

INNOVATING SUSTAINABLE SOLUTIONS

2016 CORPORATE SUSTAINABILITY REPORT



KRATON™

Kraton

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KRATON IN BRIEF, SELECTED HIGHLIGHTS OF 2016

Social

1,971
Employees

0.5
Total Incident Rate

Environment

-17%
GHG Intensity Reduction
2014 Base Year

-5%
Water Intensity Reduction
2014 Base Year

Economic

\$1.74 billion
Revenue 2016

\$354 million
Adjusted EBITDA 2016

Kraton Corporation (NYSE "KRA") is a leading global producer of styrenic block copolymers (SBCs), specialty polymers and high-value performance products derived from pine wood pulping byproducts.

Kraton's polymers are used in a wide range of markets, including adhesives, coatings, consumer and personal care products, sealants and lubricants, medical, packaging, automotive, paving, roofing and footwear products. As the largest global provider in the pine chemicals industry, the company's

pine-based specialty products are sold to the adhesive, road and construction and tire markets. The company also produces and sells a broad range of performance chemicals for markets that include fuel additives, oilfield chemicals, coatings, metalworking fluids and lubricants, inks and mining. Kraton offers its products to a diverse customer base in numerous countries worldwide. Kraton and the Kraton logo and design are all trademarks of Kraton Corporation or its subsidiaries or affiliates. ■

SUSTAINABLE SOLUTIONS. ENDLESS INNOVATION.

“Sustainability remains core to our operations as we deliver on our promise of “Sustainable Solutions and Endless Innovation.”

– Kevin M. Fogarty

Our first year as “One Kraton” – following the acquisition of Arizona Chemical in early 2016 – marked the successful integration of the sustainability programs of both our Polymer and Chemical segments. We are proud that now approximately 50 percent of our products are derived from renewable resources.

Sustainability remains core to our operations, as we deliver on our promise of “Sustainable Solutions and Endless Innovation” by providing advanced technologies and renewable solutions to meet the global business needs of our customers – and ultimately to create long-term value in a resource-constrained world.

Every day, Kraton remains 100 percent committed to safe, compliant, socially- and environmentally-sound operations. We believe that sustainability means good business – and we recognize sustainability as a key driver in becoming an admired Fortune 500 specialty chemical company.

I invite you to explore our 2016 Sustainability Report to learn more about our vision and strategy as we continue on our journey to promote a sustainable future for everyone.

Thank you,

Kevin M. Fogarty – President and Chief Executive Officer





MAKING A POSITIVE DIFFERENCE TO THE WORLD

“At Kraton, we aim to make a Positive Difference to our customers, in our jobs and to the world.”

– Nella Baerents

At Kraton, we address long-term sustainability challenges to create long-term value in a resource-constrained world. Sustainability also affects how we operate both short- and long-term, as we aim for a sustainable economic future.

We strive to be sustainable environmentally, socially and in our governance. To accomplish this goal, we focus on a number of key areas, such as raw material use, operational efficiency, ecosystem impact, health and safety, human rights and corporate culture transparency. Ultimately, we aim to make a Positive Difference to our customers, in our jobs and to the world.

In 2016, we worked to align the sustainability strategies of our combined organization. As a result, we identified key priority areas, developed baseline reporting metrics and implemented a roadmap for each key priority area. This work continues in 2017, as we create our long-term sustainability targets.

Through endless innovation we provide sustainable solutions that deliver exceptional value to our customers and help them to achieve their sustainability goals. Please review our report to learn about the impact of Kraton's operations and our contribution to a sustainable future.

Nella Baerents – Sustainability Policy Director

MATERIALITY ASSESSMENT

In 2016, we focused on developing the “One Kraton” sustainability strategy. The strategy was developed with the engagement and input of various key internal and external stakeholders. A significant output of the strategy work was a materiality assessment of our sustainability impacts and opportunities.

	Environmental	Environmental & Social		Social	Governance
Material Issues The material aspects were identified using an Environmental, Social and Governance (ESG) assessment of our own operations, while also assessing both our upstream and downstream impacts and opportunities in the value chain.	Operational Efficiency	Environmental and Social Responsibility in our Supply Chain	Health, Safety and Environmental Impacts of Products	Health, Safety and Communities	Governance
Relevant Topics We will report on our progress in managing these material aspects through these relevant topics in this report.	Improving Our Environmental Footprint p. 20	Resource Efficiency Brings Added Value p. 14	We Make Safety Personal, Resource Efficiency Brings Added Value p. 8, 14	We Make Safety Personal, Kraton's Core Values, Making a Positive Difference p. 8, 24, 26	CEO's Message, Sustainability Policy Director's Message p. 1, 2

This report is prepared according to GRI G4 core criteria. Kraton's GRI Index can be found on our website www.kraton.com

Boundary of the Report

The information in this report applies to Kraton Corporation and all owned facilities, joint ventures, suppliers, operating companies and associated companies globally within the reporting period, unless otherwise stated. Any historical information and statistics for fiscal year 2014 and 2015 reflect the combined operations of our legacy polymer and legacy chemical segments, unless otherwise stated. In the case of our employees, all data metrics pertain only to employees of Kraton Corporation and its operating subsidiaries, and not to independent contractors.

Compliance

Kraton has a global Compliance and Ethics Program that is intended to promote integrity and ethical behavior, prevent and detect criminal conduct and violations of laws, and meet government standards for an effective Compliance and Ethics Program. The implementation and development of the program is the responsibility of our Chief Compliance Officer and Compliance Committee. We offer our employees comprehensive training on compliance and key risk areas, such as antitrust, bribery, data privacy and conflict of interests.

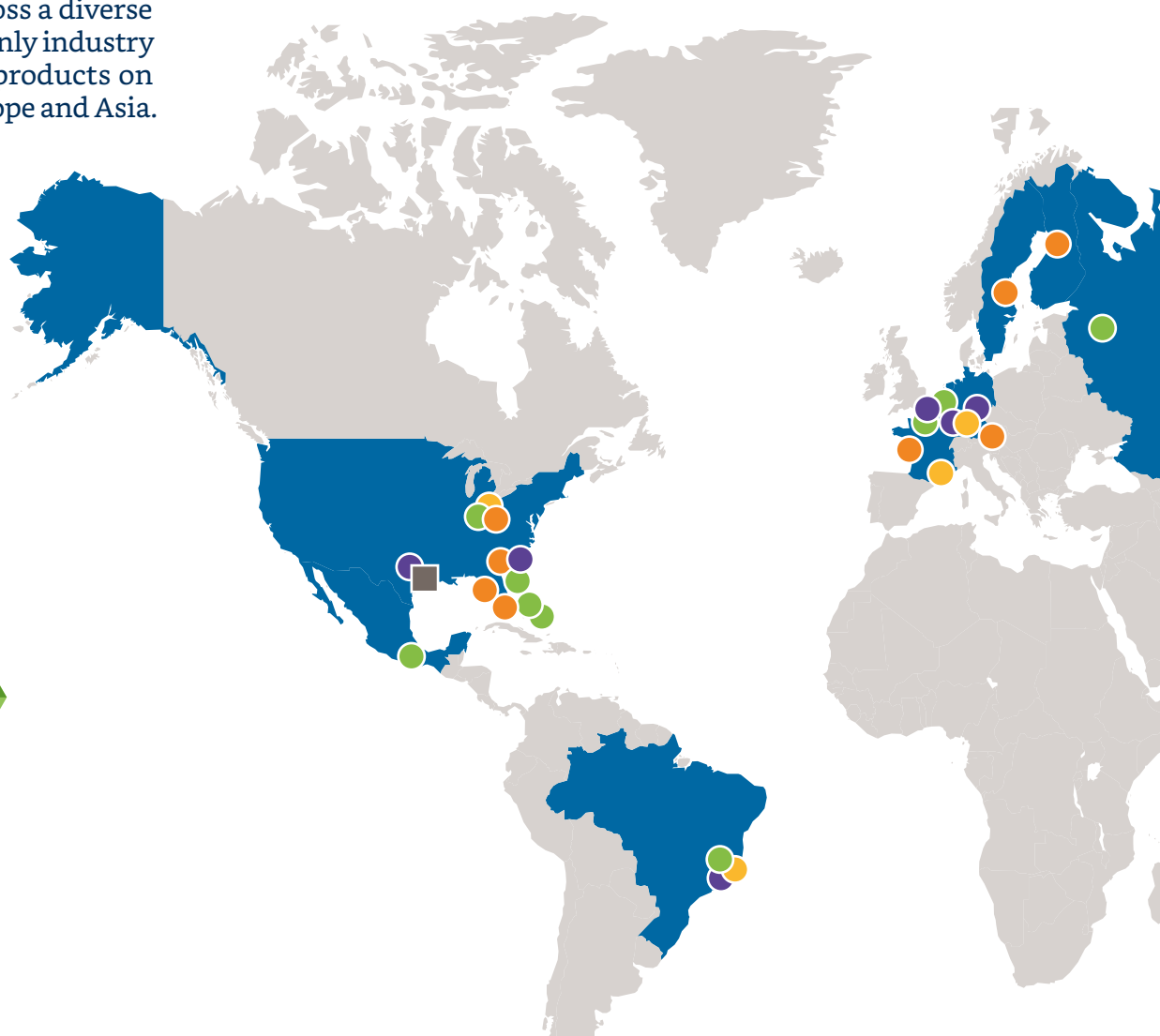
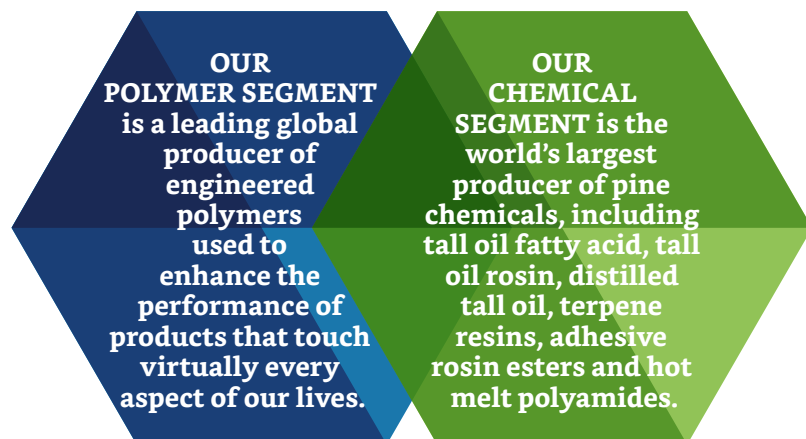
Because Kraton operates all over the world, we are very sensitive to the applicable laws and regulations governing our business. Kraton is committed to 100 percent compliance, 100 percent of the time, with no exceptions.

Kraton's Code of Ethics and Business Conduct can be found at www.kraton.com/docs/Code of Ethics.pdf

WHO IS KRATON?

Kraton sells its styrenic block copolymers (SBCs), and biobased chemical products to more than 800 customers across a diverse range of markets worldwide. Kraton is currently the only industry provider manufacturing SBCs, and pine chemical products on four continents: North America, South America, Europe and Asia.

Our research and technical support reaches our global customers by providing research and technical service in a location near them. In the United States, Kraton has research and development (R&D) activities in Houston, Texas, Belpre, Ohio, and Savannah, Georgia. In Europe, our R&D teams are located in two Netherlands locations, Amsterdam and Almere, as well as in Mont St. Guibert, Belgium. In Asia, our products are developed and customers supported in Tsukuba (Japan), and two locations in Shanghai (China). And, in South America, our teams in Paulinia (Brazil) are prepared to support customers in the region. ■



GLOBAL FOOTPRINT

- Global Headquarters
- Innovation/Technology Centers
- Offices
- Manufacturing – Chemical
- Manufacturing – Polymer



SUSTAINABILITY IS AT THE CORE OF KRATON'S DNA

We are committed to safe and socially responsible operations, as well as to continuously improving our processes and products with the goal of reducing our own emissions and our customers' environmental footprint. This report shows how sustainability is integrated into our daily activities.

Kraton operates in a very demanding market in which both sustainability and product performance are crucial to the customers.

Sustainability is very present both in our operations and in our offerings to our customers and to society as a whole. For example, in the asphalt industry, Kraton's Highly Modified Asphalt (HiMA) technology helps to reduce the thickness of paving and thus the usage of virgin asphalt and aggregate by up to 40 percent. Kraton's SYLVAROAD™ RP1000 enables recycling and reuse up to 100 percent. This provides both monetary and environmental benefits.

Throughout Kraton, energy efficiency and resource-efficient use of raw materials continue to be business-vital guidelines and among the largest factors affecting sustainability. For example, in Belpre, Ohio, Kraton has replaced coal with natural gas, and fossil fuels will be switched to bioenergy in Sandarne, Sweden, where almost 80 percent of produced energy will come from renewable resources.

Better yield from raw materials also strengthens sustainability. We have put extra effort into improving the yield. We also made numerous improvements and upgrades to our refineries to improve yield. With the scale of our operations, every increase in efficiency makes a real impact. ■

*Per Dow Jones Sustainability Indexes Source
Source: Fortune Magazine 2015



“We recognize sustainability as a key driver in becoming an admired Fortune 500 specialty chemical company.”

– Kevin M. Fogarty

Our Core Values



“We are developing products that have better performance and are sustainable in many ways. Therefore, we are changing the old perception that sustainability comes with a trade off.”

– Vijay Mhetar, Senior Vice President,
Chief Technology Officer



WE MAKE SAFETY PERSONAL

Safety is our number one core value. Combining the best safety practices from our Polymer segment and our Chemical segment is transforming our safety program. Our first year as a combined company was promising: 2016 was the safest in four years in both segments. The key to our improved safety record was empowering employees to take ownership of safety issues globally. As we continually strive for an injury-free workplace, safety has been ingrained in the company culture and embedded into every aspect of our daily operations.

“In 2016, we had the best safety performance for the combined company in the last four years.”

– Craig Kimmel,
HSES, Jacksonville,
Florida

2016 was a year of improvements, as we reduced our Total Incident Rate (TIR) from 0.9 to 0.5 and our Process Safety Incident Rate (PSIR) from 0.55 to 0.4. However, we still have some progress to make, as we work toward our goal of an injury free workplace.

Kraton’s global Health, Safety, Environment and Security (HSES) network is continually refining best safety practices. The standards apply to all Kraton laboratories, manufacturing facilities, and office locations, though certainly some are more tailored for the work activity in a particular location. In 2016, we launched our Global Ergonomics Program to enhance and standardize work safety globally. Kraton is committed to continuous improvement with respect to safety issues, which includes learning from incidents and near misses. “Every Monday, we roll up a global report of any safety incidents or near misses,” said Craig Kimmel, HSES, Jacksonville, Florida. This widely distributed Kraton Weekly Incident Communication includes a statistical history of incidents. “There is also a Flash Report, which is sent immediately, if we have any reportable incidents or a near miss with a high severity potential,” Kimmel remarked.

Furthermore, the company requires in-depth reviews of all reportable incidents and significant near misses, in addition to a formal root-cause analysis with corrective action when warranted. Kraton then distributes a “lessons learned” safety review to remind everyone throughout the company of safety awareness opportunities.

KRATON™

LIFE SAVING PRINCIPLES



I am accountable for working safely.



I only permit work after the job is walked for safety, risks have been identified and controls are in place.



I will keep a clean and safe work area.



I make sure any equipment or processes to be opened, worked on or worked in are properly isolated from hazards and verified safe.



I am responsible for reporting all health, safety, environmental & security hazards and incidents. If I see it, I own it.



I anticipate risk, avoid the line of fire and make sure others do the same.



I only perform work if I am wearing the proper personal protective equipment.



I will use management of change (MOC) to make sure all changes are risk assessed and effective controls are in place.



I will be prepared to safely and effectively respond to emergency situations.



I have the right and the obligation to stop any job or shut down any process if I believe it is unsafe.

Kraton Core Values: **Safety & Integrity**



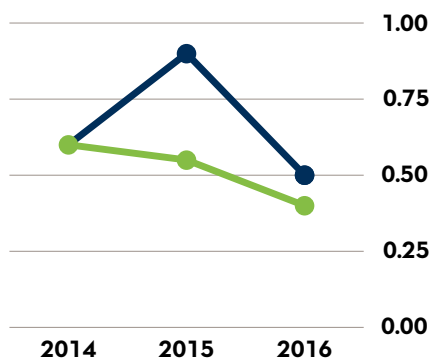
Kraton had no major incidents in 2016. However, there was a fire at the Paulinia plant in February. The fire was contained and no-one was injured.

We All Have Responsibility

The Kraton Life-Saving Principles all start with “I”, meaning that ownership starts and ends with every employee, regardless of their position. These Life-Saving Principles were developed based on both risk potential and historical data. They are posted at all our locations and are symbolic of the core value of Safety at Kraton. The start of every meeting includes a Safety Moment, a clear and effective way to convey our core value of Safety. This practice is echoed through all levels and functional areas in the organization.

Safety Performance

— Process Safety Incident Rate (PSIR)
— Total Incident Rate (TIR)*



* Employee & Contractor

"We believe in making safety personal," explained Fernando Haddad, Senior Vice President, Global Operations. When visiting sites, Haddad asks our employees whether they would let their own daughters or sons work on their shift. "We all have responsibility for safety. It starts with you and me. Those simple questions are powerful tools in personal engagement of safety matters," he added.

Ensuring Safe Operations

Kraton research centers have strict guidelines and parameters, especially during design experiments: "At any point when a researcher or technician decides to go to a higher temperature, higher pressure, or higher quantity of chemical, we have to call a time-out before proceeding, in order to re-evaluate the situation and make sure that we are not putting anyone in a hazardous situation," said Jeff Thomas, R&D HSES and Facilities, Houston, Texas.

An operator's actions each day – doing the rounds, taking care of the equipment, and ensuring that production management knows if there are any issues – constitute the most important things at a plant. That also provides the basis for systematic measurement and analysis of operations. Risk analysis is a major factor in preventing safety and environmental incidents. All Kraton sites conduct hazard and operability studies regularly, in order to ensure safe operations.

Our Commitment to Responsible Care

As a member of the American Chemistry Council (ACC), Kraton's CEO signed the Declaration of Support for the Responsible Care Global Charter. Responsible Care is a voluntary initiative of the chemical industry. Its objective is to continuously improve in the areas of environmental protection, health and safety. Companies in the chemical industry and associations in more than 50 countries support this initiative. Kraton has effectively embraced the initiative's guiding principles and applies them to the entire group. ■

SAFETY IN ACTION



CSX Chemical Safety Excellence Award 2016

Kraton's chemical segment supply-chain department received an award for excellence in chemical safety for achieving zero non-accidental releases of regulated hazardous materials shipments on the CSX rail network. Kraton also received a recognition award for receiving the Chemical Safety Excellence Award for five successive years. This recognition is especially important because it means employees and contractors at the sites and in logistics applied the highest standards to loading and unloading processes, as well as to the maintenance of the rail cars moving through the communities served.

ALMERE: New Software Tool for Chemical Safety

Kraton's Almere laboratory has a new software tool that assists in safe chemical handling. This new chemical risk-assessment tool was implemented in 2016. It helps the laboratory staff make decisions on how to handle a chemical safely, from the beginning to the end of usage, including disposal. "The software conforms to the Dutch government's requirements, but other parts of the company are currently assessing whether the tool could be suitable for their operations as well," explains Rendert de Vos, R&D, Almere, the Netherlands.

BELPRE: Moving to Safer Materials and Processes

In Belpre, Ohio, Kraton has invested heavily in the plant. It is continually moving toward inherently safer processes and materials. "Over the last five years, we have eliminated the use of chlorine and anhydrous ammonia on-site," said Jim Christian, Operations, Belpre Plant.

The CEO + Positive Difference Safety Leadership Award

In 2016 Kraton introduced the CEO + Positive Difference Safety Leadership Award for sites that best demonstrated the first two Kraton Core Values, Safety and Integrity.

Two sites Gersthofen (chemicals) and Wesseling (polymers) were awarded in 2016 for their excellence in these areas:

- 1) Leadership development and employee ownership
- 2) Visual improvements in the physical work environment
- 3) Performance against goals.

The Gersthofen and Wesseling plants were recognized for and exceeding 1000 days without a recordable incident, process safety incident or environmental event.

HOUSTON: Safe Observations Maintain Awareness

It has been six years since the last reportable safety incident at the Kraton Innovation Center (KIC) in Houston or at any other Kraton R&D laboratory. Maintaining this high level of safety awareness requires innovative thinking. "We try to make it a fun part of everyday routines," explains John Flood, R&D, Houston, Texas. "We have a program called Safe Observations. It has a point system for safety observations, both for identifying best practices and areas of improvement." At the end of the year, the most active safety observer team is rewarded with a special lunch.

MAILIAO: 2.8 Million Work Hours, Zero Safety Incidents

Safety is a top priority at Kraton's joint venture HSBC facility in Mailiao, Taiwan. During the construction of the plant, finalized in 2016, there were zero reportable safety incidents during 2.8 million hours worked on site. This involved 600 construction workers plus Kraton's own team of more than 50 employees. "We don't push people to work overtime. Everybody needs to rest," explained Mike Wong, Joint Venture President, Mailiao, Taiwan.

SANDARNE: Power to Stop Unsafe Situations

Sandarne is piloting a project called "Stop the Work," which refers to a small card that is given to everyone, signed by the plant manager. The card authorizes any employee to pause operations if that person observes an unsafe or dangerous situation unfolding. "When employees have the card, they realize that they have the power to stop and re-evaluate potentially dangerous operations, and they pay additional attention to safety," said Ludovic Semper, HSES, Sandarne, Sweden. This "Stop The Work" initiative is directly linked to our Life-Saving Principles, with everyone understanding: "I have the right and the obligation to stop any job or shut down any process if I believe it is unsafe". ■

INNOVATION DRIVES SUSTAINABILITY

Kraton innovates new solutions that not only bring top performance, but can also help our customers reduce their environmental footprint in their supply chains and products

We are continually searching for solutions for all of our markets and geographical areas and for our product portfolio. As a result of our research and development efforts, we have patented technologies and innovative solutions to meet the needs of global customers. Kraton's innovations meet high standards for quality, performance and sustainability.

"Creativity is a core value. Kraton was founded on technology pushed by our own innovation and marketing," noted Vijay Mhetar, Senior Vice President, Chief Technology Officer. "Every day, Kraton strives to bring the most innovative performance technologies to the market. Also, half of our products are from renewable sources," Mhetar added.

However, pushing for new innovations requires the ability to focus on the right things. That is why Kraton is developing a rapid prototyping model. "With this concept, we are able to swiftly screen different concepts and ideas. It enables us to spend more time and effort on the products that really have commercial potential and to develop them further," Mhetar said. Kraton has world-class capabilities to support rapid prototyping in the research centers. We have a new pilot plant in Belpre, Ohio, where prototyping can be done without disrupting the manufacturing plant.

"We are continuously developing or refining products to meet the complex business needs of our global customers," said Patrik Jakobsson, Operations, Sandarne, Sweden. Development work focuses on such things as product longevity, color or the properties of high performance tires. For tires, it is typically the wet grip and durability that matter.

"We have a large innovation program to develop alternative material technology to replace PVC in automotive interior skin on class A surfaces."

– Kathryn Wright,
R&D, Houston, Texas



Raising Awareness with Suppliers

Sustainable business also means nurturing sustainable customer relationships. We value close collaboration and cooperation with customers and suppliers. As a value-creating partner, Kraton looks forward to developing next-generation products. We are stepping up our sustainability requirements in numerous ways. In 2016, we developed a new code of conduct for collaboration with our suppliers. Starting in early 2017, we are applying these principles. ■

Our Supplier Code of Conduct can be found at:
[www.kraton.com/docs/Supplier Code of Conduct.pdf](http://www.kraton.com/docs/Supplier%20Code%20of%20Conduct.pdf)



RESOURCE EFFICIENCY BRINGS ADDED VALUE

We continually develop our products and processes for better sustainability and performance. Our production facilities in the Americas, Europe, and Asia Pacific, through our joint venture partners, implement manufacturing industry best practices, which enable us to generate value for our customers in a resource-efficient way.

For us at Kraton, improvement means continuously striving toward more sustainable and resource-efficient operations, as well as products that deliver added value. We strive to serve our customers better and to reduce our environmental impact through continually refining our processes.

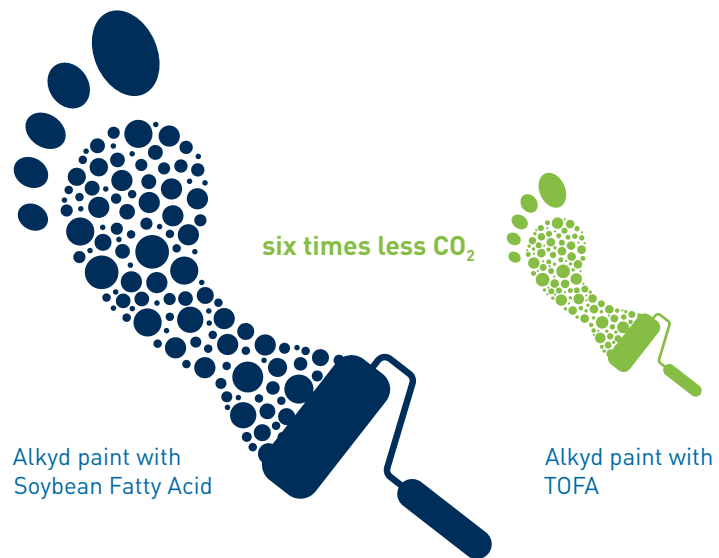
For example, Kraton's manufacturing facility in Sandarne, Sweden, was the pioneer in developing a process for refining tall oil, a byproduct of the Kraft pulping process, into biobased chemicals. One of the first places where tall oil was discovered was in a pulp mill near Gävle, just a few miles down the coast from Sandarne. Even the name of the raw material originates from here, as "tall" is Swedish for pine. Since the 1930s, tall oil has been refined in Sandarne into various biobased chemical products. ■

“We are able to test new polymers before we have to scale them up and run them commercially. This enables us to take new products to market faster than we have been able to do historically.”

– Jim Christian, Operations, Belpre, Ohio



**Paint Made from TOFA (Tall Oil Fatty Acid)
Pine Chemicals Have a Lower Carbon Footprint
than Their Substitutes**



The calculation is based on the assumption that TOFA-based alkyd binder will be used at 60 percent in a final white alkyd paint.

Source: Resource efficiency assessment of TOFA study; for more information, contact sustainability@kraton.com



LEANER AND CLEANER PROCESSES

The year 2016 was the first fully operational year for Kraton's new pilot plant for polymers at the Belpre, Ohio, site. The \$35 million investment is the main pilot plant for the Polymer segment. "We are able to test new polymers before we have to scale them up and run them on full scale production lines. This enables us to commercialize new products faster than we have been able to historically," said Jim Christian, Operations, Belpre, Ohio.

In addition, Kraton's Sandarne, Sweden, and Oulu, Finland, plants continue to make great progress toward reducing fossil fuels in the production process. For example, the technical department at Sandarne developed a mixture of purified pitch fuel to run the heaters at the plant. Pitch is obtained from our own distillation process. Kraton's employees conducted a trial use of this biofuel for the last quarter of 2016, and now a sustainable fuel powers normal operations. Fossil fuels are only needed to start up and shut down the process.

"We have reduced the use of heavy fuel oil every year for the last five years," said Björn Hedman, Operations, Sandarne, Sweden. "We are now running our steam boiler and heaters with byproducts from our own operations. This increases our resource efficiency, as we are finding new ways to use every part of the tall oil," Hedman explained. The Sandarne plant has also improved online measurement methods, such as the near-infrared (NIR) sorting system for material analysis. "We can now control the refining process from the NIR instrument," Hedman adds. "We receive the chemical analysis from a probe, so we no longer need to take manual samples. With the feedback from the analysis of the refining process, we get more stable quality."

The Sandarne plant is focusing on improving graphical presentations of the refining process in order to optimize yields. Operators will see numbers on their screens when they refine crude tall oil (CTO). They see if they are maximizing TOFA or if it is being lost to byproducts. "This will improve the interface so that the operators can refine CTO more efficiently to get more prime products," Hedman explained.

Less Water, Reduced Transport Footprint

"Our customers are increasingly interested in what we can do to make their products more sustainable," said Rendert de Vos, R&D, Almere, the Netherlands. "We strive to make a positive difference by lowering our customers' environmental footprint." ■



OUR PRODUCTS ARE SUSTAINABLE



Kraton polymers and biobased chemical products appear in numerous everyday products.

SYLVALITE™ Tackifier

The SYLVALITE™ 9000 rosin ester tackifier is based on the biobased raw material CTO. It is an innovative product designed especially for the demanding hotmelt adhesive applications and as a sustainable option to achieve high-performance adhesion. SYLVALITE™ 9000 meets high standards of tackifier color stability and is designed to provide excellent bonding strength across a wide range of applications.

Highly Modified Asphalt (HiMA)

Asphalt is the most used option for paving. Already in 1993, in a report to Congress, the Environmental Protection Agency and the Federal Highway Administration identified asphalt paving as America's No. 1 recycled product. Kraton's recyclable HiMA technology can be used for a wide variety of applications, such as base course, binder and surface courses, bridge decks, and more. HiMA permits pavement thickness reductions of 30 to 50 percent while achieving equivalent engineering properties and enabling reduced raw material usage. It is also designed to improve paving resistance to rutting and cracking, leading to longer paving life and reduced maintenance. This combination of fewer raw materials and an increased life-cycle means

less maintenance, resulting in a reduction in energy consumption and it is a major leap toward more sustainable road construction.

Kraton's science goes above basic polymer modification, incorporating hard and soft bitumen with full polymer compatibility, offering diverse options for styrene-butadiene-styrene (SBS).

Cariflex™ Polyisoprene Products

Some people can have a serious allergy to natural rubber latex. Exposure to products such as gloves and condoms, when they are made of natural rubber latex, can cause a life-threatening allergic reaction. Kraton's Cariflex™ polyisoprene products can substitute natural rubber and are ideal for applications demanding hypo-allergenic properties, purity, protection, and consistently high quality. Cariflex™ polyisoprene is anionically polymerized by means of a process developed by Kraton, which yields polymers with low levels of impurities. The high molecular weight polyisoprene resulting from this process is expected to be free of the naturally occurring proteins present in natural rubber latex, thus reducing the risk of allergic reactions. The range of Cariflex™ polyisoprene products varies from medical applications to industrial and consumer products, such as

medical stoppers, surgical gloves, condoms and anti-vibration systems. They can be processed with the same methods and equipment used for traditional natural rubber, and have high tensile strength with elasticity, durability and reduced allergy risk. Kraton's Cariflex™ polyisoprene is available in solid (IR) and latex (IRL) forms.

AQUATAC™ Products

Kraton's AQUATAC™ tackifier dispersions are based on the biobased raw material CTO. They are used in formulating water-based pressure-sensitive adhesives. These adhesives can replace fossil-based products and are typically used for the label and tape markets. AQUATAC™ is especially designed to be formulated into a pressure-sensitive adhesive, in which high shear strength is required together with high adhesion. Kraton developed the new AQUATAC™ FC-8560 tackifier dispersions especially for label applications requiring European food contact approval. They must be proven safe for food packaging in order to be successful.

Styrenic Block Copolymers (SBC) for Automotive Interiors

Kraton has developed SBC-based, slush or injection molded soft touch solutions that can be used in a wide variety of automotive applications on class A surfaces, such as door panels and instrument panels. Typically, these applications have predominantly used polyvinyl chloride (PVC), one of the world's most common plastics. However, Kraton's SBC-based polymer solutions are a great contender to replace PVC, as they do not contain intentionally added phthalate plasticizers, and they have a lower environmental impact with improved performance. Specifically, these solutions are recyclable and offer improved soft touch and aging properties, while maintaining good, low temperature performance. With 25 percent lower specific gravity and the potential to down-gauge part thickness, a 30 to 40 percent reduction in component weight may be achieved with the Kraton solutions as compared to PVC. The reduction in the overall weight helps to reduce the fuel consumption of the vehicle. ■

RESPONSIBLE BUSINESS AWARD FOR SUSTAINABLE INNOVATION



In September 2016, the SYLVAROAD™ RP1000 Performance Additive received the prestigious Ethical Corporation 2016 Responsible Business Award for Sustainable Innovation. The award recognizes businesses that have innovated pioneering new practices, products and ways of doing business with regard to sustainability and development. The SYLVAROAD™ RP1000 Performance Additive is a reclaimed asphalt paving solution that enables a step change in the amount of reclaimed asphalt in the mix. This leads to a more sustainable and resource-efficient road construction.

Although the road construction industry has recycled a lot of old asphalt paving, the European Union contends that the industry produces the most waste in Europe. Moreover, there is a growing willingness to reuse more recovered asphalt, which increases the need to use rejuvenators to facilitate this process.

Ethical Corporation looks for truly innovative initiatives that impact the main business operations and demonstrate clear possibilities for further development. "We want to inspire businesses around the globe to participate in ethical practices and embed sustainable business practices across their whole operations," said Liam Dowd, Managing Director of Ethical Corporation. "Judges of the Responsible Business Award for Sustainable Innovation complimented Kraton for presenting new ways of innovating asphalt in a holistic sustainable manner with clear impact savings and great transformational potential," said Maria Di Nolfo, Commercial, Almere, the Netherlands. ■

KRATON RECEIVES EUROPEAN CERTIFICATION FOR BIOBASED PRODUCTS

biobased %

In November 2016, Kraton received the European certification for biobased products, which is a key differentiator in the biobased product market. The certification system is based on European standard EN 16785-1, which enables independent assessment of claims on the biobased content of products.

The European system for biobased content certification was launched at the 11th Annual European Bioplastics Conference in Berlin. Kraton took part in a pilot project and external assessment to validate the certification system.

“The certification underscores Kraton’s commitment to expanding our portfolio of sustainable solutions for our customers,” said Holger Jung, Senior Vice President and Polymer Segment President.

Biobased products are gaining interest in the global market. Buyers can apply European standard EN 16785-1, as well as other standards in the field of biobased products, to get exactly what they need when purchasing their biobased products. Suppliers can use certificates and labels to demonstrate that they comply with these requirements.

Customers can also require that the claim of biobased content is assessed by a certification body. Harmen Willemse, chairman of the committee of experts that has developed the certification system, emphasized that credible claims about the biobased content of products are key for the acceptance of biobased products and the transition toward the circular bio-economy. Circular economy is an industrial economy that promotes greater resource productivity, aiming to reduce waste and avoid pollution.

The Netherlands Standardization Institute (NEN) manages the European system for biobased content certification. NEN also pioneered the process to develop the certification criteria.

Visit www.biobasedcontent.eu for more information. ■



IMPROVING OUR ENVIRONMENTAL FOOTPRINT

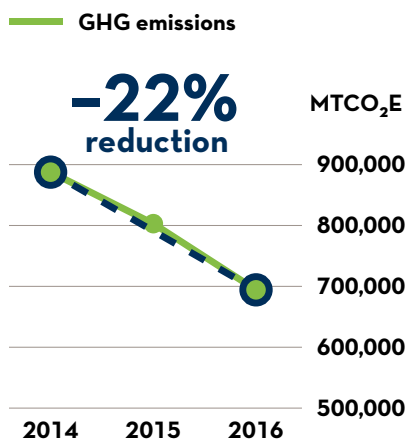
We are committed to continuously improving the environmental stewardship of our operations. We have substantially reduced our environmental footprint over the last few years.

In 2016, Kraton significantly reduced our environmental impact by reducing energy use in our plants, switching to cleaner-burning fuels, improving spill and leak prevention and enhancing wastewater treatment. As testament to the efforts and work put into improving our operations, we had no significant environmental incidents in 2016.

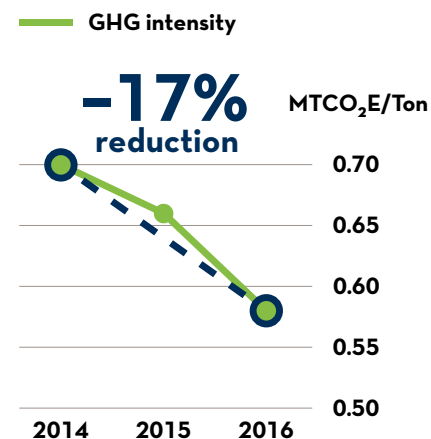
Between 2014 and 2016, we reduced greenhouse gas emissions from our own operations by 22 percent. This was mainly accomplished by replacing the coal-fired boilers at the Belpre plant with natural gas-fired boilers and using more biomass instead of heavy fuel oil at our plants in Oulu and Sandarne. Furthermore, sulfur oxide emissions were reduced by 95 percent, nitrogen oxide emissions by 44 percent and volatile organic compounds by 2 percent. We are in the process of developing our combined company sustainability strategy, and it is our ambition to develop environmental targets that will align with our vision and strategy.

Our sites also reduced the energy consumption of processes by installing more energy-efficient equipment and lighting. Panama City replaced its old gas-fired boiler, and the site reduced energy consumption and increased efficiency in 2016.

Greenhouse Gas Emissions

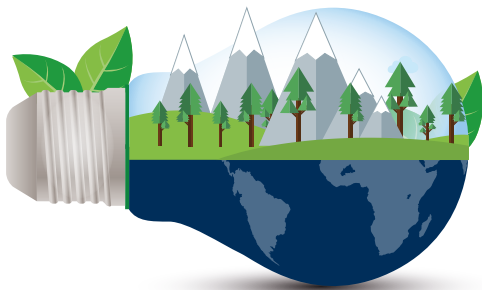


Greenhouse Gas Intensity



The data represented in these graphs includes all Kraton manufacturing sites except for those owned by our joint ventures in Japan and Taiwan.

The Belpre plant's new natural gas boilers, Belpre, Ohio.



Prestigious Eagle Award for Belpre

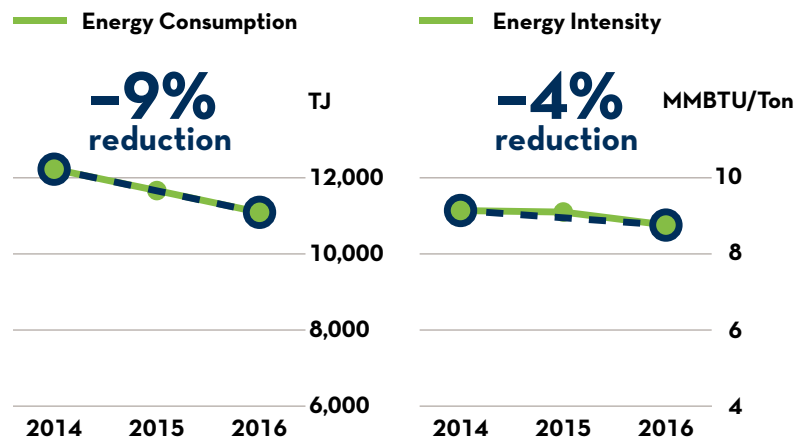
2016 was the first full year of operation for the Belpre plant's two new, natural gas-fired boilers with combined heat and power, which are capable of producing a third of the site's electricity needs. The \$52-million boiler project replaced a more than 50-year-old, coal-based steam generation infrastructure. This replacement has led to significant improvements in environmental performance, not only for the site but also on a global scale: 96.5 percent reduction in hazardous air pollutants, 15 percent reduction in greenhouse gases, and 1.5 million gallons per day less water usage from the Ohio River.

Additionally, Belpre is conducting an ongoing two-year program to reduce overall raw material usage. "In 2016, we completed 32 projects to reduce solvent usage by 10 percent. We have 14 more projects to accomplish in 2017, such as reducing the material used to make our hydrogenation catalyst by 14 percent," said Jim Christian, Operations, Belpre, Ohio.

These initiatives have earned Belpre the prestigious Eagle Award for Excellence in Environmental, Health, Safety, and Security Performance – the highest recognition from the Ohio Chemistry Technology Council and the Energy Efficiency Award from American Electric Power Ohio. ■



Energy Consumption



The data represented in these graphs includes all Kraton manufacturing sites except for those owned by our joint ventures in Japan and Taiwan.

Overall, our energy consumption was reduced by nine percent compared to 2015. Out of the total of 11,000 TJ of energy consumed at our sites globally, 66 percent comes from natural gas burned on-site, while 12 percent, 11 percent, eight percent and three percent come from purchased electricity, purchased steam, byproducts and fuel oils respectively. We continue to observe a shift to more renewable energy sources globally, and today renewable energy stands at 10 percent of total consumption, of which seven percent is direct and three percent is indirect. Non-renewable energy sources constitute 90 percent, of which 70 percent is direct and 20 percent is indirect.

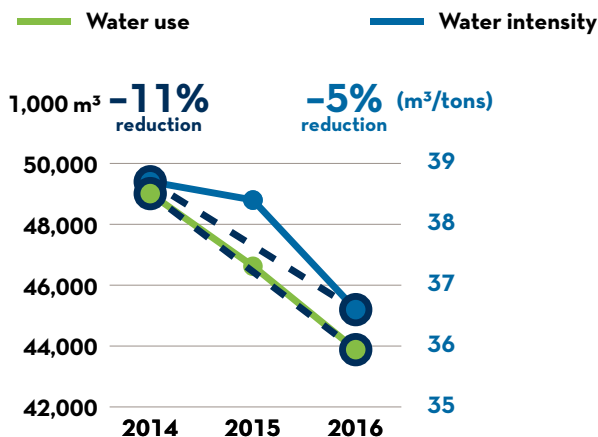


Protecting Our Water Resources

Kraton's water consumption dropped by 11 percent between 2014 and 2016. Improvements were made at all our sites, but the main contributor was the reduction achieved by replacing the coal-fired boilers in Belpre, Ohio.

In 2016, nine-tenths of our water use was sourced from surface water, which is consistent with previous years. As most of our plants are located near a water body, we take extra measures to eliminate any risk of impacting them and have a commitment to keep our waters clean and safe. For example, we have invested extensively to build new and upgrade existing secondary containment structures that adhere to company-wide standard and local regulations. Located along the Ohio River, our Belpre plant also takes the utmost care to ensure that the water we return to the environment meets permit requirements, and we have put considerable efforts into mitigating the risk of pollutants reaching the environment, such as by installing detectors at various critical points.

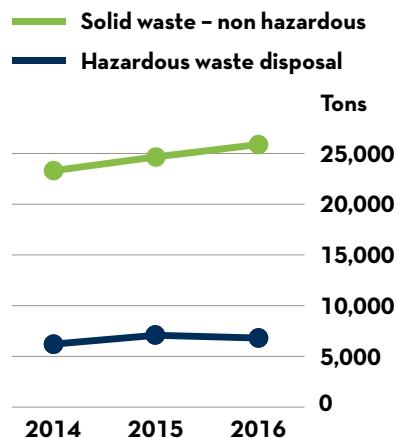
Water Use



The data represented in these graphs includes all Kraton manufacturing sites except for those owned by our joint ventures in Japan and Taiwan.

Sandarne plant is in perfect harmony with its environment.

Solid and Hazardous Waste Disposal



The data represented in these graphs includes all Kraton manufacturing sites except for those owned by our joint ventures in Japan and Taiwan.

Harvesting Rainwater, Sorting Waste

The Kraton's joint venture HSBC facility in Mailiao, Taiwan, is pioneering in many ways. It was built to meet the latest, high standards of safety and extremely low levels of emissions. It has a large rainwater harvesting system and a highly developed waste-sorting system to recover useful materials. ■

Finding Ways to Reduce Waste

Both our solid non-hazardous and our hazardous waste disposal have increased since 2014. This can be mainly attributed to increased construction and environmental remediation activity, resulting in excavated soil and building materials that require disposal.

We continuously strive to improve our processes and reduce the generation of process residuals, particularly solvents, which are recycled for use at several sites. Currently, we divert up to 56 percent (15 percent recycled, 41 percent energy recovery) of our hazardous waste, which leaves around 39 percent for incineration and less than two percent is sent to landfill. As for solid non-hazardous waste, we generated around 26 thousand tons in 2016, of which 63 percent was sent to landfill, 31 percent was diverted (20 percent recycled, 11 percent energy recovery), which leaves around 0.6 percent for incineration.

We continue to implement effective waste-reduction programs, especially in the areas of eliminating leaks and spills, using our byproducts for fuel, and improving quality and production consistency, as we work toward a vision of increased resource efficiency and minimized waste generation. ■

The new
Kraton's joint
venture HSBC
facility in
Mailiao, Taiwan.



LIVING OUR CORE VALUES

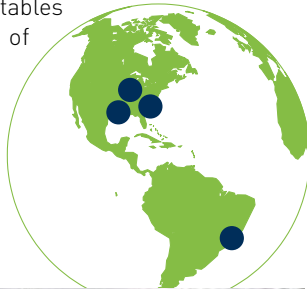
Our core values are Safety, Integrity, Verve, Relationships, Creativity and Ownership. We work actively to make a Positive Difference in the communities in which we operate. All of our locations are engaged with their communities. The larger locations – constituting nearly 80 percent of Kraton's employees – are also the most active.

Kraton continually builds and maintains key relationships with community leaders, government and industry authorities as well as with emergency responders. Safety, Kraton's highest priority, is an area of great concern for Kraton and our communities. All Kraton locations have health and safety teams and committees, and each location has implemented a local crisis management process. We also routinely conduct safety inspections and practice drills with fire and police departments and partner with neighboring manufacturers.

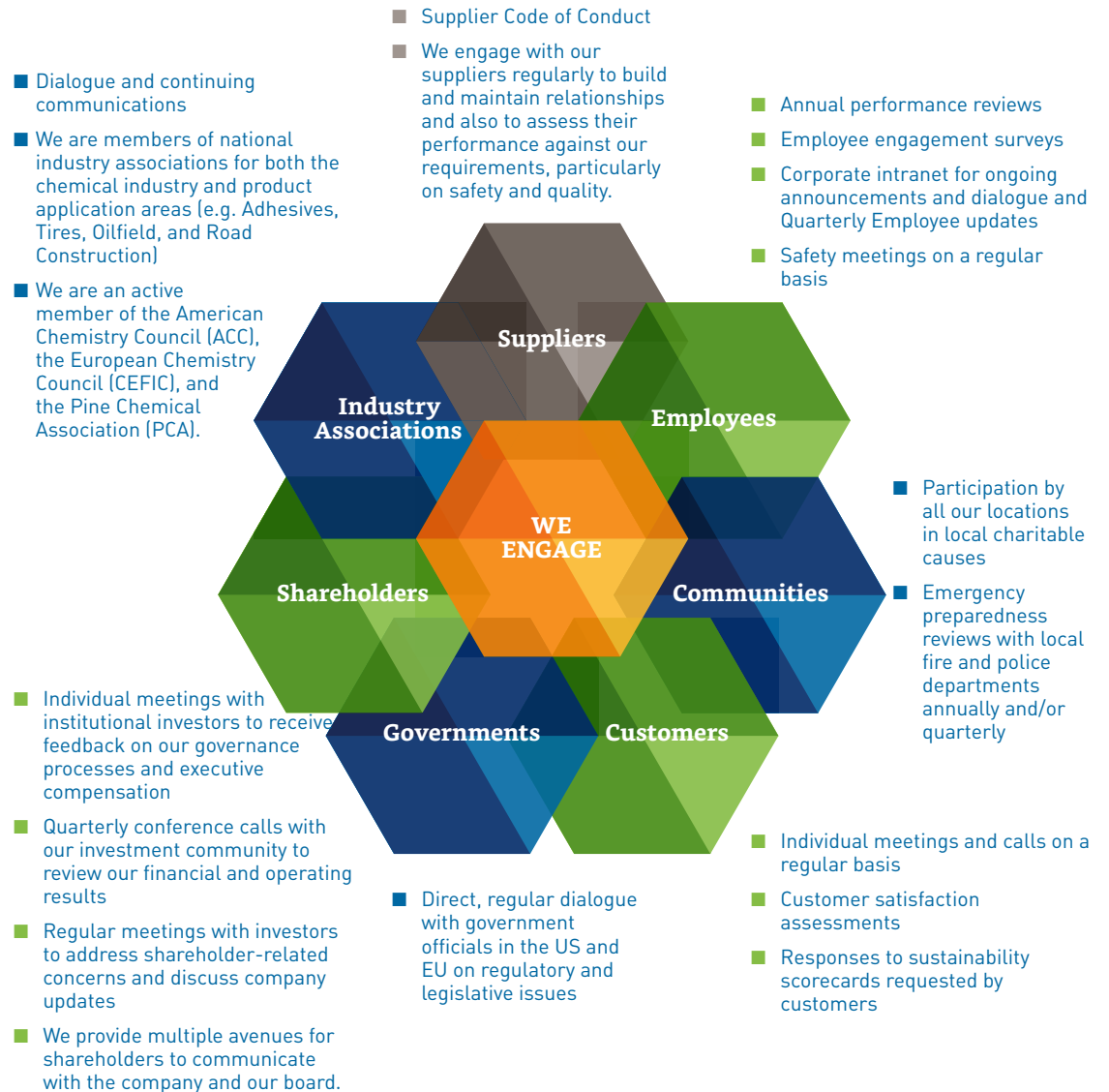
Kraton participates in the Chambers of Commerce, Community Advisory Panels and other legislative and industrial organizations. We engage with teachers and students to teach young people about bioeconomy and ways to help the environment. In addition, most sites hold annual health and wellness exhibitions and invite families and community members.



Kraton facilities around the globe have Earth Day events every year. The aim is to increase environmental awareness especially among local children. For example in Sandarne, Kraton's employees visited a local preschool for the whole day, planted vegetables and demonstrated how different types of waste decompose in the environment. ■



Stakeholder Engagement



MAKING A POSITIVE DIFFERENCE

Our employees are critical to achieving our mission to become an admired Fortune 500 specialty chemical company. “We make a Positive Difference” captures the essence of what gives Kraton, and all of its employees, purpose and meaning.

Our employer brand statement emphasizes that Kraton Corporation is about making a Positive Difference. Our sustainable products and solutions make a positive difference to our customers. Individually, every one of us makes a Positive Difference with the work we do. And together, we make our company an exceptional place to work, while making a Positive Difference in the world.

Making smart decisions, building a healthy culture and living its core values – Safety, Integrity, Verve, Relationships, Creativity, and Ownership – that’s making a Positive Difference the Kraton way. During our annual global meeting, we have reemphasized the importance of both sustainability and Positive Difference and the very important link they both have in our strategic plan.

Value for Our Employees

As of December 31, 2016, we had 1,971 employees, of which 1,929 were full-time employees.

Kraton embraces an innovative culture and an open mindset to welcome initiatives and improvements from employees. The standard for safety is set high and sustainability is incorporated in everything we do. We encourage employees to actively use best practices in safety and sustainability. As a responsible employer, we create real value for our



“Our employees make a Positive Difference and we want to ensure that everyone knows ‘how they fit in’.”

– Melinda Scissors Conley, Senior Vice President and Chief Human Resources Officer

employees by supporting their growth and contributing to a sustainable future.

To enhance our employees' development, we meet to discuss goals and objectives of the current year and we spend time to discuss what employees are looking for in their future. Lula Camaj, Human Resources, Sandarne Sweden, believes in a holistic approach of employee sustainability and the importance to empower employees to play an active role in their own career development. To enhance employee development, we use performance management tools and and one-one-one discussions with managers to help employees hone skills and seek development opportunities said Camaj.

Leadership and Training at Kraton

In 2016, we piloted new supervisory training in many of our locations. This training consisted of competency-based training focused on giving and receiving feedback, personal effectiveness, and overall people development. "This training pilot helped our leaders better engage with the teams they lead to improve performance, communication, and overall development," explained Melinda Scissors Conley, Senior Vice President and Chief Human Resources Officer.

In Belpre, Ohio, for example, when hiring a new technician, each one has seven weeks of classroom training. There are many safety issues at a chemical plant, so all must be carefully reviewed and tested. Each one knows what it takes to make a product, most effectively and efficiently, and helps identify areas to consistently improve the process.

We are developing our employees of the future, whether they are our current supervisors and managers or our critically important operators, who all make a Positive Difference each and every day. Employee engagement is paramount as is the ideas and thoughts of all of our employees that make a Positive Difference. ■

As of December 31, 2016, we had

1,971 employees,

of which 1,929 were full-time employees.



GIVING BACK TO COMMUNITIES

At Kraton, we actively work to create awareness and to make a positive difference in the communities in which we operate. All locations are engaged with their communities, for example by partnering with schools and non-profit organizations.

Girls for Engineers



In Belpre, Ohio, Kraton partners with Belpre High School and is involved in YES days (Young Engineers in Science), inspiring the students to become interested in science and engineering. Kraton organizes a Non-Traditional Career Day, when all its professional women employees meet with the freshmen girls from Belpre High School and spend a day together at the plant site.

The United Way



Kraton supports the United Way, a non-profit organization focused on creating a better life by focusing on education, income and health. "We are the number one contributor to the United Way in the Ohio Valley," said Kim Stewart, Human Resources, Belpre, Ohio. In 2016, the Kraton staff collected nearly \$70,000. Our Jacksonville, Florida, location has a committee established just for our United Way campaign, developing games and fun to help encourage community donations.

Safety Fair



Most locations organize wellness and safety fairs to promote wellness for all our employees. These events include such things as cholesterol screening, diabetes tests, or trying out new safety equipment. Nearby and corporate vendors are invited to participate, to help our employees continue to learn how to live a healthy life. ■

OULU PLANT FINLAND'S BEST SUMMER EMPLOYER



Our Oulu plant was selected as Finland's best summer job employer in 2016, based on the summer employees' reviews. It was the second summer for Santeri Ylijoki, a student at Oulu University of Applied Sciences, to work at Kraton as a supply chain coordinator.

"Kraton is a great place to work, as it strives for continuous development of employees' skills," Ylijoki explained. He was happy with the excellent introduction to the work and also appreciated the way summer employees were trusted and given responsibility. "We were also trained how to make our workplace safe for everyone, every day," he added.

According to Ylijoki, community and colleagues are probably the best part of working at Kraton. "I felt welcome right from the beginning, and appreciated the culture of safety, innovation, and sustainability. I am definitely interested in working at Kraton after my graduation, as well," Ylijoki said. ■

FOR CHILDREN IN NEED



In Paulinia, Brazil, Kraton makes an extra effort to fulfill its social responsibility. In 2016, the company's Paulinia site made contributions to the Campinas Disabled Children Institution and co-sponsored a charity lunch for the Bento Quirino day-care center. "The idea is not only to help disabled children, but also to make it easier for their parents to stay at work," explained Fernando Haddad, Senior Vice President, Global Operations. Kraton also donated seven computers to the Police Department of Paulinia City.

The site encourages its employees to engage and participate in other partnership activities, too. One of them is the eKilíbrio Race, which is sponsored annually by Kraton. Held in Cosmopolis, the event aims to promote a healthy lifestyle and the practice of physical activities. In 2016, the event attracted approximately 300 participants. All received t-shirts and medals, fruit, and hydration during the event.

"Community involvement includes our contributions, and also includes assisting our neighboring businesses when safety issues arise," said Júlio Sobrinho, Human Resources, Paulinia, Brazil.

In 2016, our Houston corporate office participated in the "Backpack Buddy" program through the Houston Food Bank. This program was geared toward ensuring that children have food for the weekends, when not in school. More than 40 employees volunteered in 4-hour shifts at the Houston Food Bank. ■

RIDERS RAISE BIG BUCKS TO FIGHT MULTIPLE SCLEROSIS (MS BIKE RIDE)



On October 21, 2016, a team of 35 riders wearing Kraton jerseys led the way in the annual PGA Cycle to the Shore Bike Ride, to raise money and awareness for multiple sclerosis (MS). The event raised \$90,000 for research to help end multiple sclerosis.

Team Kraton included employees from Savannah, Georgia; Jacksonville, Florida; and Panama City, Florida. The 35 riders were joined by three tent volunteers, who made sure they were well taken care of after the ride.

The team raised \$16,785! This is the seventh year our employees and family members have participated. In that time, they have raised more than \$100,000 to fight MS. ■

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