KRATON™

2019

Corporate Sustainability Report

Sustainable Solutions. Endless Innovation.™

Contents

About This Report

This Sustainability Report covers the period of January 1, 2019 to December 31, 2019, and is part of of Kraton's corporate story, allowing us to show progress year-on-year. In connection with our sustainability policies, the Annual Report on Form 10-K and our website, this report helps showcase Kraton's sustainability efforts and how they are integrated by our people, in our plants and through our processes. The Form 10-K and Proxy Statement offer further details on our governance and financial reporting. The sustainability website provides information on our long-term strategy and framework in creating tomorrow's sustainable future. This report has been prepared in accordance with the GRI Standards: Core option. Kraton's sustainability reporting is guided by our commitment to the 10 principles of the United Nations Global Compact (UNGC) and the Sustainable Development Goals (SDG).

Message from the President and CEO

More and more, significant sectors in society are looking to businesses to address environmental, social and economic issues. From safe and sustainable operations to addressing the effects of climate change to promoting diversity and inclusion in the workforce, companies are expected to navigate these demands while operating in a fast-changing, financially-driven market that often incentivizes short-term returns at the expense of long-term health. Companies are also expected to adapt to sudden shocks to our societies, as we have witnessed with the COVID-19 pandemic.

There is no doubt that shocks like this impact each and every one of us in a profound way. Our primary concern is the health of our employees and all the stakeholders we engage with on a day-to-day basis. At Kraton, we are committed to making a Positive Difference in our jobs, for our customers and to the world. With that as our purpose, we are confident we can get through these challenging times by continuing to deliver innovations that improve product performance while helping customers switch to more sustainable solutions. While we recognize the vital importance of shareholder returns to our company, we believe that the long-term interests of our shareholders are best served when we take into account the interests of all our stakeholders – such as our employees, customers, suppliers, communities and governments where we operate.

While there are many achievements in 2019 that we are proud of, we must acknowledge that our personal safety performance requires improvement. We simply must do better, and I am happy that the actions implemented early on in the year started to bear fruit in the last quarter.

We believe sustainability is an emerging need permeating through all levels of global society. It is reflected through our customers' changing demands, consumers' evolving expectations, and the steady shift towards consideration of stakeholder needs in corporate governance. In 2019, we charted another step in our sustainability journey by committing to the 10 principles of the United Nations Global Compact. We also identified the United Nations Sustainable Development Goals (SDG) that are relevant to our business model and align with the activities we have undertaken to advance our sustainability strategy. We believe the key SDG reflect our commitment to sustainability at every level of our operations – from manufacturing to supply chain to product development – all of which impact the communities in which we operate.

Having recently achieved the EcoVadis' Gold rating and joined the Together for Sustainability (TfS) initiative, I am confident that we are well-positioned to enhance the lives of people all over the world by collaborating throughout the value chain and innovating to develop sustainable solutions that enable the bioeconomy and connect the circular economy. We look forward to engaging and working closely with our shareholders and all stakeholders. Together, we remain focused on delivering exceptional value through Sustainable Solutions. Endless Innovation.™

Kevin M. Fogarty

Kevin M. Fogarty | President and CEO

Kraton at a Glance

About Kraton

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.

2019 HIGHLIGHTS

4

Board Members Named 2019 Most Influential Corporate Directors by Women Inc. Magazine

WIN

Rating by 2020 Women on Boards

Downstream Award Finalist for Corporate Social Responsibility Initiative Category

IABC Bronze Quill Award for Sustainability Report

13

Sites Certified under Responsible Care / ISO 14001

135

Suppliers Assessed on Sustainability Performance

#129

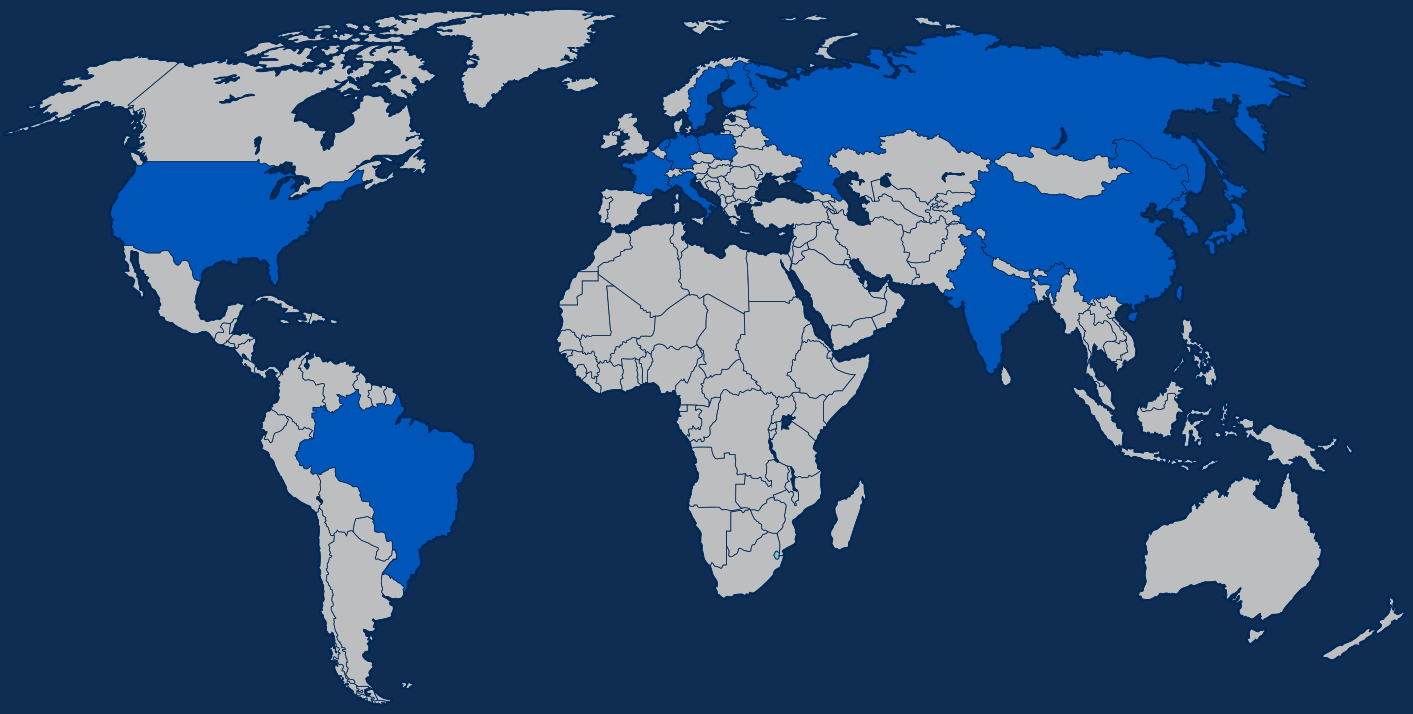
America's Top 300 Most Responsible Companies by Newsweek

2,700 Volunteer Hours Globally (approximately)

150,000 USD Donations & Matched Contributions

A LEADING GLOBAL PRODUCER

STYRENIC BLOCK COPOLYMERS AND PINE CHEMICALS



100
YEARS OF PIONEERING INNOVATIONS

14
MANUFACTURING SITES

Belpre, OH US
Berre, FR
Dover, OH US
Gersthofen, DE
Kashima, JP
Mailiao, TW
Niort, FR
Oulu, FI
Panama City, FL US
Paulinia, BR
Pensacola, FL US
Sandarne, SE
Savannah, GA US
Wesseling, DE

700+
CUSTOMERS

7
INNOVATION CENTERS

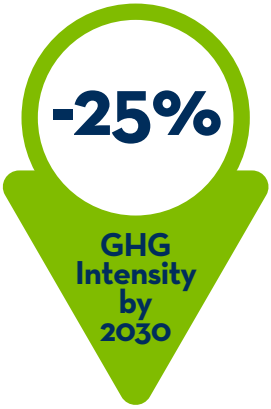
Almere, NL
Amsterdam, NL
Belpre, OH US
Paulinia, BR
Savannah, GA US
Shanghai, CN
Tskuba, JP

70+
COUNTRIES

5
REGIONAL HEADQUARTERS

Almere, NL
Houston, TX US
Mumbai, IN
Paulinia, BR
Shanghai, CN
Tokyo, JP

Who We Are and What We Do



Message from the Global Sustainability Director

Nella Baerents

Sustainability is integral to achieving our vision. In 2019, new steps were taken to further integrate sustainability throughout the organization. Kraton's sustainability program is implemented through a cross-functional team of 15 sustainability leads. They are responsible for integrating sustainability into their functions' overall processes. In this way, sustainability is embedded across multiple functions and in existing company processes.

In 2019, we refined Kraton's definition for sustainability in a way that serves as a vision for our overall sustainability program. In more practical terms, we took new steps in the roll out of our Responsible Procurement program, developed a definition for a sustainable solution and 10 sustainability criteria to help facilitate objective assessments of innovation ideas, projects and patents. In our operations, we made great strides towards the global Responsible Care certification, which includes implementation of ISO14001 Environmental Management Systems. In terms of global GHG Intensity, we made strong progress towards achieving our ambitious 25 percent reduction target by 2030.

I am proud of the work done in 2019 to further manage sustainability and report about our performance. This culminated in Kraton achieving the EcoVadis' Gold rating and joining Together for Sustainability (TfS) in early 2020. We also received the Bronze Quill Award by the International Association of Business Communicators (IABC) for our previous sustainability report and were named one of America's Most Responsible Companies by Newsweek.

Kraton creates highly-valued products as well as different types of wastes in solid, liquid or gaseous form that can impact the environment. To reduce those environmental effects, we rely on Life Cycle Assessments (LCA), a methodology used to evaluate environmental impacts associated with a product. We have committed to a strategic target of conducting 12 new cradle-to-gate LCA for key products by the end of 2020. As planned, we have conducted two LCA in 2018, and plan to complete ten in 2020.

In 2020, we will be working first and foremost on safety initiatives that ensure the well-being of our colleagues, customers and the communities in which we operate as we together deal with the COVID-19 pandemic. We will work proactively to internalize the Sustainable Development Goals (SDG) framework and report our progress on that front. In this report, you will find the first steps to identify and define our most material SDG. We will also continue to refine our Sustainability Program's key performance indicators (KPI), define our baselines, and set targets on those KPI over the coming period. With these steps, we are progressing on our journey to making a Positive Difference to society.

Global Market, Opportunities and Risks

Chemicals are part of our everyday lives. Innovations in chemistry can improve human health, enhance food security and enable more sustainable infrastructure. At the same time, poor management and use of hazardous chemicals and waste can threaten human health, the environment, and over time, undermine life-supporting systems. The global chemicals market is set to grow over the next decade. Our industry must strive to minimize hazardous chemical uses and leaking of pollutants into the environment where they could risk contaminating food chains.

There are many opportunities for Kraton to create the products of the future, such as innovating solutions from renewable, responsibly-sourced materials while enabling the circular economy. Kraton sees significant opportunities as demands for sustainability amplify, and our society continues its quest to tackle global sustainability challenges like plastic waste and climate change.

Amidst the anticipated growth, the chemical industry is facing some sustainability-related risks. The pine forests, on which our chemical segment relies, may be affected in the future by climate change, and Kraton plants may be impacted by more extreme weather events. In our polymer segment, we depend on hydrocarbon feedstock that may experience volatility due to potential climate change-driven policies, regulations and/or taxes. These topics remain on our radar as we close in on achieving our -25 percent GHG emissions-intensity target for our own operations.

Kraton's Enterprise Risk Management (ERM) process continuously identifies and evaluates the impact of risks on our business. Prioritized enterprise risks, as well as new or emerging risks, are reviewed on a quarterly basis. Our ERM process is facilitated by an Internal Audit department that reports to the Audit Committee of the Kraton Corporation Board of Directors, providing periodic progress reports on material topics upstream, in our operations and downstream. More information on risk management can be found in Kraton's Proxy Statement.

Creating Long-Term Value

Our Strategy for Value Creation

First introduced in 2017, Kraton's Value Creation Model (VCM) helps visualize how we create value for stakeholders and society in general. Using the International Integrated Reporting Council's (IIRC) six capitals framework, our VCM describes:

1. Kraton's business model and value drivers.
2. The capitals we depend on to develop, manufacture and market specialty chemicals. These capitals include our plants and equipment, employees, raw materials in the manufacturing process and the necessary financial capital to make the process work.
3. The value that our activities generate; the ambitions we have to create positive economic, social and environmental impacts; and how we contribute to the United Nations Sustainable Development Goals (SDG).

Kraton's vision is to be an admired Fortune 500 specialty chemical company. Together we strive to make a Positive Difference for our customers, in our jobs and to the world. Our business model is to develop, manufacture and market innovative renewable chemicals and engineered polymers that deliver exceptional value to customers. We are convinced that a continuously refined sustainability strategy will create long-term value by enabling us to grow, improve productivity and manage risk. Through our company-wide sustainability program, we identified 12 value drivers that will enable us to deliver on our sustainability ambitions in creating Economic, Social and Environmental impact.

Vision

To Be An Admired Fortune 500 Specialty Chemical Company

What do we need to do to drive sustainability through our business model?

Develop

- Attract and retain the right people
- Foster our safety and integrity culture
- Enhance internal sustainability awareness and knowledge
- Enable innovation of sustainable products, processes and services

Manufacture

- Optimize procurement and mitigate risks
- Ensure optimal use of plant capacities, increasing resource efficiency, lowering emissions and waste.
- Safeguard reliability of assets, minimizing safety breaches and environmental incidents
- Drive and improve sustainability performance of suppliers and service providers

Market

- Anticipate legislative and regulatory environment
- Boost sustainability communications and branding
- Identify new sustainability-driven markets and customers
- Strengthen sustainable product portfolio

Value Creation Model

INPUTS

FINANCE

$ 789 Million
Equity

$ 253 Million
Operating Expenses (excl. R&D)

$ 1.36 Billion
Consolidated Debt

MANUFACTURED

$ 926 Million
Property, Plant and Equipment

INTELLECTUAL

$ 41 Million
R&D

847
Granted Patents

HUMAN

1,944
Employees

Training & Development
Safety Policies

SOCIAL

Stakeholder Relationships
Strong Market Position

NATURAL

$ 719 Million
Raw Material Costs

10,932 TJ
Energy Use

31.4 Million m³
Water Use

All data as of 31st December 2019

OUTPUTS

FINANCE

$321 Million
Adjusted EBITDA

$804 Million
Shareholder value

MANUFACTURED

$1.804 Billion
Revenue

Pine Chemicals and Engineered Polymers Product Sales

INTELLECTUAL

1,136
Patents and Patent Applications

119
Biobased-certified Products
Innovative Products and Technologies

HUMAN

0.88
Incident Rate

192
New Hires

SOCIAL

700 +
Customers

Supply Chain Transparency

Global Community Initiatives

NATURAL

22,101 Tons
Waste Disposal

0.58 MTCO$_2$E/Ton

-18% 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

Our Sustainability Ambitions

Kraton is committed to safe, compliant and socially-responsible operations. We continuously work to improve our products and processes with the goal of reducing our own environmental footprint while helping customers reduce theirs.

In 2017, we set up a cross-functional team of Sustainability Leads and embarked on laying the foundation to formalize Kraton's sustainability strategy, including setting ambitions, creating policy documentation, and building the sustainability organization to support the strategy and implementation over the coming years. The work involved understanding our operating environment, sustainability context and the sustainability frameworks available to us.

Where 2018 was about following through on the above activities and building the Sustainability Strategy Map, 2019 was about refining a set of KPI and beginning to test reporting on them. In the sustainability program, we are working with two sets of KPI: Output and Steering. Output KPI measure whether we are fulfilling our stated ambitions in the Value Creation Model; these KPI are aimed to be reported in future sustainability reports. Kraton's steering KPI measure whether we are progressing on our value drivers – the things we need to do or be good at in order to reach our ambitions. These KPI are internal to the organization; they will help us to measure progress. The company's Global Sustainability Director, together with the Sustainability Leads, report to the Sustainability Council every quarter. Kraton's Governance, Nominating and Sustainability Committee oversees the sustainability program.

Kraton's business model and business activities are designed to create value for stakeholders. We seek to positively impact the world around us through our Economic, Social, and Environmental ambitions.

Economic Impact

Ambition	Output KPI
Create long-term value for employees, shareholders and customers	Score on EcoVadis Adjusted EBITDA Growth
Marketing of our sustainability performance and products	To be developed in 2020
Enabling the biobased economy with our products	To be developed in 2020

Social Impact

Ambition	Output KPI
Improving HSES and process safety performance	Position in benchmark by ACC
Creating solutions toward safer products	To be developed in 2020
Making a Positive Difference for our employees and communities	Volunteer hours Total donations

Environmental Impact

Ambition	Output KPI
Increasing responsible procurement	Relevant suppliers included in EcoVadis
Improving resource efficiency in our company and value chain	GHG intensity
Enabling sustainable development through innovative products	LCA (cradle to gate) for Kraton products

Delivering on the United Nations Sustainable Development Goals (SDG)

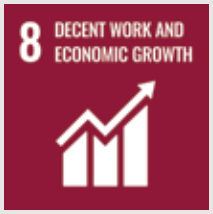
The rising demand and competition for finite and increasingly scarce resources – including water, land, food and minerals – presents major challenges for the global community. Society will increasingly look to companies like Kraton to develop solutions for sustainable development. Kraton defines long-term value creation in a broad sense, which includes the value we create for society and our contribution to the global sustainable development agenda.

In 2015, at the United Nations General Assembly, 193 governments adopted the Sustainable Development Goals (SDG), a global framework for sustainable development. The framework is designed to tackle the world's most pressing social, economic and environmental challenges by 2030. For businesses like Kraton, the SDG provide a new lens through which to translate global needs and ambitions into business solutions.

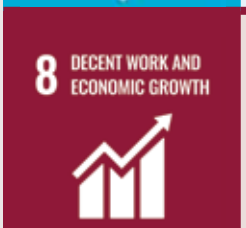
During 2019, we began to identify and map the SDG that are most material to Kraton and clearly interlink with our sustainability ambitions and business model. We have identified six SDG that are closely related to our business and where we believe we can play a prominent role today and in the future. We see our contribution to SDG 9 as an enabler to deliver on the other SDG. As a specialty chemical company, the heart of "specialty" is innovation. Innovation drives organic growth into more specialized, diversified products and solutions that enable customers to meet their company goals on one hand while contributing to the SDG.

ECONOMIC IMPACT

SOCIAL IMPACT



ENVIRONMENTAL IMPACT

SDG Description	SDG Ambition	Kraton's Contribution
	**Ensure healthy lives and promote well-being for all at all ages**	Throughout society in everyday life, people experience exposure to chemicals through ingestion, inhalation or skin contact. Many chemicals are harmless and beneficial; but some can be a threat to human health and the environment. Safety is Kraton's number one core value. We strive to minimize negative health impacts in our operations and surrounding communities. Our innovations and commitment to product stewardship have increased the availability of products with health and safety benefits while reducing their environmental footprints. Our product portfolio of biobased materials are a testament to this commitment.
	**Ensure availability and sustainable management of water and sanitation for all**	In many locations across the world, water is scarce. The water quality is determined by many factors, including the extent of pollution of water supplies by toxic chemicals. The chemical industry is water-intensive, using water for, among other things, heating, cooling, and cleaning. Kraton is committed to improving our water management and stewardship. Although we do not operate in water-stressed locations, we believe it is our duty to use this valuable resource efficiently and effectively.
	**Promote inclusive and sustainable economic growth, full and productive employment and decent work for all**	Economic growth and the enhancement of people's lives through beneficial products depends on the safe production and management of chemicals in the world's production processes. The safety of people engaged in economic activities for our company needs to be ensured. We believe that upholding labor standards and respect for human rights enables human development everywhere, while contributing to growth. We incorporate our commitment to these topics in our policies and procedures that guide our employees, suppliers, service providers and customers.
	**Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation**	Through research and development, design and product lifecycle management, we strive to understand the impacts our products have on the environment. This understanding enables us to innovate products that reduce the amount of natural resources used and reduce the hazardous materials in products and waste. Our polymer and chemical products are destined for a wide variety of applications that people interact with in their day-to-day lives, including mobility and infrastructure. We actively engage with suppliers and customers to bring sustainable solutions to market. In 2019, we defined and implemented our definition of a sustainable solution through 10 sustainability criteria against which product and process innovation ideas, projects and patents are assessed.
	**Ensure sustainable consumption and production patterns**	Polymer and biobased chemical innovations can contribute to the development of biobased and circular economies, and promote more sustainable patterns of production, consumption and lifestyle. Our polymer and chemical products can form the building blocks for a sustainable future. We provide a number of solutions that enable the circular economy as well as the bioeconomy. These innovations enable customers to produce products with better sustainability performance, enable recycling and uptake of recycled feedstock.
	**Take urgent action to combat climate change and its impacts**	Kraton is taking proactive action on climate change mitigation. Some of our products provide a more sustainable alternative for our customers and reduce their products' carbon footprint. We have a target to reduce our GHG emissions intensity by 25% by 2030. Every year we are taking steps that bring us closer to achieving this target.

Our Foundation for Long-Term Value Creation

Governance

As a publicly-traded company, Kraton has a Board of Directors (Board). Board refreshment has continued to be important and, in the past few years, our Board was refreshed with three new members. Today, our Board is 44 percent female, with half of the non-management directors being women. This achievement did not go unnoticed. In 2019, Board members Shelley Bausch, Anna Catalano, Karen Twitchell and Billie Williamson were named Most Influential Corporate Directors by Women Inc. magazine. Kraton received a "Win" Rating by the 2020 Women on Boards advocacy group, and we were nominated for the NACD NXT award for board diversity in the Mid-Cap category.

Stakeholder Engagement

As a global enterprise, Kraton interacts with many stakeholders including shareholders, customers, communities, employees, governments, industry associations and suppliers. Our focus on sustainability creates exceptional value for Kraton and our stakeholders, providing the opportunity to affect all of the value creation levers that help grow our business, improve productivity and manage risks. Our sustainability initiatives contribute to managing, mitigating or avoiding risks as well as building intangible assets. In the market, a strong sustainability profile strengthens our social license to operate and commands a higher regard with customers, investors and other stakeholders. In essence, sustainability is a multi-faceted strategy that can contribute to the long-term value of our business.

Interview With Kraton Board Of Directors

Nominating Governance & Sustainability Committee

In 2019, the Nominating, Governance and Sustainability Committee was assigned oversight of Kraton's sustainability efforts. The committee consists of Shelley J. Bausch, Anna C. Catalano, Dominique Fournier (Chair) and John J. Gallagher III. Given their roles, we invited them to share their views on what sustainability means to Kraton today and in the future.

1. **What does sustainability mean to the Board?**
   Sustainability is the ability to create and deliver products and services for our customers today without compromising the future. That means building on the assumption that doing good things socially, ecologically and economically creates long-term value. Sustainability fulfills a key expectation of customers, shareholders, communities, governments, employees and other stakeholders – and ultimately focuses Kraton on becoming a world-class company of the future.

2. **How does the Board think about various stakeholders when it is overseeing Kraton and making decisions in the long-term interest of the company and its stockholders?**
   Running a successful business is a fine balance that takes into account all stakeholders. If the strategy and actions put in place to drive sustainability are clearly aligned with business priorities and identified impact, then we will be able to deliver value in the long-term for all stakeholders.

3. **How do sustainability strategies contribute to growth, improved productivity and risk reduction?**
   Incorporating sustainability targets with product development links directly to growth, as does targeting markets with materials that enable functional performance and improved sustainability impact. A significant share of Kraton products are derived from renewable resources. Our diverse product portfolio and innovation pipeline puts us in a unique position to deliver these sustainable solutions to customers and help them avoid risks. Projects in operations to reduce waste and energy consumption as well as building a diverse culture can lead to productivity improvements. Sustainability strategies protect and build our license to operate and strengthen our ties with markets, customers and suppliers – all of which mitigates risks while improving performance.

4. **Sustainability in business is often described as a journey. How does the Board see this journey?**
   By definition, sustainability requires an ongoing understanding of the world, the changing environment and evolving customer needs. In recent years, we moved from a sustainability initiative to a sustainability strategy that intends to contribute to real business impact and value. Supported by key performance indicators, targets and results monitoring, we see Kraton's future as a role model for the chemical industry where sustainability is integrated into day-to-day activities and embedded in the culture – leading to transparency, openness and collaboration. In order to get there, we must cement sustainability into development projects and capital project considerations, while continuing to engage employees to drive innovation.

5. **Which global sustainability challenges do you see Kraton providing solutions for in the future?**
   As the world moves from current products to more environmentally-sustainable ones, we will compete against those who do not have to be early adopters and who choose to remain with less costly solutions. Kraton has strong platforms in pine chemicals and polymer technologies that we can leverage into sustainable solutions for our customers. We need to tell our story regarding why a sustainable strategy, which requires more investment, is better for customers and the world at large.

Compliance

Kraton is committed to 100 percent compliance, 100 percent of the time. We require our non-operator workforce to take online training addressing Kraton's most significant compliance risks. In-person trainings are provided to employees with more direct interactions with people outside of Kraton. In 2019, we conducted 32 in-person compliance sessions globally to employees in sales, research and development, HR, plant management and supply chain. We also feature a compliance topic in each issue of our internal quarterly newsletter, which is distributed to employees worldwide.

Kraton conducts periodic compliance training with our distributors, marketing representatives and other third-party representatives. In 2019, we conducted two sessions – one in Japan and one in Latin America. In addition, distributors and marketing representatives must certify annually that they are in compliance with all applicable laws. We transitioned the certification process to an online platform, allowing for greater efficiency. In 2019, Kraton enhanced our compliance monitoring of third-party commercial representatives and strengthened the due diligence performed on these groups.

Compliance Training

All non-operator workforce (about 1,250 people) are required to complete 2 online training modules quarterly

99%

Online Trainings Completed

9,000

Person hours of online training completed

In-Person Trainings

1,300+

Person hours for in-person training of Kraton employees

50

Third-Party distributors and marketing representatives participated in 2 in-person trainings in 2019

Responsible Procurement - Working With Suppliers

Sustainability of supplier management ensures that we conduct business with reliable suppliers in alignment with environmental, social and ethical standards. Kraton's Supplier Code of Conduct, Conflict Minerals Policy, Human Rights 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.

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 2019, there were no major changes in our suppliers' locations or our supply chain structure.

Key Achievements

In 2019, we continued 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 and customers on sustainability. Kraton was awarded EcoVadis' Gold rating in 2020, signifying an advanced sustainability management system.

In 2019, 100 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.

Building on our work in 2018, Kraton ran three additional campaigns in 2019 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 and strategic suppliers including crude tall oil (CTO) and monomer suppliers. All suppliers in scope have been invited.

To date, 66 percent of the contacted suppliers have shared their scorecard, finalized or in the process of a CSR assessment. Suppliers' performance is assessed on four themes: Environment, Labor and Human Rights, Ethics, and Responsible Procurement.

In 2019, Kraton added a corporate social responsibility (CSR) section in the vendor performance scorecard, making it an integrated part of the evaluation and awarding of our suppliers. The CSR section includes the supplier's stated CSR commitment and their CSR scores.

We also conducted 20 physical audits in 2019. Two were done with raw materials suppliers, seven with logistics suppliers and 11 at custom manufacturers. These audits took place in North America, Europe and Asia and covered security of supply, safety and other topics.

In 2019, Kraton worked on further improving our risk-evaluation methodology of our vendor base. Starting in 2020, the methodology will incorporate risk-country and industry-type criteria. We will also initiate and follow up on Supplier Corrective Action Plans for low scoring vendors.

Leveraging EcoVadis and Together for Sustainability (TfS)

Kraton is proud to have achieved the EcoVadis' Gold rating following a year of intense work to improve and refine our suite of policies, actions and performance reporting on sustainability. This recognition by an independent third party for our advanced sustainability management system puts us in an ideal position to engage with suppliers and high-performing trading partners to develop sustainable products and generate growth opportunities.

Secondly, our efforts to achieve EcoVadis' Gold rating have opened the doors to Together for Sustainability (TfS). TfS is 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. The program is based on the UN Global Compact and Responsible Care® principles.

We look forward to take a leading role in exchanging best practices for embedding sustainability and responsible procurement in our organization, share data with other TfS members, and help shape the future of sustainability for the chemical industry.

TOGETHER FOR SUSTAINABILITY

Product Regulatory

Product regulatory, or product stewardship, focuses on ensuring Kraton products comply with chemical control laws globally. In addition, our Product Regulatory team responsibly manages the health, safety and environmental aspects of Kraton's raw materials and products throughout their lifecycle and across the value chain to prevent or mitigate risks to customers, stakeholders and the environment. In 2019, the Product Regulatory team completed the Korea REACH pre-registration of our identified products prior to the June 30, 2019 deadline. In anticipation of the planned UK Brexit, we transferred our EU REACH Only Representative (OR) from the UK to mainland Europe, thereby ensuring that we will remain in compliance with EU REACH with no disruption for customers. Internally, we implemented a regulatory inquiry process through our improved and expanded customer relationship management (CRM) system. This ensures that all global regulatory inquiries are funneled through this platform – increasing visibility, traceability and efficiency in responding to customers. We completed the development of 11 Product Safety Codes of Practice under the American Chemistry Council Responsible Care® initiative, as part of Kraton's successful effort to achieve certification of the Responsible Care Management System (RCMS). The third-party auditor commented that our product prioritization process was amongst the best they have seen.

Pivoting from Road to Intermodal Shipping

Transportation is the backbone of the economy, essential for the functioning of the market and the free movement of goods and people. Transport activity across Europe is high, and both passenger and freight transport are set to grow substantially over the coming decades. If not managed properly, this rapid growth can drive unintended impacts and societal costs through greenhouse gas emissions, local air pollution, congestion, capacity bottlenecks, accidents and noise. This is why the European Commission is working to implement a clean, safe, competitive and connected mobility strategy.

Over the last two years, Kraton's polymer segment worked closely with LKW Walter, our logistics service provider, to improve the sustainability of our distribution throughout Europe. Our ambition was to increase our share of intermodal transportation by combining water, road and railway modes of transport.

Today, most of Kraton's internal stock transfer shipments from our manufacturing location in Berre L'Etang, France, to our warehouse in Bergen op Zoom, the Netherlands have already changed to Intermodal. For long-distance customer deliveries of around 700 kilometers or more, we have begun migrating towards intermodal shipping.

To date, we have been able to increase our share of intermodal shipping from nine percent in 2017 to 19 percent in 2019. In so doing, we were able to avoid nearly one million truck kilometers since 2017 by diverting them to lower carbon-intensive modes of transport. We are planning to divert more truck shipments to intermodal modality, expecting to reach approximately 24 percent in 2020. Through this initiative, we avoided approximately 390 Metric Tonnes CO_2 per annum and expect similar results in 2020.

Health, Safety, Environment & Security (HSE&S)

Health and Personal Safety

At Kraton, our vision is zero harm to employees, the environment and the communities within which we operate. Unfortunately, our 2019 personal safety performance did not meet our expectations. Our Total Incident Rate (TIR) increased from 0.81 to 0.88. This repeated disappointing performance served as a burning platform for corrective action. In 2018, most of the injuries were to contractors; in 2019, the trend reversed and most of the injuries, primarily low severity, were to employees. We registered 25 recordable incidents globally in 2019. 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.

A number of actions were undertaken during the year to address the decline in performance. Immediately following the increase in recordables across our sites in 2018, Kraton leadership commenced a call for action across all facilities. 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 – all of which were introduced in 2019.

- **Kraton Safety Week.** An initiative that reinforces the theme of Zero Harm to people, the community and the environment. All plants, offices and laboratories participated in this event covering all aspects of safety, from hand and finger safety to environmental responsibility.
- **Critical Thinking.** This process emphasizes risk mitigation and line of fire concepts, with a focus on instilling the benefits of preemptive work audits and inspections to help identify where risks exist. This ensures hazards are continuously identified as a task progresses and employees feel empowered to stop their work if they find themselves in the "line of fire."
- **HSES Tracking Platform**. A simple, effective tool to record and track various forms of HSES contact including safety discussions, huddles and observations. It helps 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.
- **Contractor Management.** Reviewed practices and processes for contractor management and identified opportunities to better track and improve contractor HSES performance.

As a result of these efforts, our performance towards the end of year improved. In the last quarter of 2019, we more than halved our incident rate compared to previous quarters. We believe this reversal represents a true shift in our focus on our vision of Zero Harm. To ensure we continue this trend, we are in the process of updating all corporate HSES standards with lessons learned and industry best practices. We are also focusing on the cultural aspects of performance, operating discipline, continuous improvement and operational excellence throughout the organization.

Process Safety

At Kraton, our goal is to live the first principle of process safety, which is stated as, "Always maintain control of process chemicals." Another way to live the principle is, "Keep it in the pipes." This aligns with our Zero Harm vision. Our process safety performance reduced from historical high numbers in 2015 and 2016, but we have not met our goal to reduce events by 25 percent per year. In 2019, Kraton's Process Safety Incident Rate (PSIR) went from 0.40 to 0.25. Indicators we track on lower consequence events show we are moving toward long-term improvements and fully expect to reach industry benchmark performance as investments in equipment, processes and people continue. Actions we took in 2019 include:

- **Invested in new employee training, especially chemical operators.** This includes teaching new employees the principles and methods of chemical processing, which raises their ability and leads to more stable operations.
- **Made capital investments in equipment to eliminate dust hazards from products.** Dust hazard mitigation and elimination is a focus aligned with the OSHA emphasis to rid the industry of dust-related events.
- **Eliminated water intrusion to hot systems.** Our products are processed above the boiling point of water, which causes immediate conversion to steam and raises pressure in the process. So water that naturally comes with raw materials or generated during processing must be prevented from contacting molten product.
- **Audited specific facilities with "fresh eyes."** We brought in experts outside of the unit to observe and report on items that could be addressed, leading to higher performance.
- **Standardized reporting HSES and Process Safety Incidents.** Using a single platform provides global transparency to incidents and enhances learning ability across the company. This includes near misses and first aids, and positions us to better identify and mitigate global incident trends.
- **Developing a single global management system.** This better aligns all of our facilities to an industry best practice set of standards and work practices. Currently, each facility operates under its own management system and most are individually-certified under a Responsible Care or ISO code of standards. We aim to align these independent programs under a single certification to provide better alignment across the sites by 2020.
- **Upgraded HSES and Process Safety communications.** Clearer, more prescriptive instructions are provided on risk mitigation actions.
- **Added new corporate staff.** We brought on experts with working knowledge of industry best practices within the chemical, petrochemical and oil and gas space to expand our HSES capabilities.

Security

We analyzed our security vulnerability assessments from previous years to develop a profile for Kraton. The assessment points to theft as the most significant risk, and action plans have been drawn to address upgrades to lighting, fencing and security services. The action items are being tracked to completion.

Information Security

Kraton's Information Security Program implements administrative, technical and physical safeguards to protect confidential information. The NIST Cyber Security Framework (CSF) is our cybersecurity benchmark, and we continue to progress through its maturity levels. Our systems are tested and assessed regularly by external security services provider Security Scorecard, which gave us an A rating for 2019. We also implemented a full service Security Information and Events Monitoring system that includes

- Event log capture and analysis from Kraton-managed devices and services,
- Vulnerability and threat information,
- Correlation of all events and information generated by our systems,
- Managed detection services (a third-party that reviews and escalates events) and
- Monthly threat hunts and management reporting.

Kraton employees can participate in a voluntary Information Security training. In 2019, 705 people completed that training course. Additional topics and job-specific awareness messages were distributed as events arise. We use a risk-based approach to determine the threats and risks that should be turned into awareness topics.

RESPONSIBLE CARE®
OUR COMMITMENT TO SUSTAINABILITY

ACC Responsible Care®

Kraton is proud to participate in the American Chemistry Council Responsible Care® initiative. During the year, the goal was to complete certification of all US manufacturing facilities to Responsible Care 14001. With the exception of the Panama City plant due to the impact of Hurricane Michael, this goal was met. Additionally, our Jacksonville office was certified to Responsible Care Management System (RCMS). Current plans are to apply for certification of Panama City in 2020. For the future, we are considering rolling all US certifications under a single corporate certification, which would include our headquarters in Houston, Texas.

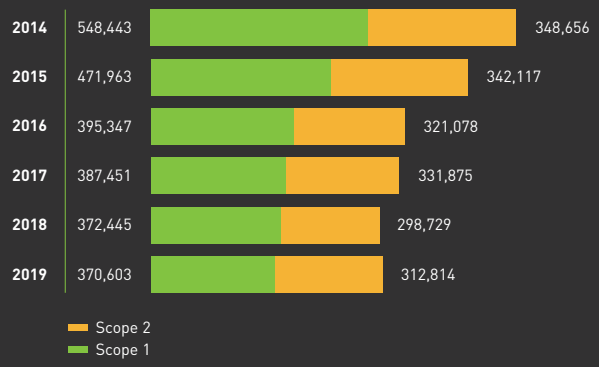
Environmental Stewardship

Kraton is committed to environmental stewardship through sustainable operations. We go beyond compliance by investing in projects that improve environmental performance. In 2019, we recorded no significant environmental incidents. We continue to be committed to reducing our GHG emissions and energy usage throughout the year, a pattern that has reflected positively on our efforts to improve operational efficiency. A major investment project was the engineering of our Belpre, Ohio site's natural gas fired electricity generator. In the long term, this will allow the site to avoid locally-purchased coal-fired electricity, which will reduce Kraton's Scope 2 GHG emissions while improving the site's future energy efficiency.

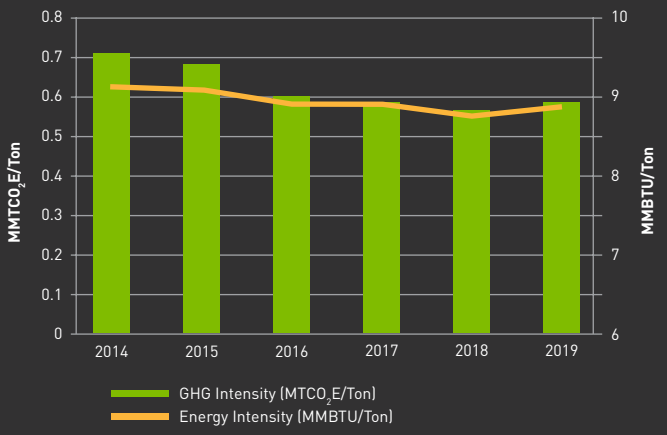
GHG Emissions and Energy

In 2019, our energy consumption globally was slightly lower compared to 2018, while our energy intensity and GHG intensity figures increased marginally compared to 2018, by one and two percent respectively. GHG Intensity increased due to shutting down Belpre's gas turbine for maintenance for a few months. This meant the Belpre plant had to purchase outside electricity that had a higher carbon footprint.

GHG Emissions ($MTCO_2E$)



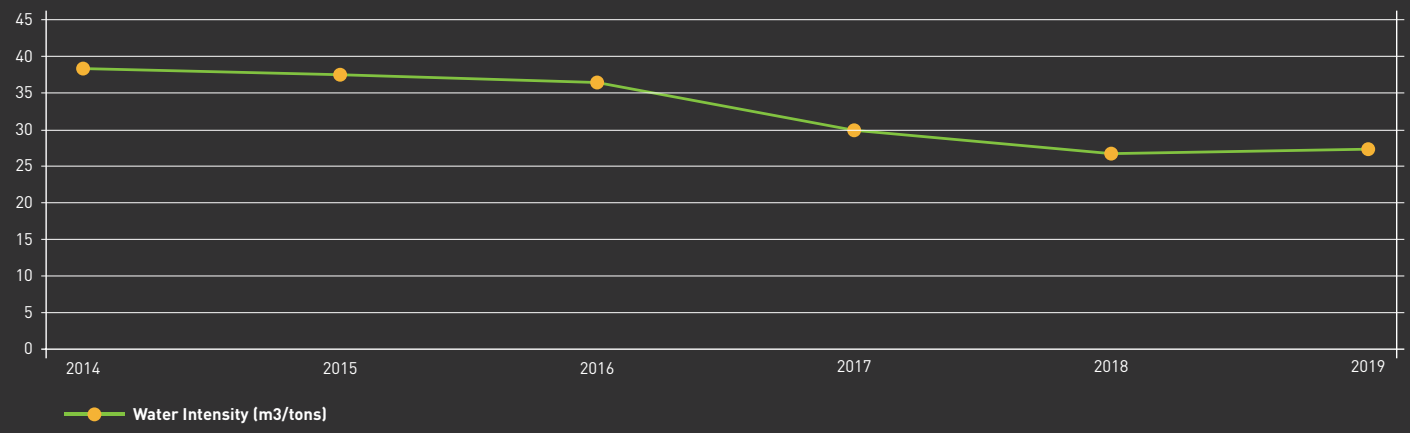
GHG Emissions Intensity vs Energy Intensity



Protecting Water Resources

Kraton's water consumption dropped by 0.5 percent compared to 2018. On intensity basis, we experienced a very small increase in consumption compared to 2018. Since 2014, we saw a 31 percent decrease on intensity basis.

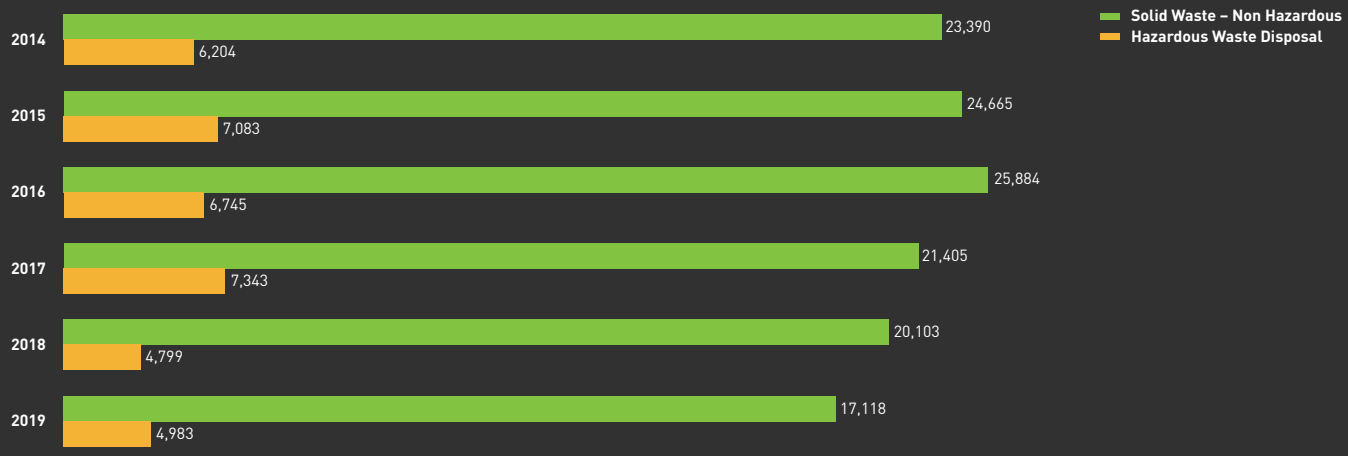
Water Use



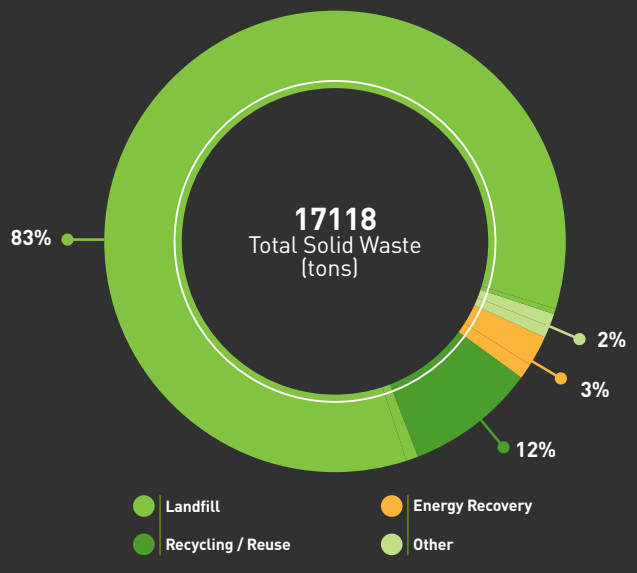
Reducing Waste Generation

Our non-hazardous waste solid disposal decreased 15 percent compared to 2018, due to reduced number of construction projects. Our hazardous waste generation increased by four percent compared to 2018, due to a change in catalyst material resulting in increased Organic Waste in the process water stream. Project work has commenced to look at the reduction of waste generation for this process.

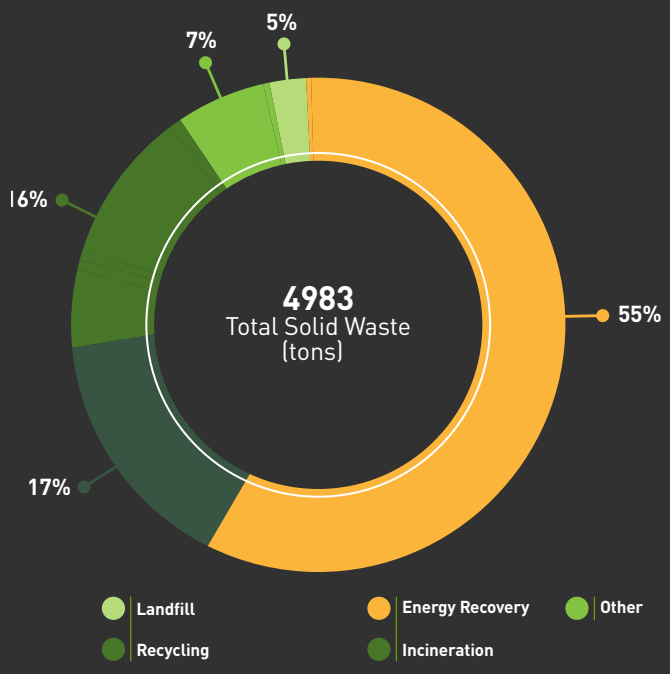
Solid and Hazardous Waste Disposal (tons)



Solid Waste Disposal Breakdown by Method



Hazardous Solid Waste Disposal by Method



Social

Engagement and Valuing Our People

Kraton's vision to be an admired Fortune 500 specialty chemical company delivering exceptional value to its shareholders, customers, and employees can only be achieved through a commitment to engage and value our employees. Engagement continues to drive many aspects of our work, as every single team member is crucial to our long-term success. Engagement and sustainability drive the way we look at leadership development and talent management, including the best ways to attract, develop and retain top team members.

As of December 31, 2019, Kraton has 1,944 employees (of which 47 are part-time) worldwide. During 2019, we had 192 new hires. Approximately 13.6 percent of Kraton's employees in the USA are unionized. Many European colleagues are represented through local union agreements, industry unions, and works councils. Kraton employees around the globe play a critical role in our success and our long-term value creation. Most importantly, our employees make a Positive Difference every day for Kraton and for our customers.

Talent Reviews and Diversity and Inclusion

In 2019, the Kraton Leadership Team introduced quarterly top talent reviews. In these reviews, the executive team discuss and agree on the development and growth plans of top talent and special project candidates. They also provide focus and direction to Diversity and Inclusion initiatives.

Kraton's focus on Diversity and Inclusion is seen as a business imperative that supports our goals to attract, engage and retain top talent – all of which have a significant impact on our bottom line and ability to grow. Kraton is also a member of the American Chemistry Council (ACC), which has identified our industry's Sustainable Development Goals (SDG). One of the nine SDG prioritized by the ACC is about Gender Equality, which includes reporting on gender diversity within member organizations.

Kraton's total headcount consists of 24 percent females. More details regarding our regional gender diversity numbers can be seen in the chart on the next page.

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	92 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.


Where do Kraton Employees Work?
62%
North America
21% Female
79% Male
27%
Europe
27% Female
73% Male
6%
South America
19%Female
81%Male
5%
Asia
45%Female
55%Male

Live Well

Enabling you to stay safe and live well.

Community Engagement

As part of Kraton's continuing efforts to make a Positive Difference in our communities, we are proudly executing on our community relations strategy, enabling us to maximize impact in the communities in which we have operations and a corporate presence.

In 2019, our employees contributed 2,700 volunteer hours to communities in which we work. Kraton, along with our employees, also donated approximately $150,000 (converted to USD based on exchange rate as of 12/31/2019) to sponsor events and support local communities. All of our local plants and our corporate centers have impactful community engagement.

Kraton Belpre Participates in Ohio River Sweep

On June 15 2019, Kraton Belpre plant employees participated in the 2019 Ohio River Sweep. This annual riverbank cleanup is coordinated across the region by the Ohio River Sanitation Commission (ORSANCO) and state environmental agencies from Pennsylvania to Illinois. There were over 100 individual cleanup locations across six states as various volunteer groups joined together to clean up the entire length of the Ohio River and many of its tributaries.

The Plant Environmental Awareness Team (PEAT) hosted the cleanup event. There were 23 volunteers who worked to pick up litter from the riverbank, roadsides, and removed invasive species from the Kraton Employee Park. Altogether, the group removed 32 bags of trash along with three tires and two barrels. Participation in River Sweep is one of many ways that the PEAT group in Belpre encourages sustainability, community involvement and good environmental stewardship.

Kraton Oulu Partners with Finnish Red Cross

The Finnish Red Cross is one of the largest civic organizations in Finland, whose goal is to provide aid to those in need, both in the country and abroad. The Red Cross Oulu Department provides and coordinates food aid service, which affords nourishment to a large cross section of the community, reaching more than 200 people weekly. Being able to provide aid of this magnitude requires time and many volunteers. Kraton Oulu employees, living their values, took ownership and stepped up to partner with the Red Cross. Our employees have been volunteering weekly, collecting food that local grocery stores have donated and delivering it to locations so it can be stocked and portioned into food packages. Together, we are making a Positive Difference.

Kraton China Makes Positive Difference with Smile Library Event

On November 15 2019, Kraton China visited NingBi Elementary School in Jinyun County, ZheJiang Province to continue making a Positive Difference in the lives of local rural students. During this half-day event, 10 Kraton employees and their family members taught 10 classes focused on reading, craftsmanship training, painting and simple chemistry experiments.

In 2017, Kraton partnered with NingBi Elementary School to build the library, so it was especially meaningful for Kraton to return and once again provide sponsorship. This time we provided an upgrade to the school library to ensure a better reading environment for the children. The upgrade entailed repairing and repainting the walls, painting cartoon murals to create a stimulating and inviting environment, laying new flooring and installing an online book system. This is a meaningful program for Kraton to improve education for children in this rural community, and we are proud to further our relationship with NingBi Elementary.

Culture and Engagement

In 2019, we conducted a bi-annual global Employee Engagement Survey to gain insightful feedback from our team members on a number of key measures including leadership trust, career development and communication. We had an all-time high 89 percent participation rate through the confidential survey. This represented greater than 10 percent improvement from 2017. Survey champions work with each of their teams to ascertain additional feedback (qualitative), focusing on those areas of the survey that drive engagement of their co-workers. Survey champions are members of the teams and share feedback and recommendations with their leadership. This assists in better understanding of what is "behind the numbers" and provides an even better forum for our team members to talk about areas of strength and opportunities. Once priorities are developed, these survey champions will continue to follow-up with their teams on status around priorities and updating leadership on progress and any additional feedback.

We also continued with our ongoing theme to create Clarity and Ownership through regular communications of the Kraton Critical Success Factors (CSF) – which are essentially clear strategies, goals and measures of success. Clarity and Ownership were the 2019 focus areas of "what is important right now." The CSF were shared and communicated throughout the year in a variety of forums. This includes town halls and regional leadership meetings, ongoing leadership meetings, quarterly employee calls, and regular updates through multiple meetings and intranet stories.

Learning and Development

Throughout 2019, we continued our partnership with Exec-Online, offering Kraton leaders development opportunities with top schools such as Berkeley, Columbia, MIT, Yale and Wharton. These leadership development programs focus on Strategic Growth, Operational Excellence and Change Readiness. About 85 leaders attended these programs to date. To further enhance leadership development, Kraton provided our leaders with internal executive coaches. This coaching focuses on personal development based on manager and employee discussions as well as furthering our top talent's leadership capabilities. Fifteen Kraton leaders have participated in this program, in addition to four participating with external coaches. Kraton's leadership programs are focused on working with key leaders to put their development on a faster track and to ensure development expectations align with our most critical business needs.

During 2019, Kraton finalized the development of a robust first-line leadership program, "Kraton Leadership Essentials." To date, 148 leaders have been trained on Kraton specific leadership imperatives and the practical applications thereof.

Individual Development Plans (IDP) were recorded for more than 200 leaders. The IDP is the first step where employees take ownership of their own development and create an agenda to discuss and agree with their leaders. A further enhancement to help employees with their growth plans in 2019 was the rollout of a Career Development Framework, which is a tool to help leaders and team members identify career paths and opportunities.

All non-operator employees continued to be incorporated in our integrated performance management process, covering 1267 employees, which is approximately 60 percent of the workforce. This process further enhances clarity, as the goals and objectives developed may be automatically cascaded (or individually discussed) for even greater alignment.

We strive to create a fair workplace, free of discrimination. During the previous year, we conducted workplace fairness and anti-harassment training to 99 percent of employees in scope for this training, and in 2019, we continued to train all new employees on these principles (226 in 2019). Employees are trained in Asia, Europe, South America and the United States on the same materials, with local language available. This training focuses on treating all employees with dignity and respect – a cornerstone of our ethics policy and culture.

Innovation

Kraton continuously looks for ways to replace solvent-based materials and help reduce emissions, consumption of water and energy, and waste generation. The research and development (R&D) team has direct alignment with our business units, ensuring product developments meet customer needs. We continuously strive to create a more robust work process that enables us to accelerate growth and create value for customers. 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.

Innovation Approach

Develop breakthrough technologies that serve new or existing markets

Collaborate with strategic customers on joint development programs

Focus on mega trends impacting markets and society

Sustainability Advantages of Pine Chemicals

Biobased

Renewable raw materials

Sourced from responsibly managed forests

Does not compete for land with food crops

Are not genetically modified

Does not require land-use change

Sustainability Advantages of Styrenic Block Copolymers

Fully recyclable material

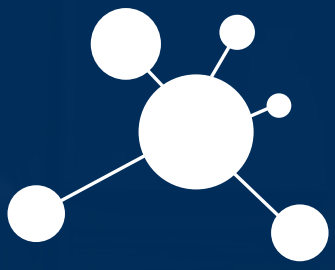
Enables increased recycled content in downstream use

Plasticized PVC alternative

Minimizes use of solvents

Reduces energy consumption

Compatibilizes polypropylene, polyethylene and polar contaminants



Adhesives

Kraton™ DX0222 and Rosin Esters

Designed for radiation curable pressure-sensitive adhesive, Kraton™ DX0222 polymer has good processability and stability on hot-melt adhesives lines for improved operational efficiency. After curing, the adhesive shows excellent adhesion on non-polar substrates and good high-temperature performance compared to standard SBC-based adhesives.

For customers wanting a renewable solution, our biobased rosin esters deliver excellent adhesion to a large range of substrates due to their polarity and polymer compatibility. Our improved workhorse resin brings the tackifier market to a new standard quality level while delivering on sustainability benefits. For premium adhesive applications, we developed a next-generation rosin ester that offers excellent bonding strength, significantly light color and high stability, providing adhesive formulators with a high-performance biobased tackifier.

Road Markings

SYLVACOTE™ 4200

Our biobased SYLVACOTE™ 4200 Rosin Ester enables high-performance thermoplastic road markings and does not carry a Globally Harmonized System (GHS) hazard pictogram label, so customers and authorities get peace of mind regarding physical, health and environmental safety.

To develop a next generation technology, we are leveraging the combination of our polymer and rosin ester technologies. This solution enables more durable thermoplastic systems for longer-lasting road markings that can be applied with reduced energy consumption.

Wood-Plastic Composite Systems

Kraton™ MD1648

Kraton™ MD1648 enhanced rubber segment polymer can improve performance of wood-plastic composite systems (WPC) over conventional wood-based materials. By blending polymer and natural fillers, it enables higher durability and dimensional stability. Due to the product's low viscosity, customers can run their production processes at lower temperatures, which helps keep fibers intact while saving energy. It also allows for increased fiber content, so customers can replace petroleum-based materials with more biobased ingredients.

Tires

SYLVATRAXX Tread Enhancement Additives™

SYLVATRAXX™ Tread Enhancement Additives™ provide solutions in modern passenger car tires to improve driving safety through better grip on wet roads. Through optimization of the balance between wet grip, rolling resistance and tread wear, our products enable tire manufacturers to lower fuel consumption, lower CO_2 emissions and longer range. The recently added SYLVATRAXX™ 8000 series are certified to have 100 percent biobased content, making it an ideal alternative to fossil-based hydrocarbon products.

Paving & Roofing

Pitch and Kraton SBS

One of the resulting components from our bio-refining process is pitch, a renewable material extracted for high value products. Pitch is used in bitumen (or asphalt) membranes or mix – where it can replace some hydrocarbon-based materials – thus enabling production of carbon-neutral binders. Since pitch is derived from pine trees, it helps reduce carbon dioxide emission and provide biogenic carbon benefits.

Kraton SBS polymers are used in polymer modified asphalt/ bitumen to increase the pavement lifetime. The improved durability helps reduce carbon dioxide emissions through less frequent maintenance while allowing for lifecycle savings.

Coatings

SYLFAT™ EXP 918-83-SAN

Designed for architectural coatings, SYLFAT™ EXP 918-83-SAN Tall Oil Fatty Acid (TOFA) enables high gloss, low initial color, enhanced scratch and corrosion resistance and excellent yellowing-in-the-dark performance. The 100 percent biobased product offers significantly lower carbon footprint compared to other vegetable oil-based substitutes currently in use – up to 10-15 times lower carbon dioxide – due to minimal land use change.

Lubricants

Tall Oil Fatty Acids

Kraton specialized polymers are added to base oils, producing substantial improvements in energy consumption inside gasoline and diesel engines. These incremental fuel savings add up to significant reductions in total vehicle emissions, including carbon dioxide, over the lifetime of the vehicle.

Refiners can make ultra-low sulfur content diesel, which dramatically reduces emissions associated with diesel engines and decreases the lubricity needed to grease the fuel pumping accessories. Special additives are needed to act as lubricity agents for the fuel system, which the sulfur previously provided. Kraton TOFA are used as the base ingredient to make compounds that deliver the lubricity needed in diesel. This biobased product can enable clean fuel production for use in trucks and cars, reducing emissions due to the diesel engines' fuel efficiency.

Innovation Spotlight

GLOBAL COOLING PRIZE

Climate change and population growth has led to increasing demand for residential air conditioning solutions that can enhance people's lives. Backed by Sir Richard Branson and initiated by the Rocky Mountain Institute (RMI); Department of Science and Technology, Government of India; and Mission Innovation, the Global Cooling Prize is an international innovation competition with a $3 million prize awarded over two years to identify a breakthrough residential cooling technology with five times less climate impact. This ~$3 million prize competition was launched in 2018 to spur residential cooling innovations that are not only dramatically more efficient and climate-friendly but also affordable to the consumer. The Prize is administered by Rocky Mountain Institute, Conservation X Labs, Alliance for an Energy Efficient Economy and CEPT University.

Kraton's entry for this competition is the NexarCool™ technology, an innovative air conditioning redesign of the century-old evaporative cooling technology. By leveraging our Nexar™ copolymer with exceptional moisture transport properties, the newly-designed and water-based air conditioner is expected to achieve high-energy efficiency without the use of refrigerants, which are a significant source of ozone depletion and global warming. The NexarCool system is expected to be cost effective and similar in size as the standard AC, allowing for easier access and affordability – both of which are key in developing countries.

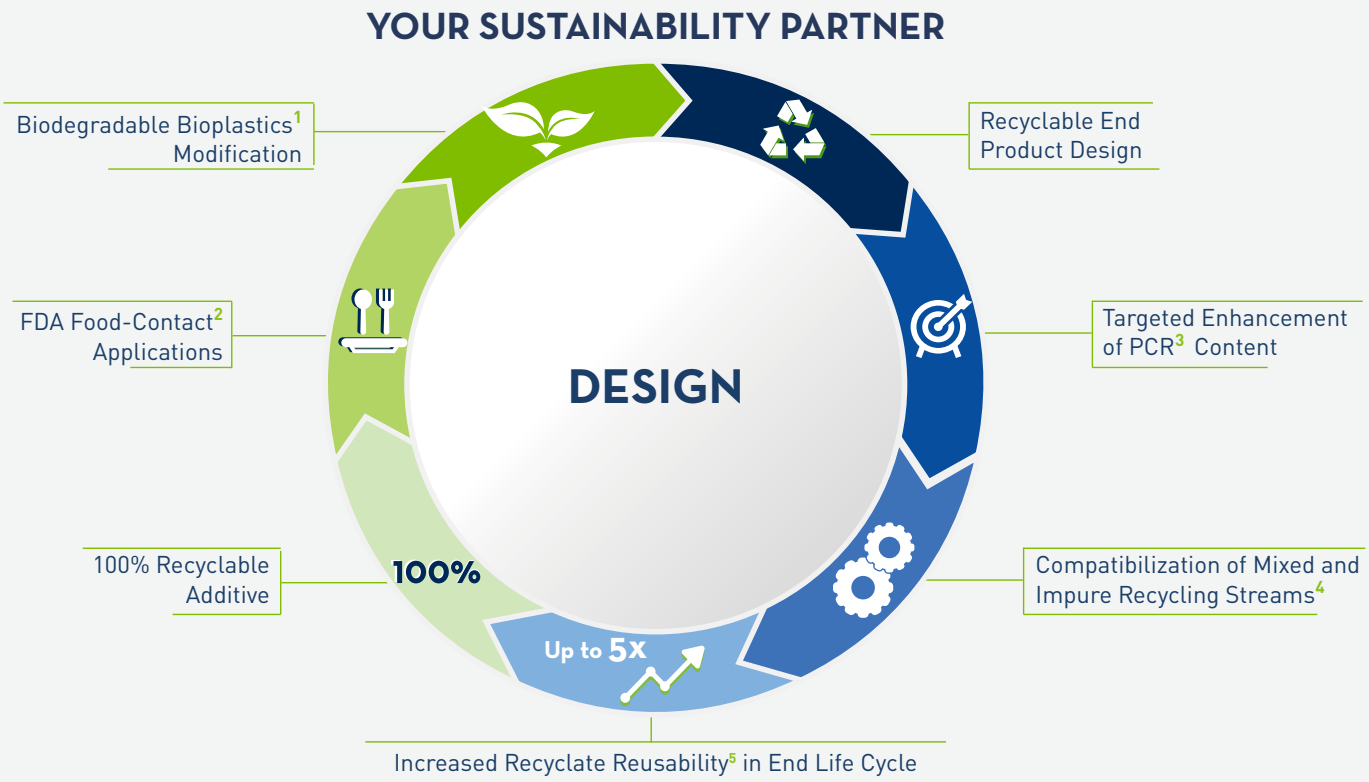
As one of eight Finalists, Kraton received the first installment of the $200,000 award to build a prototype that will be tested in a lab that simulates the climate in different Indian cities. We are also working on scaling up key components of the value chain to reduce the cost per unit, so the technology can be commercialized at an affordable price for consumers.

Plastics Recycling

Plastics are an important material in our economy. Modern life is unthinkable without them. As a relatively cheap and versatile material, the use of plastics has grown exponentially over the past century. At the same time, their durability has negative impacts on the environment and health, creating specific challenges for waste management. Out of this arises a strong global demand and opportunity for better plastic waste management.

Kraton is well positioned to support the plastic industry's ongoing transformation towards increased sustainability. We offer sustainable solutions across a wide range of applications, enabling a holistic approach to plastic product life cycle. Our recyclable polymers enhance the ability of players in the value chain to achieve their sustainability goals through recycle and reuse of plastic products. Kraton polymers provide versatile multi-resin compatibilization and impact modification of virgin materials and of post-consumer and industrial plastic waste streams.

We contribute to the circular economy by enabling end product design recyclability, increasing recyclate content without compromising plastic performance and aesthetics needs. Kraton products are an excellent compatibilizer that increases the reusability of impure or mixed recycling streams. In addition to virgin or recycled plastic solutions, Kraton™ FG grades enable bioplastics modification (i.e., polylactic acid PLA). In some cases, our polymers' processing conditions can help decrease energy consumption during manufacturing, reducing carbon dioxide footprint.



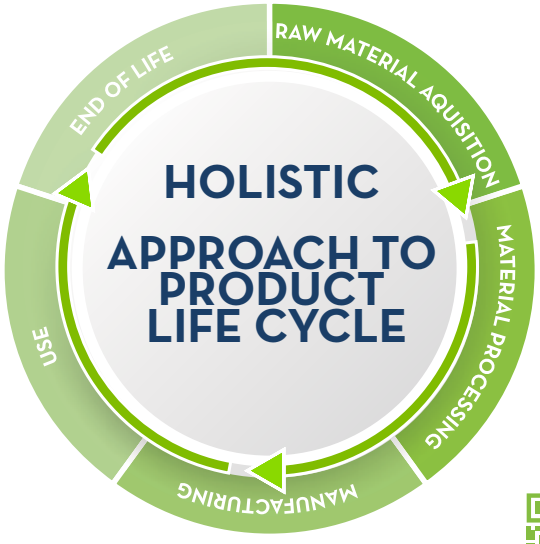
[1]e.g. Polylactic Acid | [2]For specific FDA coverage contact Kraton | [3]Post-Consumer Resin
[4]Polyolefins, PET, ABS, PS and others | [5]Obtained with FG1901

Case Study: Pact Group

Pact Group, the largest manufacturer of rigid plastic packaging products in Australasia, has a strong focus on sustainability. The company has an End of Waste Strategy to create recycled content into innovative solutions such as mobile garbage bins, telecommunication pits, freeway noise walls, slip sheets and underground cable covers.

In Australia, about 70,000 tons of bailed post-consumer bottles go to landfill every year. Pact sought to design and manufacture a household mobile garbage bin (wheelie bin) made from 60 percent recycled milk bottles. To achieve this, Pact used a Kraton polymer to compatibilize materials from recycled milk bottles to develop a mobile garbage bin. Our polymers enabled each bin to be made of up to 4.8 kg (10 lbs) of recycled milk bottle plastic, or 250 milk bottles – the average number every Australian household consumes annually.

The mobile garbage bins are produced by SULO, a Pact Group company, in New South Wales. In 2019, Pact Group was named as one of Australasia's Most Innovative by the Australian Financial Review and Boss Magazine for their innovation in adapting consumer waste into valuable materials.



PERFORMANCE

Superior Mechanical Properties

Proven Packaging Durability

High Impact Resistance

Multi-resin, Virgin and Recycled Streams Compatibility

BRANDING

Sustainability Appeal

Lower CO_2 Emissions

Packaging Aesthetics

Helping You and Your Customer Achieve Sustainability Commitments

VALUE

Cost-Saving Formulation

Enables Circular Economy

Raw Material Complexity Reduction

Enhanced Process Efficiency

Versatile multi-resin compatibilization in a wide range of applications for virgin materials, post-consumer and industrial plastic recycling streams

Appendix

GRI Content Index

GRI Standard	Disclosure Title	Kraton Disclosure	UNGC & SDG 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 Annual Report 2019 – Form 10K – Pages 4-9 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 Structure	
102-6	Markets served	Kraton at a glance	
102-7	Scale of the reporting organization	Kraton Annual Report 2019 – Form 10K – Pages 4 – 9, 25 & 29 Sustainability Report: Engaging and Valuing our people	
102-8	Information on employees and other workers	Valuing our people We report on the number of employees by region and female/male split. The majority of our employees have full-time contracts.	SDG: 8 UNGC: 6
102-9	Supply chain	Working with suppliers Kraton Annual Report 2019 – Form 10K	
102-10	Significant changes to the organization and its supply chain	Responsible Procurement - Working with suppliers	
102-11	Precautionary Principle or approach	Sustainability Strategy and Value Creation Kraton Annual Report 2019 – Form 10K - Page 10, Risks	SDG: 8 UNGC: 6
102-12	External initiatives	Stakeholder engagement https://kraton.com/sustainability/management/stakeholder.php	
102-13	Memberships of associations	Stakeholder engagement https://kraton.com/sustainability/management/stakeholder.php About this report Message from the President and CEO Working with suppliers	
2. Strategy			
102-14	Statement from senior decision-maker	Message from the President and CEO Interview with Kraton Board of Directors	
3. Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	Compliance http://kraton.com/company/values.php	UNGC: 10

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**	**UNGC & SDG Disclosure**
5. Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholder engagement https://kraton.com/sustainability/management/stakeholder.php	
102-41	Collective bargaining agreements	Kraton Annual Report 2019 – Form 10K – Page 22	SDG: 8
102-42	Identifying and selecting stakeholders	Stakeholder engagement https://kraton.com/sustainability/management/stakeholder.php	
102-43	Approach to stakeholder engagement	Stakeholder engagement https://kraton.com/sustainability/management/stakeholder.php	
102-44	Key topics and concerns raised	Global Market, Opportunities and Risks Stakeholder engagement	
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	Kraton Annual Report 2019 – Form 10K – Page 25	
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	https://kraton.com/sustainability/management/materiality.php	
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 2019 to 31st December 2019.	
102-51	Date of most recent report	Kraton's previous Sustainability Report about 2018 was released in mid-2019.	
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 GRI Standards: core option	
102-55	GRI content index	Page 44	
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	UNGC & SDG Disclosure
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated or distributed	Kraton Annual Report 2019 – Form 10K Value Creation Model	SDG: 8, 9
GRI 205: Anti-Corruption 2016			
205-1	Operations assessed for risks related to corruption	Kraton conducts an annual risk assessment related to corruption	UNGC: 10
205-2	Communication and training about anti-corruption policies	Compliance	UNGC: 10
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	Environmental stewardship -GHG emissions and energy	SDG: 8, 12, 13 UNGC: 7, 8
302-3	Energy intensity	Environmental stewardship -GHG emissions and energy	SDG: 8, 12, 13 UNGC: 8
302-4	Reduction of Energy Consumption	Environmental stewardship -GHG emissions and energy	SDG: 8, 12, 13 UNGC: 8, 9
Indicator	Renewable energy use	Appendix – Environmental data table	
GRI 303: Water 2016			
303-1	Water withdrawal by source	Total water withdrawal – Appendix – Environmental data table	SDG: 6 UNGC: 7, 8
Indicator	Water intensity	Environmental stewardship – Protecting water resources	SDG: 6 UNGC: 7, 8
GRI 305: Emissions 2016			
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	Our strategy and value creation model GHG emissions and energy	SDG: 3, 12, 13 UNGC: 7, 8
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Sustainability strategy and value creation Environmental Stewardship - GHG emissions and energy	SDG: 3, 12,13 UNGC: 7, 8
305-4	Greenhouse gas (GHG) emissions intensity	Environmental Stewardship - GHG emissions and energy	SDG: 13 UNGC: 8
305-5	Reduction of GHG emissions	Environmental Stewardship - GHG emissions and energy	SDG: 13 UNGC: 8, 9
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and volatile organic compounds (VOCs)	Appendix – Environmental data table	SDG: 3, 12, 13 UNGC: 7, 8
GRI 306: Effluents and Waste 2016			
306-2	Waste by type and disposal method	Environmental Stewardship - Reducing waste generation	SDG: 3, 6, 12 UNGC: 8
306-3	Significant spills	Environmental stewardship	SDG: 3, 6, 12 UNGC: 8

GRI Standard	Disclosure Title	Kraton Disclosure	UNGC & SDG Disclosure
GRI 308: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	As part of Kraton's supplier selection procedure, key suppliers are vetted through various applicable processes before becoming an approved source. This includes an EcoVadis sustainability assessment and rating that covers Environmental criteria.	UNGC: 8
308-2	Negative environmental impacts in the supply chain and actions taken	To date 135 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 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.	UNGC: 8
GRI 401: Employment 2016			
401-1	New employee hires	Engaging and Valuing our People	SDG: 8 UNGC: 6
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	SDG: 3, 8
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 discuss training hours, numbers of trainings and participants in the chapters on Compliance, HSES, Information Security, Valuing our people and more.	SDG: 8 UNGC: 6
404-2	Programs for upgrading employee skills and transition assistance programs	Engaging and Valuing our People	SDG:8
404-3	Percentage of employees receiving regular performance and career development reviews	Engaging and Valuing our People	SDG: 8 UNGC: 6
GRI 405: Diversity & Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	2019 Highlights Governance Engaging and Valuing our People	SDG: 8 UNGC: 6

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.	SDG: 8 UNGC: 3
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.	SDG:8 UNGC: 5
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.	SDG: 8 UNGC: 4
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	Community Engagement	UNGC: 1
GRI 414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	As part of Kraton's supplier selection procedure, key suppliers are vetted through various applicable processes before becoming an approved source. This includes an EcoVadis sustainability assessment and rating that covers social criteria.	
414-2	Negative social impacts in the supply chain and actions taken	To date 135 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.	SDG: 8 UNGC: 2

GRI 418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	During 2019, 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	119 products certified	SDG: 9, 12
Indicator	Number of cradle-to-gate life-cycle assessments (LCA) conducted for key products	Target: conduct 12 cradle-to-gate LCA by the end of 2020 Performance: completed 2 LCA in 2018 , and 10 planned in 2020.	SDG: 9, 12
Raw Materials			
Indicator	$719 million in direct raw material costs	Our strategy, value creation model	

Environmental Data

Year	2014	2015	2016	2017	2018	2019	Change from 2018
Energy							
Energy Consumption (TJ)	12235	11696	11224	11662	10950	10932	0%
Energy Intensity (MMBTU/Ton)	9.16	9.13	8.85	8.93	8.75	8.83	1%
Renewable energy use (%)	7.30%	7.20%	7.80%	10.20%	10.00%	10.50%	5%
Emissions							
GHG Emissions ($MTCO_2E$)	900695	817305	716424	719326	671174	683281	2%
GHG Intensity ($MTCO_2E$/Ton)	0.71	0.67	0.6	0.58	0.57	0.58	2%
Scope 1 ($MTCO_2E$)	548443	471963	395347	387451	372445	370603	0%
Scope 2 ($MTCO_2E$)	348656	342117	321078	331875	298729	312814	5%
Volatile organic compounds (VOCs)	815	694	649	564	520	341	-34%
Sulphur Oxide (SOx)	2343	1568	105	87	85	80	-6%
Nitrogen Oxide (NOx)	932	673	523	541	452	371	-18%
Waste							
Solid waste - Non Hazardous (tons)	23390	24665	25884	21406	20103	17118	-15%
Hazardous waste disposal (tons)	6204	7083	6745	7343	4799	4983	4%
Water							
Water Use (1000 m^3)	49010	45909	43887	37052	31561	31385	-1%
Water intensity (m^3/tons)	38.7	37.8	36.5	30	26.6	26.7	0%

KRATON CORPORATION (NYSE:KRA)

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

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.

KRATON CORPORATION
15710 JOHN F. KENNEDY BLVD.
SUITE 300
HOUSTON, TEXAS 77032
UNITED STATES
+1-800-4-KRATON (572866)