is our close collaboration with Interface around our LCA data supporting the development of their CircuitBac product, as highlighted in our 2017 Sustainability Report.

Kraton is committed to gaining a more in-depth understanding of our products’ lifecycle impacts. That is why the Sustainability Council committed to a strategic target to undertake 12 cradle-to-gate LCA for key products by 2020. As planned, we conducted the first two LCA in 2018.



Health, Safety, Environment & Security (HSES)

Health and Safety

Safety is our number one core value. Our vision is zero incidents, loss of containment, or impact on our neighbors and communities. Unfortunately, our 2018 safety performance did not meet our expectations. Our Total Incident Rate (TIR) increased from 0.48 to 0.81, and our Process Safety Incident Rate (PSIR) went from 0.18 to 0.40. We registered 22 recordable incidents globally, with most of those incidents categorized as low severity and minor injuries, though every injury is important to us. Based on our trend analysis, 60 percent of the injuries were hand and finger related, and 60 percent of the injury types were lacerations. The contractor recordable incident rate was three times higher than our employees'. Although we continue to be competitive in safety performance amongst our peers in the American Chemistry Council's (ACC) TIR performance, we know that we can and should perform better.

Immediately following the increase in recordables across our sites, Kraton leadership commenced a call for action across all functions, Kraton facilities and levels within the organization. An injury prevention task force was initiated to address the trends behind the rise in TIR. After extensive engagement with site leaders and in-depth analysis of our performance, activities and risks, the task force identified four key areas for further development that commenced beginning January 2019:

1. We launched a Kraton Safety Week focusing on the theme of Zero Harm. All plants, offices and laboratories will participate in this event covering all aspects of safety including hand and finger safety and environmental responsibility.
2. We are deploying critical thinking and line of fire concepts, which mainly focus on instilling the idea of preemptive work audits and inspections. This ensures safety risks are continuously identified as a task progresses and employees feel comfortable stopping their work if they find themselves in the "line of fire." Kraton has already conducted Critical Thinking workshops at our Dover, Ohio, site and the process is already established at the Belpre, Ohio, site. We have developed a comprehensive rollout plan and grassroots approach for the remainder of our sites in 2019, building on

the experiences gained from both of those facilities. We will then identify site champions to lead the implementation at their site. Those champions will attend regional meetings and trainings to ensure further development and sharing of best practice tools.

3. We have developed a simple, effective tool to record and track various forms of HSES contact, including safety discussions, huddles and observations. The intention is to integrate and formalize HSES contact activities with the site on a daily basis and enhance their value and effectiveness by focusing on key HSES topics.
4. We review procedures and processes for contractor management and identify opportunities to improve contractor HSES performance.

These initiatives are formalized into detailed actionable plans and were kicked off during the latter half of 2018.

Looking at our 2018 achievements, we launched our Key Element Survey (KES) process globally, which is our internal audit process focusing on key HSES elements such as our life critical procedures in combination with incident trends. This process was crucial to generating corrective actions that help us address gaps. Nearly half of our manufacturing and R&D sites were audited in 2018.

We also rolled out four global procedures:

- Personal Safety and Pre-job Risk Assessments
- Traffic and Vehicle Safety
- Security Management
- Emergency Preparedness and Crisis Management



While all of our plants have these four procedures in place, the establishment of global procedures strengthens our sharing of best practices and the continued establishment of the Kraton HSES standard.

Continued implementation of our global safety leadership development program, in partnership with several highly recognized third parties at our sites, has been an integral initiative that continues to build and shape our global safety culture.

Technology plays a significant role in ensuring successes in managing our HSES systems. Two key developments in this area include:

- **Incident reporting software development and action tracking.** In the past, various incident management software solutions were used. Understandably, this was not a sustainable set up as it was difficult to build a global picture and share incidents effectively across the company. Resources were put into harmonizing the software, and we have built a functional and Global Incident Reporting and Recommendation Tracking software application.
- **Environmental compliance obligations.** We have three Kraton facilities managing and tracking environmental compliance electronically. We plan to extend this solution to all our US sites in 2019.

Leading HSES indicators are KPI we track diligently at Kraton. Some examples of these indicators are:

- **Safety audits and near miss reports.** Nearly 7,000 were reported globally in 2018, and we set a goal of 10,000 for 2019.
- **High Severity Potential (HSP) near misses.** These are near misses where management controls were either absent, ineffective or not complied with, and if allowed to continue or repeat, could have reasonably resulted in a severe injury, fatality or catastrophic event. We closely track HSP and these are investigated through root cause analysis (RCA) with lessons learned shared globally and reviewed by senior management. Our goal is to keep HSP management review rate at 100 percent. This has been met for 2018.
- **Risk assessments.** A continuous process at Kraton, we prioritize our action items resulting from risk assessment from A to E with A being the highest risk. We closely track A and B action items, and our goal is to ensure closure with 0 past due items. In 2018, we made major contributions to reduce risks at our sites. No A risks were identified, and we continued addressing B risks.

Security

In 2018, we expanded our site vulnerability assessment program assessment program with two more sites assessed. Under the Chemical Facility Anti-Terrorism Standards, the Department of Homeland Security inspected three of our sites in Panama City, Pensacola and Belpre.

Information Security

Kraton depends on integrated information systems to conduct our business. Information systems security threats and more sophisticated, targeted computer crime can pose a risk to the security of our systems, networks and the confidentiality, availability, and integrity of our data, operations and communications. Kraton's Information Security Program deploys administrative, technical and physical safeguards designed to protect confidential information in compliance with applicable security, confidentiality and privacy laws and regulations. The program was developed following the National Institute of Standards and Technology (NIST) framework to provide structure.

The Kraton Board provides risk oversight for the program. The Board's Audit Committee receives reports on management's information security activities on a regular basis. The program's day-to-day governance and oversight rest with the Corporate Compliance Committee, which also approves the Information Security Charter and Policy. Under the program, an annual risk assessment and planning process takes place to ensure potential risks are known, understood and accounted for. Controls are implemented for existing and emerging risks and are monitored for compliance through monitoring techniques including system monitoring, security testing, self-assessments and audits. Kraton's systems are continually tested and assessed by an external security services provider called SecurityScorecard. During 2018, Kraton achieved an A rating, signifying high performance.

Employees are required to affirm the company's Code of Conduct on an annual basis, which includes obligations and responsibilities to abide by the contents of the Information Security Program. To complement this, Kraton implemented a training program. In 2018, 75 percent of 936 employees in scope completed Information Security trainings. The trainings are currently not part of a mandatory curriculum.

ACC Responsible Care®

Kraton is proud to participate in the American Chemistry Council Responsible Care® initiative. We plan to certify all our US sites to Responsible Care 14001 (Our Belpre site has already achieved RC14001 in April 2017) and corporate to Responsible Care Management System (RCMS) by the end of 2019. As we approach the deadline, 2018 was a significant year for the implementation of our Responsible Care management system across our US sites and corporate offices. Our corporate HSES management system underwent significant developments to meet RCMS requirements.

The corporate RCMS cross-functional team, led the development of the policies and processes collaboratively between HSES, Product Stewardship, Process Safety, Procurement, Supply Chain and IT. The same intensive process took place at each of our US chemical sites; the RC14001 teams worked together to make the necessary changes and adjustments to their site HSES management systems and procedures. We welcome these key changes as we progress on our journey to Responsible Care and demonstrate our core values of safety and integrity.



Environmental Stewardship

Our environmental management program ensures our facilities' compliance with applicable environmental requirements. We are vigilant in preventing, inspecting and detecting leaks or spills of regulated hazardous substances to ensure a safe working environment for our employees and protect communities we work in. Beyond compliance, we continued investing in projects that improve our environmental performance. This includes initiatives aimed at increasing energy efficiency and reducing waste at our manufacturing sites. We also continued investing in improving spill and leak prevention and enhancing wastewater treatment. We recorded no significant environmental incidents, such as spills, in 2018.

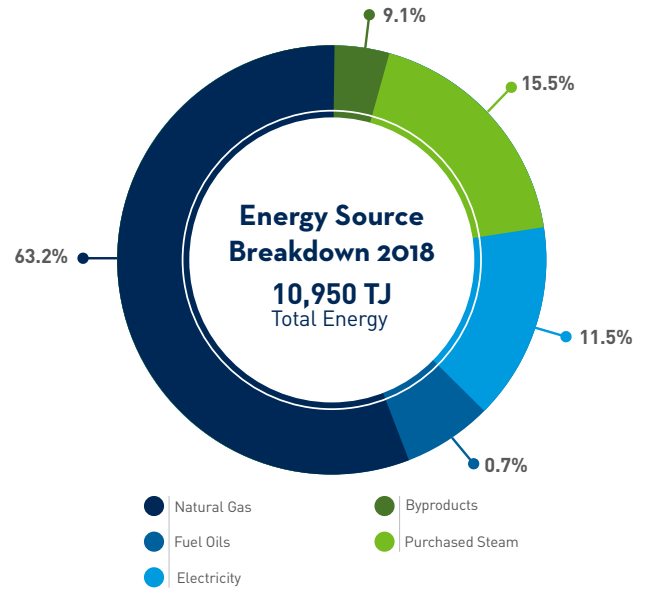
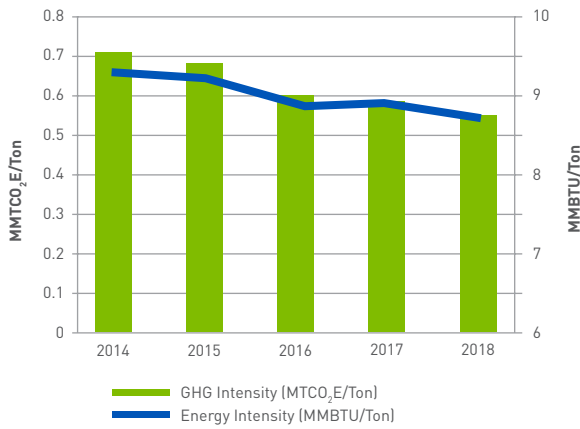
GHG Emissions and Energy

In 2018, we saw a slight reduction in our energy consumption globally. This reduction was also reflected in our energy intensity figures. We will continue to focus on improving our operations' energy efficiency and reducing our consumption as we invest in more energy efficient technologies and implement energy management systems throughout our sites. A major investment project commencing in 2019 will be the engineering of our Belpre, Ohio site's natural gas fired electricity generator. By avoiding the site's need for locally-purchased coal-fired electricity, this project will reduce Kraton's Scope 2 Greenhouse Gas (GHG) emissions and improve the site's energy efficiency in the future.

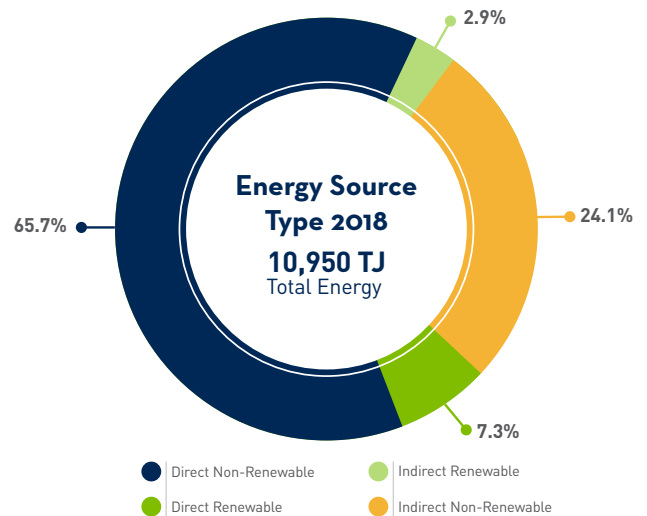
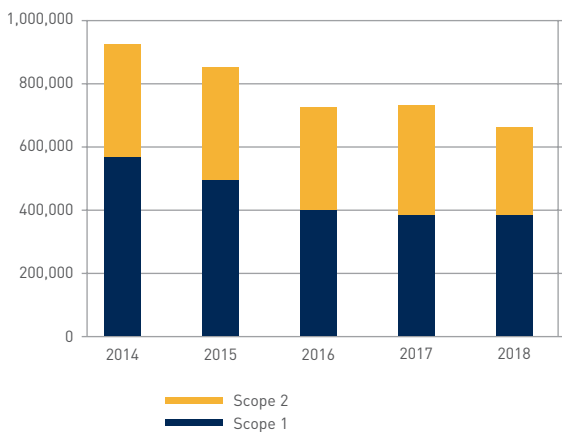
The reduction in energy consumption contributed to reducing our GHG emissions intensity by 2 percent from 2017. This reduction was also driven by the use of renewable energy at the rate of 10 percent of total energy use. This is in line with the reduction in our Scope 1 GHG emissions compared to our Scope 2 emissions. Scope 1 emissions are emissions attributed to our sites' direct fuel use while Scope 2 emissions are attributed to our sites' purchased (indirect) energy in the form of electricity and steam.

In addition to reducing GHG emissions, we took steps to reduce our air emissions, such as reducing leaks and losses from mechanical equipment. In 2018, we emitted 520 tons of VOC (eight percent less than 2017), 85 tons of Sulphur Oxides (two percent less than 2017) and 452 tons of Nitrogen Oxides (16 percent less than 2017).

GHG Emissions Intensity vs Energy Intensity



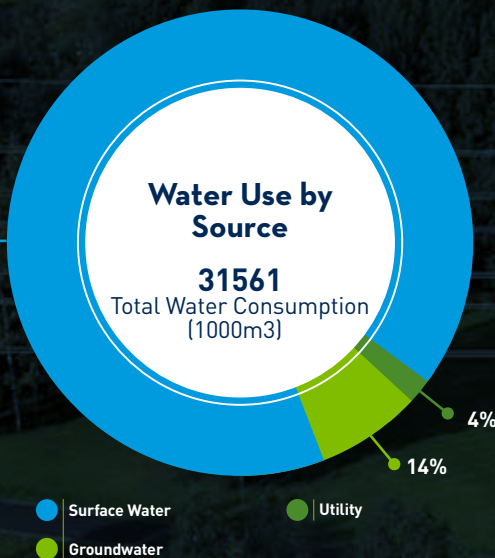
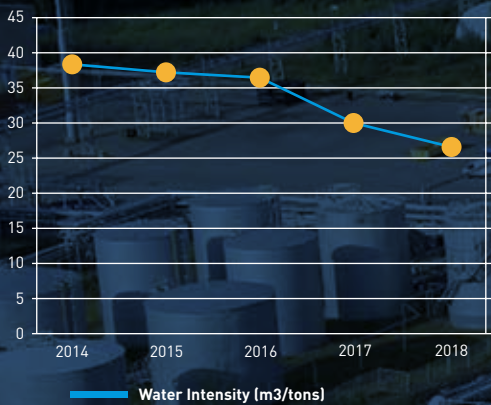
GHG Emissions (MTCO₂E)



Protecting our Water Resources

Kraton's water consumption dropped by 15 percent compared to 2017. This was largely driven by reductions at the Belpre, Savannah and Oulu manufacturing sites. Several projects and improvements were implemented including the installation of a new cooling tower to replace once-through cooling water heat exchangers and improve water use efficiency. Since 2014, we saw a decrease of 31 percent on intensity basis.

Water Use (m³/tons)



Reducing Waste Generation

We continue to improve our processes and reduce generation of process residuals. Our non-hazardous waste solid disposal decreased six percent compared to 2017. This can be mainly attributed to improved efficiencies across the manufacturing sites. Our hazardous waste generation also decreased by more than 30 percent companywide compared to 2017, due to improvement initiatives such as the recovery and recycling of solvent at the Niort site. The breakdown of the disposal method is presented in the charts below.

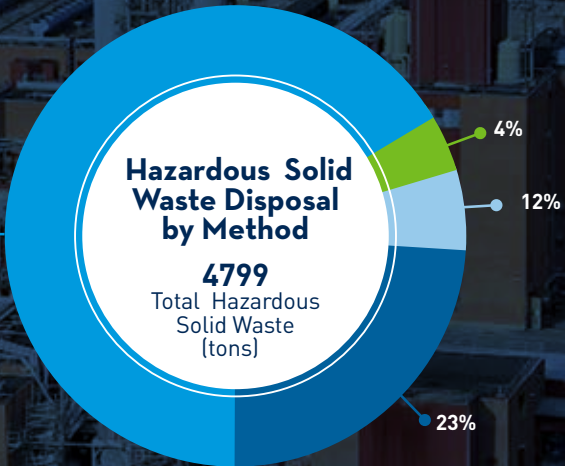
We continue to practice effective waste management and waste minimization, such as the recycling or reuse of process residuals such as catalysts, proper oversight of non-conforming products, and using our byproducts for fuels or other commercial applications when possible.

Solid and Hazardous Waste Disposal (Tons)



Recovering our materials:

Kraton looks for ways to divert our materials from disposal by considering options to reuse the materials onsite or recycle it at a qualified third party. In our Niort site, for example, we send our used solvent to a third party for recycling. This practice prevents us from sending our waste for hazardous waste incineration, and instead regenerates the value of a used product. Several projects completed at our Niort site condensed and recycled additional solvent from lines venting to the site flares, resulting in savings of approximately \$500,000 through disposal avoidance costs and purchased solvent costs.



- Energy Recovery
- Incineration
- Recycling
- Other



- Landfill
- Recycling / Reuse
- Energy Recovery
- Other

Social



Valuing our People

A key part of Kraton's sustainability work involves engaging and valuing our people. Kraton's vision to be an admired Fortune 500 specialty chemical company means our employee value proposition must answer the question "why work for Kraton?" We work every day to attract, develop and retain our talented 1,918 employees (of which 59 part-time) worldwide (as of December 31, 2018). During 2018 we had 194 new hires. Approximately 14.5 percent of Kraton's employees are union members. Kraton employees around the globe play a critical role in our success, as our human capital is critical to our long-term value creation. Most importantly, our employees make a Positive Difference every day.

During 2018, we rolled out Kraton's employee value proposition (EVP) to our global workforce. The EVP provides an engagement tool for answering the question "why work for Kraton?" and is used in conjunction with our vision and strategy to complete the equation: Engagement = Trust + Clarity + Purpose. Throughout 2018, Kraton focused on cohesive leadership programs to build trust throughout the organization and ensure clear priorities to establish clarity, in alignment with the EVP to better understand purpose. The EVP will continue to gain more understanding as more programs are developed and linked with it. Ultimately, the EVP helps Kraton's employees and candidates understand and guide all aspects of their working career – including recruitment, engagement, pay and benefits, learning and development, career growth, retention and more. During 2018, all non-operator employees were incorporated in our integrated performance management process, covering 1,159 employees.



Training and Development

As our disclosures throughout this report demonstrate, Kraton continuously invests in our employees' capabilities and skills through training and development. More than 130 leaders were trained to implement the Kraton Smart (operational and analytical work) and Healthy (organizational clarity, cohesive leadership and behavioral alignment) model into the organization.

The Creating Clarity trainings and Cohesive Leadership trainings continued in 2018. More than 260 people were trained in workshops covering these two activities, with additional local workshops conducted in many of our locations.

We strive to create a fair workplace, free of discrimination. In 2018, we conducted workplace fairness and anti-harassment training to 1,826 employees, representing 99 percent of employees in scope for this training. Employees were trained in Asia, Europe, South America and the United States on the same materials, with local language available. This training focused on treating all employees with dignity and respect – a cornerstone of our ethics policy. Kraton believes in the importance of this training on an ongoing basis and will ensure that new employees receive the same content.

Kraton piloted a leadership essentials course in 2018 to develop even more capable leaders throughout the business with a clear focus on learning more about themselves, their development and working with others on their growth. Approximately 80 leaders in five locations in the United States, Asia, and Europe were included in these pilots.

Finally, Kraton provided senior level development in change management – a key ingredient in engagement – as well as other strategic initiatives through partnerships with major universities. Fifty-eight senior leaders attended these sessions and applied their learnings with change projects and other strategic initiatives throughout the year.

How Many Non-Kraton Employees Do We Depend On?

Location	Number of Non-Kraton FTE	Notes
Wesseling, Germany and Berre, France	160 FTE	Plants owned by Kraton, operated by LyondellBasell
Mailiao, Taiwan	89 FTE	KFPC Joint Venture (50% - 50%)
Kashima, Japan	53 FTE	KJE Joint Venture (50% - 50%)
Belpre, United States	256 contractor FTE (average per year)	Plant owned and operated by Kraton

Note: In each of these locations a small number of Kraton employees are seconded or work full-time for Kraton in support of these facilities. These employee numbers are captured in Kraton's global headcount.



Grow

Challenging you
to be bold and grow
with the business.



Where do Kraton Employees Work?





Live Well

Enabling you to stay safe and live well.

Community Engagement

As part of our continuing efforts to make a Positive Difference in our communities – and a critical part of our “Live Well” aspect of our EVP – we rolled out our community relations strategy, enabling us to maximize impact in the communities in which we have operations and a corporate presence. The strategy includes three principles that guide the impact we aim to make. They are listed below.

- We are leaders in our communities: we perform vital roles within our communities, assisting with leadership and helping to develop talent.
- We are partners in education: we collaborate with local schools to create opportunities for children, while providing intrinsic value to our employees and future benefits for the community.
- We give back to our communities: we volunteer and financially sponsor initiatives that ensure sustainable communities.

In 2018, our employees contributed 1748 volunteer hours to communities in which we work. Kraton, along with its employees, also donated approximately \$228,864 (converted to USD based on exchange rate as of 12/31/2018) to sponsor events to assist local communities. In addition, \$125,000 of employee and company contributions were donated to our employees and the Panama City community, following Hurricane Michael. All of our local plants and our corporate centers have impactful community engagement.

Panama City, Florida, USA

When Hurricane Michael swept through Panama City in October 2018, Kraton sites around the US delivered necessities like food and clothes to our Panama City facility where it was distributed to those in need. We provided free generators to employees without electricity to ensure they had power while utility lines were down. More than \$125,000 were raised through corporate and employee donations to help Kraton employees and their families, many of whom experienced loss of homes due to the hurricane.

We are grateful to our Panama City colleagues who were able to swiftly clean up and bring the plant back online. Having met the needs of local employees, our site management set out to help the wider community. Panama City employees donated 10 pallets of life-saving materials and raised funds to support the Panama City Salvation Army.





Tokyo, Japan

Kraton employees ran a half-marathon to fundraise for the Christmas Charity Project 2018 – Tokyo Event. The race donations help to provide holiday gifts and sporting equipment for local children affected by the Fukushima and Kumamoto earthquakes. While these natural disasters took place in 2011 and 2016, respectively, the surrounding communities are still recovering from them. Our efforts help support local residents in their rebuilding efforts.



Lishui, China

Kraton employees volunteered to read and teach craftsmanship training and painting at Ningbi Elementary School in Jinyun County in Zhejiang Province. Last year, Kraton donated to this same school to help build a library as part of the China Smile Library project, a nonprofit organization that supports schools in China's rural areas. Kraton's contributions help these students gain access to books and encourage them to read.

Savannah, Georgia, USA

Kraton collaborated with Savannah Science Seminar, a nonprofit that promotes science appreciation, to host 30 high school students at our innovation center. The event gives students a chance to tour the laboratory and learn about the different chemistry that makes up our products. Our participation in these programs encourages young people to pursue careers in science, technology, engineering and mathematics (STEM).



Working With Suppliers

Sustainability of supplier management ensures that we conduct business with reliable suppliers in alignment with environmental, social and ethical standards. Our Supplier Code of Conduct, Conflict Minerals Policy and Slavery and Human Trafficking statement guide our suppliers in our expectations. This includes high integrity and ethical behavior regarding human rights, material supply sourcing and fair competition. Adherence to these standards is crucial to our role in the value chain. In 2019, Kraton will introduce a dedicated Responsible Procurement Policy.

Kraton works with over 6,000 suppliers globally. Our key sourcing regions are North America and Europe, where most of our company plants and facilities are based. Asia is an increasingly important sourcing region for us. In 2018, there were no major changes in our suppliers' locations or in the structure of our supply chain.

Key Achievements

In 2018, Kraton conducted 44 physical audits. Eleven were done with raw materials suppliers, 30 with logistics suppliers and three at custom manufacturers. These audits took place in North America, Europe and Asia and covered security of supply, safety and other topics.

We also began building and rolling out the responsible procurement program to our procurement staff and suppliers, with the goal to improve sustainability performance and manage

supply chain risks. Kraton uses the EcoVadis platform to engage our suppliers on sustainability.

In 2018, 77 percent of all buyers in scope were trained in sustainability, the responsible procurement program, the process of onboarding suppliers on the EcoVadis platform and the EcoVadis scorecard.

During 2018, Kraton ran the first two campaigns to invite and onboard suppliers into the responsible procurement program. Kraton's approach is to first concentrate on the top 80 percent spend group of suppliers. To date, 82 percent of the contacted suppliers have shared their scorecard, finalized or in the process of a CSR assessment. Supplier performance is assessed on four themes: Environment, Labor & Human Rights, Ethics, and Responsible Procurement.

In 2019, we will further refine our definition of responsible procurement, which is expected to materialize in the introduction of our Responsible Procurement Policy and updated supplier code of conduct.

Ultimately, our aim is to collaborate with Together for Sustainability (TfS), a joint initiative of chemical companies for sustainable supply chains. Using the EcoVadis platform, TfS implements a global program to assess, audit and improve sustainability practices within supply chains, and is a forum to engage and learn about sustainability in chemicals with suppliers and customers.

Where You Can Find Us

Our 14 manufacturing plants, five innovation centers, and multiple regional offices enable us to support our broad customer base.

Global Headquarters

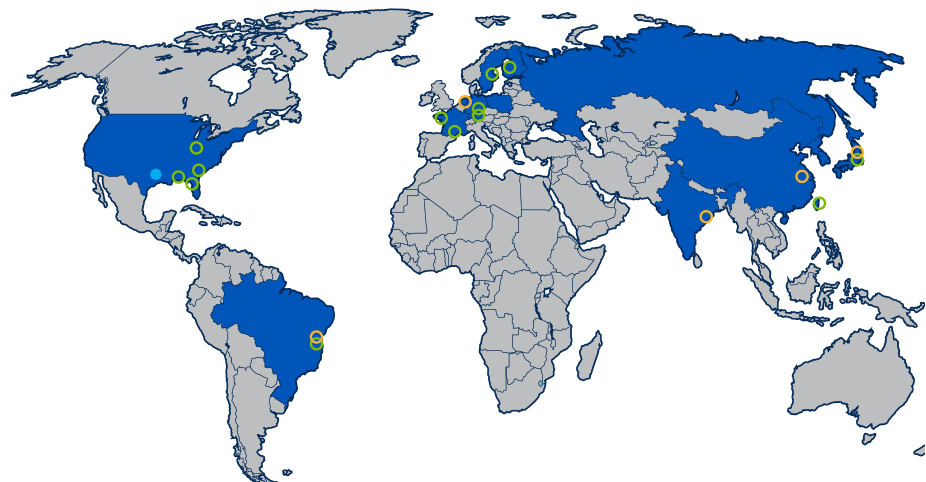
Houston, TX

Regional Headquarters

Almere, The Netherlands
 Mumbai, India
 Paulinia, Brazil
 Shanghai, China
 Tokyo, Japan

Manufacturing Facilities

Belpre, OH	Oulu, Finland
Berre, France	Panama City, FL
Dover, OH	Paulinia, Brazil
Gersthofen, Germany	Pensacola, FL
Kashima, Japan	Sandarne, Sweden
Mailiao, Taiwan	Savannah, GA
Niort, France	Wesseling, Germany



Appendix

GRI Content Index

GRI Standard	Disclosure Title	Kraton Disclosure
1. Organizational Profile		
102-1	Name of the organization	Kraton at a glance
102-2	Activities, brands, products, and services	Kraton at a glance Kraton's products are not banned in any market.
102-3	Location of the organization's headquarters	Kraton at a glance
102-4	Number of countries operating	Kraton at a glance
102-5	Nature of ownership and legal form	Governance
102-6	Markets served	Kraton at a glance
102-7	Scale of the reporting organization	Kraton Annual Report 2018 – Form 10K – Pages 4 – 9, 24 & 31 Valuing our people
102-8	Information on employees and other workers	Valuing our people Currently we report on the number of employees by region. The majority of our employees have full-time contracts.
102-9	Supply chain	Working with suppliers Kraton Annual Report 2018 – Form 10K
102-10	Significant changes to the organization and its supply chain	Working with suppliers
102-11	Precautionary Principle or approach	Sustainability Strategy and Value Creation Kraton Annual Report 2018 – Form 10K - Page 10-23
102-12	External initiatives	Stakeholder engagement Health, Safety, Environment & Security (HSES)
102-13	Memberships of associations	Stakeholder engagement Working with suppliers
2. Strategy		
102-14	Statement from senior decision-maker	Message from the President and CEO Message from the Chair of the Nominating, Governance and Sustainability Committee
3. Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	Compliance http://kraton.com/company/values.php
4. Governance		
102-18	Governance structure	Governance https://kraton.gcs-web.com/corporate-governance/guidelines https://kraton.gcs-web.com/corporate-governance/highlights

GRI Standard	Disclosure Title	Kraton Disclosure
5. Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder engagement
102-41	Collective bargaining agreements	Kraton Annual Report 2018 – Form 10K – Page 21
102-42	Identifying and selecting stakeholders	Stakeholder engagement
102-43	Approach to stakeholder engagement	Stakeholder engagement
102-44	Key topics and concerns raised	Risk management and materiality Stakeholder engagement
6. Reporting practice		
102-45	Entities included in the consolidated financial statements	Kraton Annual Report 2018 – Form 10K – Page 24
102-46	Defining report content and topic Boundaries	The information in this report applies to Kraton Corporation and all owned facilities, joint ventures, operating companies and associated companies globally within the reporting period, unless otherwise stated. In the case of our employees, all data metrics pertain only to employees of Kraton Corporation and its operating subsidiaries, unless otherwise stated. Environmental data covers all sites, owned and operated by Kraton Corporation.
102-47	List of material topics	Risk management and materiality
102-48	Restatements of information	There are no significant restatements of information compared to the previous report.
102-49	Changes in reporting	Compared to previous reporting period there are no changes to the material topics or their boundaries.
102-50	Reporting period	The reporting period covers 1st January 2018 to 31st December 2018.
102-51	Date of most recent report	Kraton's previous Sustainability Report was released in July 2018.
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	sustainability@kraton.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: core option
102-55	GRI content index	Page 42
102-56	External assurance	Currently we do not pursue external assurance/verification for our Sustainability Report. In the next reporting period this will be reconsidered.

GRI Standard	Disclosure Title	Kraton Disclosure
GRI 201: Economic		
201-1	Direct economic value generated or distributed	Kraton Annual Report 2018 – Form 10K – Page 30-37, F-5 – F-50
GRI 205: Anti-Corruption 2016		
205-2	Communication and training about anti-corruption policies	Compliance
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	Environmental stewardship GHG emissions and energy
302-3	Energy intensity	Environmental stewardship GHG emissions and energy
302-4	Reduction of Energy Consumption	Environmental stewardship GHG emissions and energy
Indicator	Renewable energy use	Environmental stewardship GHG emissions and energy
GRI 303: Water 2016		
303-1	Water withdrawal by source	Environmental stewardship Protecting our water resources
Indicator	Water intensity	Environmental stewardship Protecting our water resources
GRI 305: Emissions 2016		
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	Our strategy and value creation model GHG emissions and energy
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Our strategy and value creation GHG emissions and energy
305-4	Greenhouse gas (GHG) emissions intensity	GHG emissions and energy
305-5	Reduction of GHG emissions	GHG emissions and energy Target: 25 percent reduction in GHG emissions intensity by 2030, compared to 2014. Performance to date: 20 percent reduction compared to 2014.
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and volatile organic compounds (VOCs)	GHG emissions and energy
GRI 306: Effluents and Waste 2016		
306-2	Waste by type and disposal method	Reducing waste generation
306-3	Significant spills	Environmental stewardship

GRI Standard	Disclosure Title	Kraton Disclosure
GRI 308: Supplier Environmental Assessment 2016		
308-2	Negative environmental impacts in the supply chain and actions taken	To date 48 suppliers were assessed for Environmental impacts (through Ecovadis). Information unavailable: Information regarding the number and nature of environmental impacts as well as corrective action plans is currently unavailable. During the next reporting cycle, following the further implementation of Kraton's Responsible Procurement program, we expect to be able to report more comprehensively regarding the performance of the suppliers in scope of the program.
GRI 401: Employment 2016		
401-1	New employee hires	Valuing our people
GRI 403: Occupational Health and Safety 2016		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health, safety, environment and security
Indicator	Total Incident Rate (TIR)	Health, safety, environment and security
Indicator	Process Safety Incident Rate (PSIR)	Health, safety, environment and security
GRI 404: Training And Education 2016		
404-1	Average hours of training per year per employee (per topic)	Kraton does not centrally track the average hours of training per employee. We do extensively report training hours, numbers of trainings, and participants in various chapters throughout this report.
404-2	Programs for upgrading employee skills and transition assistance programs	Valuing our people (Employee Value Proposition - EVP)
404-3	Percentage of employees receiving regular performance and career development reviews	Valuing our people 60.4% receive regular performance and career development reviews.
GRI 405: Diversity & Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	Governance

GRI Standard	Disclosure Title	Kraton Disclosure
GRI 407: Freedom of Association and Collective Bargaining 2016		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	To our knowledge, within Kraton's own operations and those of our Joint Ventures the right to freedom of association and collective bargaining continue to remain compliant with all statutory requirements. Comprehensive information about supplier performance is currently unavailable. During the next reporting cycle, following the further implementation of Kraton's Responsible Procurement program, we expect to be able to report more comprehensively regarding the performance of the suppliers in scope of the program. Also see disclosure 414-2 regarding Supplier Social Assessments.
GRI 408: Child Labor 2016		
408-1	Operations and suppliers at significant risk for incidents of child labor	To our knowledge, within Kraton's own operations and those of our Joint Ventures there is no significant risk of child labor. Comprehensive information about supplier performance is currently unavailable. During the next reporting cycle, following the further implementation of Kraton's Responsible Procurement program, we expect to be able to report more comprehensively regarding the performance of the suppliers in scope of the program. Also see disclosure 414-2 regarding Supplier Social Assessments.
GRI 409: Forced Or Compulsory Labor 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	To our knowledge, within Kraton's own operations and those of our Joint Ventures there is no significant risk for incidents of forced or compulsory labor. Comprehensive information about supplier performance is currently unavailable. During the next reporting cycle, following the further implementation of Kraton's Responsible Procurement program, we expect to be able to report more comprehensively regarding the performance of the suppliers in scope of the program. Also see disclosure 414-2 regarding Supplier Social Assessments.
GRI 413: Local Communities 2016		
413-1	Operations with local community engagement, impact assessments, and development programs	Community Engagement
GRI 414: Supplier Social Assessment 2016		
414-2	Negative social impacts in the supply chain and actions taken	To date 48 suppliers were assessed for Social impacts (through Ecovadis). Information unavailable: Information regarding the number and nature of social impacts as well as corrective action plans is currently unavailable. During the next reporting cycle, following the further implementation of Kraton's Responsible Procurement program, we expect to be able to report more comprehensively regarding the performance of the suppliers in scope of the program.
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	During 2018, Kraton has not received any substantiated complaints concerning breaches of customer privacy and losses of customer data.

GRI Standard	Disclosure Title	Kraton Disclosure
Sustainable Products And Solutions		
Indicator	Number of biobased products certified	31 product families, covering 107 products. Biobased label update
Indicator	Number of cradle-to-gate life-cycle assessments (LCA) conducted for key products	Life-cycle assessments Target: conduct 12 cradle-to-gate LCA by 2020 Performance: completed 2 LCA in 2018
Raw Materials		
Indicator	\$781 million in direct raw material costs	Our strategy, value creation model

Environmental Data

Year	2014	2015	2016	2017	2018	Change from 2017
Energy						
Energy Consumption (TJ)	12235	11696	11224	11662	10950	-6%
Energy Intensity (MMBTU/Ton)	9.16	9.13	8.85	8.93	8.75	-2%
Renewable energy use (%)	7.30%	7.20%	7.80%	10.20%	10.00%	-2%
Emissions						
GHG Emissions (MTCO ₂ E)	900695	817305	716424	719326	671174	-7%
GHG Intensity (MTCO ₂ E/Ton)	0.71	0.67	0.6	0.58	0.57	-2%
Scope 1 (MTCO ₂ E)	548443	471963	395347	387451	372445	-4%
Scope 2 (MTCO ₂ E)	348656	342117	321078	331875	298729	-10%
Volatile organic compounds (VOCs)	815	694	649	564	520	-8%
Sulphur Oxide (SO _x)	2343	1568	105	87	85	-3%
Nitrogen Oxide (NO _x)	932	673	523	541	452	-16%
Waste						
Solid waste - Non Hazardous (tons)	23390	24665	25884	21406	20103	-6%
Hazardous waste disposal (tons)	6204	7083	6745	7343	4799	-35%
Water						
Water Use (1000 m ³)	49010	45909	43887	37052	31561	-15%
Water intensity (m ³ /tons)	38.7	37.8	36.5	30	26.6	-11%

Note: Environmental data for 2018 is based on actual Jan through Nov 2018 data and estimated December 2018 data.

KRATON CORPORATION (NYSE:KRA)

For more information, visit our website at www.kraton.com or email sustainability@kraton.com

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Forward Looking Statements

Some of the statements in this press release contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This press release includes forward-looking statements that reflect our plans, beliefs, expectations, and current views with respect to, among other things, future events and performance. Forward-looking statements are often characterized by the use of words such as "outlook," "believes," "target," "estimates," "expects," "projects," "may," "intends," "plans", "on track", or "anticipates," or by discussions of strategy, plans or intentions.

All forward-looking statements in this Sustainability Report are made based on management's current expectations and estimates, which involve known and unknown risks, uncertainties, and other important factors that could cause actual results to differ materially from those expressed in forward-looking statements. Readers are cautioned not to place undue reliance on our forward-looking statements. Forward-looking statements speak only as of the date they are made, and we assume no obligation to update such information in light of new information or future events.

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