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Kraton Performance Polymers, Inc.  
Form DEF 14A  
April 15, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A  
(RULE 14a-101)  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement.

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).

Definitive Proxy Statement.

Definitive Additional Materials.

Soliciting Material Pursuant to §240.14a-12.

Kraton Performance Polymers, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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2015

Notice of Annual  
General Meeting of Stockholders and  
Proxy Statement

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KRATON PERFORMANCE POLYMERS, INC.

15710 John F. Kennedy Boulevard, Suite 300

Houston, Texas 77032

To Our Stockholders:

We are pleased to invite you to attend the Annual Meeting of Stockholders of Kraton Performance Polymers, Inc., which will be held Wednesday, June 3, 2015, at 1:00 p.m. central time, at The Sheraton North Houston, 15700 John F. Kennedy Boulevard, Houston, Texas 77032.

The following pages include a formal notice of the meeting and our proxy statement. The proxy statement describes various matters on the agenda for the meeting. Please read these materials so that you will know what we plan to do at the meeting.

It is important that your shares be represented at our Annual Meeting regardless of whether you plan to attend the meeting in person. Please vote your shares as soon as possible through any of the voting options available to you as described in our proxy statement.

On behalf of management and the board of directors, we thank you for your continued interest in Kraton Performance Polymers, Inc.

Sincerely,  
Kevin M. Fogarty,  
President and Chief Executive Officer

HOUSTON, TEXAS

April 15, 2015

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KRATON PERFORMANCE POLYMERS, INC.

15710 John F. Kennedy Boulevard, Suite 300

Houston, Texas 77032

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held June 3, 2015, at 1:00 p.m. central time

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Kraton Performance Polymers, Inc. will be held on Wednesday, June 3, 2015, at 1:00 p.m. central time, at The Sheraton North Houston, 15700 John F. Kennedy Boulevard, Houston, Texas 77032 for the following purposes:

1. To elect three Class III directors, each to serve for a three-year term and until a successor is duly elected and qualified;
2. To conduct an advisory vote on the compensation of our named executive officers;
3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2015 fiscal year; and
4. To transact other business that may properly come before the meeting and any postponement or adjournment of the meeting.

Our board of directors has fixed the close of business on April 1, 2015 as the record date for determining those stockholders who are entitled to notice of, and to vote at, the Annual Meeting of Stockholders. A list of such stockholders will be open to examination by any stockholder at the annual meeting and for a period of ten days prior to the date of the annual meeting during ordinary business hours at our executive offices located at 15710 John F. Kennedy Boulevard, Suite 300, Houston, Texas 77032.

We plan to commence mailing a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and our 2014 Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (our "2014 Annual Report"), via the Internet and to vote online. The Notice of Internet Availability of Proxy Materials also contains instructions on how you can receive a paper copy of the proxy materials. Our 2014 Annual Report, Notice of Internet Availability of Proxy Materials and proxy card are first being made available online on or about April 15, 2015.

By Order of the Board of Directors,

James L. Simmons,  
Vice President, General Counsel and Secretary

HOUSTON, TEXAS

April 15, 2015

YOUR VOTE IS IMPORTANT! PLEASE VOTE BY TELEPHONE, OVER THE INTERNET OR BY MARKING, SIGNING AND RETURNING YOUR PROXY OR VOTING INSTRUCTION CARD AS SOON AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING.

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**PROXY STATEMENT SUMMARY**

This summary contains highlights of important information you will find elsewhere in our proxy statement and is qualified in its entirety by the more detailed information included elsewhere in our proxy statement. This summary does not contain all of the information you should consider before voting, and you should read the entire proxy statement before voting.

**ANNUAL MEETING INFORMATION**

Time and Date: Wednesday, June 3, 2015, at 1:00 p.m. central time

Location: The Sheraton North Houston, 15700 John F. Kennedy Boulevard, Houston, Texas 77032

Record Date: April 1, 2015

**AGENDA AND VOTING RECOMMENDATION**

| Agenda Item  | Board Recommendation | Page |
|--|----------------------|------|
| Elect three Class III Directors, term expiring in 2018                                   | FOR each nominee     | 9    |
| Advisory vote on the compensation of named executive officers                            | FOR                  | 60   |
| Ratify appointment of KPMG LLP as independent registered public accounting firm for 2015 | FOR                  | 61   |

**PROPOSAL 1 – ELECTION OF CLASS III DIRECTORS**

The following table provides summary information about each of the nominees for Class III director.

| Name                | Age | Director Since | Primary Occupation                                     | Independent | Other Current Public Boards |
|---------------------|-----|----------------|--|-------------|-----------------------------|
| Steven J. Demetriou | 56  | 2004           | Chairman and CEO<br>Aleris International, Inc.         | Yes         | 1                           |
| Kevin M. Fogarty    | 49  | 2008           | President and CEO<br>Kraton Performance Polymers, Inc. | No          | 1                           |
| Karen A. Twitchell  | 59  | 2009           | Retired EVP and CFO<br>Landmark Aviation               | Yes         | 1                           |

**PROPOSAL 2 – ADVISORY VOTE ON THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS**

Compensation Aligned with Stockholder Interests. Our pay-for-performance and corporate governance practices concerning executive compensation ensure alignment with stockholder interests:

**Variable Compensation / Pay-for-Performance:**

- Compensation philosophy targets executive compensation at or near the 50<sup>th</sup> percentile of our peers.
- 74% of 2014 CEO compensation is in the form of variable compensation tied to company performance.
- 63% of 2014 aggregate compensation to our other named executive officers, excluding the CEO, as a group, is in the form of variable compensation tied to company performance.

**Corporate Governance:**

- Our Compensation Committee consults an independent compensation adviser.
- Our executive officers do not have individual employment agreements.
- Our executive severance policy is market-based and, in the event of a change-in-control, requires a double trigger (change in control, plus termination).
- Our compensation policies and practices do not encourage excessive risk taking.



Variable Compensation / Pay-for-Performance:

- Our CEO's realized and realizable pay for 2014 was 54% less and 40% less, respectively, than the amount reflected in the 2014 Summary Compensation Table, reflecting pay for performance alignment.
- Cash incentive compensation is tied to performance metrics that drive long-term stockholder returns.
- 66% of CEO compensation and 55% of aggregate compensation to our other named executive officers, excluding our CEO, as a group, is paid in the form of equity compensation, two-thirds of which is performance-based:
  - one-third of such equity compensation was delivered in the form of restricted stock performance units, which will only vest if the executive remains continuously employed by us through the third anniversary of the grant date in a number determined based upon the achievement of improvement in return on capital employed targets established at the time of grant;
  - one-third was delivered in the form of non-qualified stock options, vesting over three years and having a 10 year term; and
  - one-third was delivered in the form of restricted stock awards, which vest if the executive remains continuously employed by us through the third anniversary of the grant date.

Corporate Governance:

- Our executive officers and directors may not hedge or pledge shares of our stock.
- Our executive officers and directors are subject to stock ownership guidelines.
- We do not pay excise tax gross-ups.
- We do not pay tax gross-ups on key perquisites.
- Our executive recoupment policy and incentive compensation plans entitle us to recover executive compensation that was paid based on results that were subsequently determined to be incorrect.

Market-based Compensation Tied to Company Performance. Our Compensation Committee seeks to provide market-based total direct compensation for each named executive officer, determining the individual elements of each named executive officer's pay based on the differing rationales for the compensation. Our executive compensation philosophy is designed to provide a base salary and incentive compensation that attracts, motivates, retains, and rewards high quality executives by providing competitive compensation in the marketplace with other publicly-traded companies in similar or comparable industries to ours, whose revenue is similar to ours, and/or with which companies we compete for executive talent. We also seek to pay a significant portion of executive compensation in variable compensation, such as cash incentive compensation and long-term equity incentive compensation, which is tied to our performance and aligns the interests of management and stockholders.

Substantial Stockholder Outreach Efforts in 2014. Our Compensation Committee undertook outreach efforts to discuss our compensation policies and procedures with a substantial portion of our major stockholders and two proxy advisory firms, Institutional Shareholder Services and Glass-Lewis. We reached out to our top 20 stockholders, representing approximately 66% of our outstanding shares, ultimately meeting with seven of our top 15 holders (including six of our top 10) representing approximately 39% of our outstanding shares. Among other matters, we discussed the following:

The rationale for using a one year performance metric (with an additional two years of time vesting) for our 2014 restricted stock performance unit grants. We noted that the one-year performance metric was introduced because of a then pending major business combination with LCY. We reiterated our intention to revert to a three-year performance period in future grants, and we have done so with respect to the 2015 restricted stock performance unit grants. Other aspects of our long term incentive design, including the use of stock options. Based in part on these discussions, we did not grant stock options in 2015, and our 2015 long term incentive grants consist of two-thirds performance units, with Total Shareholder Return one of the two performance metrics.

The quantity and quality of our disclosures regarding performance metrics and compensation practices. We agreed to review our disclosures, and when appropriate, to provide more detailed disclosure while protecting sensitive

information.

For a more thorough discussion of our stockholder outreach, see “Compensation Discussion and Analysis,” below.

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Compensation Highlights for 2014. Below is a summary of some of the significant features of our executive compensation for 2014. You should refer to the “Compensation Discussion and Analysis,” below, for further discussions of our Compensation Committee’s rationale for decisions relating to 2014 executive compensation.

**A Significant Proportion of Total Direct Compensation Was Paid in Variable Compensation.** Total variable compensation paid to our CEO, which was comprised of long-term equity incentive compensation (in the form of restricted stock performance units, stock options and restricted stock awards) and cash incentive compensation (in the form of payments under the Kraton Performance Polymers, Inc. 2013 Cash Incentive Plan), accounted for approximately 74% of his total direct compensation, and aggregate total variable compensation paid to our other named executive officers, excluding our CEO, as a group, accounted for approximately 63% of their aggregate total direct compensation.

**CEO Realized and Realizable Pay Reflect Pay-for-Performance.** In 2014 and as of the December 31, 2014 measurement date for equity valuation, our CEO’s realized pay for 2014 was 54% less than the amount reflected in the 2014 Summary Compensation Table, and his realizable pay was 40% less than the amount reflected in the 2014 Summary Compensation Table, reflecting our Compensation Committee’s focus on pay for performance.

Retained Focus on Equity as a Significant Element of Compensation. In connection with our Compensation Committee's annual review of executive compensation peer data, the Compensation Committee retained the focus on long-term equity incentive compensation implemented in 2013, with the goal of continuing to align executives with the creation of long-term stockholder value as well as to motivate and retain our CEO and other named executive officers.

Total Direct Compensation for CEO and Other Named Executive Officers Increased. Aggregate total direct compensation paid to our CEO and to our other named executive officers, excluding our CEO, as a group, increased approximately 4% and 16%, respectively, in comparison to 2013, primarily due to the increase in long-term equity compensation for our other named executive officers, excluding our CEO, as a group. This level of total direct compensation for 2014 was determined with reference to our compensation philosophy of seeking to pay our executive officers at or near the 50<sup>th</sup> percentile for our peer group, with the form of compensation based on our Compensation Committee's recognition of the performance-based character of equity awards and/or the retention value of such grants.

Increased Long-term Equity Incentive Compensation. For our CEO, long-term equity incentive compensation increased in 2014 by approximately 10% as compared to 2013, and for our other named executive officers, excluding our CEO, as a group, long-term equity incentive compensation increased by approximately 53% as compared to 2013, or 34% taking into account grants to Mr. Burke of performance units in connection with the proposed LCY combination in March 2014, which were forfeited when the LCY combination was terminated, and restricted stock awards granted for retention purposes in September 2014, which grants were atypical and are not expected to recur. The Compensation Committee determined these levels were appropriate based on our compensation philosophy of setting executive compensation at or near the 50<sup>th</sup> percentile of our peer group and to further align management and stockholder interests by more heavily weighting compensation toward equity, especially through the use of performance-based equity compensation in the form of restricted stock performance units and stock options.

Decreased Levels of Cash Incentive Compensation. For each of our CEO and for our other named executive officers, excluding our CEO as a group, cash incentive compensation decreased by approximately 31% compared to 2013, indicative of the challenging goals that were set for annual cash incentive compensation in 2014, which our Compensation Committee views as aligned with stockholder expectations.

Base Compensation Increased. Base salary for our CEO increased approximately 9% compared to 2013, and aggregate base salary for our other named executive officers, excluding our CEO, as a group, increased approximately 1%, in each case, as a result of our focus on market-based pay compared to peer companies and on long-term equity as a component of total compensation.

Results of 2013 Say-on-Pay Vote. We received moderate stockholder support for our executive compensation program in 2014, with approximately 70% of the votes cast on the proposal in favor of the proposal. Based on these results, our Compensation Committee undertook significant stockholder outreach efforts, which efforts are discussed in more detail in our "Compensation Discussion and Analysis," below.

Named Executive Officer Compensation for 2014. The table below summarizes 2014 compensation for our named executive officers as determined under the rules of the Securities and Exchange Commission ("SEC"). See the "2014 Summary Compensation Table," below, for year over year comparisons and the notes accompanying the table for additional information.

| Name and Principal Position   | Salary (\$) | Stock Awards (\$) | Option Awards (\$) | Non-equity Incentive Plan Compensation (\$) | Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |
|---|-------------|-------------------|--------------------|---|---|-----------------------------|------------|
| Kevin M. Fogarty<br>President and Chief Executive Officer                   | 856,250     | 1,735,034         | 900,001            | 348,250                                     | 3,937   | 169,016                     | 4,012,488  |
| Stephen E. Tremblay<br>Executive Vice President and Chief Financial Officer | 442,500     | 513,779           | 266,001            | 116,415                                     | —   | 78,968                      | 1,417,663  |
| Holger R. Jung<br>Senior Vice President, Chief Commercial Officer           | 371,500     | 385,563           | 200,003            | 89,550                                      | —   | 35,842                      | 1,082,458  |
| Lothar P. F. Freund<br>Senior Vice President, Chief Technology Officer      | 347,000     | 353,739           | 183,001            | 83,580                                      | 2,221   | 55,916                      | 1,025,457  |
| Damian T. Burke<br>Vice President, Corporate Development                    | 271,250     | 451,854           | 83,000             | 54,725                                      | —   | 25,005                      | 885,834    |

#### PROPOSAL 3 – RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We are asking our stockholders to ratify the selection of KPMG LLP as our independent registered public accounting firm for 2015. Set forth below is a summary of KPMG's fees for services provided in 2014 and 2013.

|                    | 2014<br>(in millions) | 2013  |
|--------------------|-----------------------|-------|
| Audit Fees         | \$1.9                 | \$1.8 |
| Audit-Related Fees | —                     | 0.4   |
| Tax Fees           | 0.6                   | 0.5   |
| All Other Fees     | —                     | —     |
| Total              | \$2.5                 | \$2.7 |

KRATON PERFORMANCE POLYMERS, INC.  
15710 John F. Kennedy Boulevard, Suite 300  
Houston, Texas 77032

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

June 3, 2015

QUESTIONS AND ANSWERS ABOUT THE MEETING AND VOTING

Q: Who is making this solicitation of proxies?

A: This solicitation is made by Kraton Performance Polymers, Inc. on behalf of its board of directors. A Notice of Internet Availability of Proxy Materials is first being mailed on or about April 15, 2015 to stockholders of Kraton Performance Polymers, Inc., which is sometimes referred to in this proxy statement as “Kraton,” “we,” “us,” “our,” or the “company.” As used in this proxy statement and as the context requires, references to “Kraton” include our direct and indirect subsidiaries, including our direct, wholly-owned subsidiary Kraton Polymers LLC, through which substantially all of our business and operations are conducted.

We will bear the cost of this proxy solicitation. We may furnish copies of our proxy solicitation material to brokers, custodians, nominees and other fiduciaries for forwarding to beneficial owners of shares of our common stock, and ordinary course handling charges may be paid for such forwarding service.

Our officers and other management employees, who will receive no additional compensation for their services, may solicit proxies by mail, email, Internet, facsimile, telephone or in person. We have retained Georgeson Shareholder Communications, Inc., 199 Water Street, 26th Floor, New York, NY 10038, to provide services in connection with our annual meeting, including the solicitation of proxies, at an anticipated cost of \$7,000, plus reimbursement of out-of-pocket expenses.

Q: Where will the annual meeting of stockholders take place?

A: The annual meeting of stockholders will be held on Wednesday, June 3, 2015, at 1:00 p.m. central time, at The Sheraton North Houston, 15700 John F. Kennedy Boulevard, Houston, Texas 77032.

Q: Who may vote?

A: All stockholders of record as of the close of business on April 1, 2015, the record date for the meeting, are entitled to vote at the meeting. Holders of our common stock are entitled to one vote per share. At the close of business on the record date, there were 31,378,873 shares of our common stock outstanding.

Q: Who may attend the meeting?

A: All stockholders as of the record date, or their duly appointed proxies, may attend the meeting.

Q: How do I vote?

A: Because many stockholders cannot attend the annual meeting, it is necessary that a large number of stockholders be represented by proxy. You may vote in person or by proxy in one of the following ways:

• vote in person - we will provide a ballot to our stockholders who attend the Annual Meeting and wish to vote in person;

• vote by mail - if you request a paper proxy card, simply complete, sign and date the proxy card, then follow the instructions on the proxy card; or

• vote via the Internet or by telephone - follow the instructions on the Notice of Internet Availability or proxy card and have the Notice of Internet Availability or proxy card available when you access the Internet website or place your telephone call.

If you hold shares through a brokerage firm, bank or other custodian, you may vote by telephone or the Internet only if the custodian offers that option. Please refer to your proxy card or the information provided by your brokerage firm, bank or other custodian to determine which options are available for voting the proxy.

You may receive more than one proxy card, depending on how you hold your Kraton shares. You should vote each proxy card provided to you using one of the methods described above.

Q: Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

Pursuant to rules adopted by the SEC, we have decided to use the Internet as the primary means of furnishing proxy materials to our stockholders. Accordingly, on or about April 15, 2015, we will mail a Notice of Internet Availability of Proxy Materials (the "Notice of Internet Availability") to our stockholders. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice of Internet Availability or request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice of Internet Availability. The Notice of Internet Availability also contains instructions on how to receive, free of charge, paper copies of the proxy materials. If you received the Notice of Internet Availability, then you will not receive a paper copy of the proxy materials unless you request one. We encourage our stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce cost to us associated with the physical printing and mailing of proxy materials.

Q: What am I being asked to vote on?

A: We are asking you to consider and vote your shares in order to:

- elect three Class III directors, each to serve until the 2018 annual meeting of stockholders (Proposal No. 1);
- hold an advisory vote on named executive officer compensation (Proposal No. 2);
- ratify our Audit Committee's appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015 (Proposal No. 3); and
- transact other business that may properly come before the meeting or any postponement or adjournment of the meeting.

All of these items are discussed in more detail in this proxy statement.

Q: What is the recommendation of the Kraton board of directors?

A: Our board of directors recommends that stockholders vote:

- "FOR" our nominees for Class III Director;
- "FOR" the advisory vote on the resolution to approve named executive officer compensation; and
- "FOR" the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015.

Q: What happens if I do not indicate how I wish to vote on one or more of the proposals?

A: If you return your signed proxy card but do not indicate how you wish to vote, the persons named as proxies herein will vote your shares "FOR" the election of our director nominees (Proposal No. 1), "FOR" the resolution to approve our named executive officer compensation (Proposal No. 2), and "FOR" the ratification of the appointment of KPMG LLP (Proposal No. 3).

We are not aware of any other matters that may come before the annual meeting. If any other matter properly comes before the annual meeting, the proxy holders will vote the proxies according to their judgment.

Q: What happens if I vote by proxy and later change my mind?

A: If you are the record holder of your shares, you may revoke your proxy by:

- writing to our Corporate Secretary at the mailing address in the answer to the last question below;
- delivering a properly executed proxy card dated after the date of the proxy card you want to revoke;

- voting at a later time, but prior to 11:59 p.m. eastern time on June 2, 2015, by telephone or the Internet; or
- attending the annual meeting and casting your vote in person.

If you are a beneficial owner of your shares, you must contact your brokerage firm, bank or other custodian to revoke any prior voting instructions.

Q: Who are the proxies for the annual meeting?

A: The named proxies for the annual meeting, Stephen E. Tremblay and James L. Simmons (or their duly authorized designees), will follow submitted proxy voting instructions. They will vote as the board of directors recommends as to





any submitted proxies that do not direct how to vote on any item, and will vote on any other matters properly presented at the annual meeting in their judgment.

Q: What constitutes a quorum?

We need a quorum of stockholders in order to transact business at our annual meeting. The presence, in person or by proxy, of the holders of record of a majority in voting power of the outstanding shares of common stock entitled to vote at the meeting constitutes a quorum. If you have properly voted by proxy, via mail, telephone or the Internet, you will be considered part of the quorum. We will count abstentions, withhold votes and broker non-votes as present for the purpose of establishing a quorum. A broker non-vote occurs when a broker holding shares for a beneficial owner votes on some matters on the proxy card, but not on others, because the broker does not have instructions from the beneficial owner or discretionary authority (or declines to exercise discretionary authority) with respect to those other matters. If a quorum is not present, the chairman or the holders of a majority of the shares of common stock present in person or by proxy at the annual meeting may adjourn the meeting, without notice other than an announcement at the meeting, until the required quorum is present.

Q: If my broker holds my shares in “street name,” will my broker automatically vote my shares for me?

Under the rules of the New York Stock Exchange, if your broker holds your shares in its name and you do not instruct your broker how to vote, your broker will nevertheless have discretion to vote your shares on our sole “routine” matter – the ratification of the appointment of our independent registered public accounting firm. Your broker will not have discretion to vote on any of the other proposals, absent direction from you, because they are considered “non-routine” matters. It is therefore very important that you vote your proxy or voting instruction card so that your vote can be counted.

Q: What vote is required for the passage of each of the proposals up for consideration at the annual meeting?

Provided a quorum is present, directors are elected by a plurality of the votes represented at the meeting and voted for nominee(s) in the election. Broker non-votes will not affect the outcome of the voting on the election, and a proxy marked “withhold” with respect to a director nominee will result in such director nominee’s receiving fewer “FOR” votes. However, our Corporate Governance Guidelines provide that any nominee for director in an uncontested election who receives a greater number of votes “withheld” from his or her election than votes “for” such election shall, promptly following the certification of the voting results for such election, tender his or her offer of resignation for consideration by our Nominating and Corporate Governance Committee. For additional details regarding this policy, please see “Corporate Governance Guidelines—Director Resignation Policy,” below. The affirmative vote of the majority of shares represented at the meeting and voting on the proposal will determine the outcome of the advisory vote on executive compensation and the ratification of our independent registered public accounting firm. For each of these proposals, abstentions and broker non-votes will have no effect on the outcome of the vote.

Q: Who will count the votes?

A: Representatives of Broadridge will tabulate the votes.

Q: What shares are reflected on my proxy card?

The shares listed on your proxy card represent, as of the record date, all the shares of Kraton common stock held in your name, as distinguished from shares held by a broker in “street” name. You should receive a separate voting instruction card from your broker if you hold shares in “street” name.

Q: What is Kraton’s contact information for purposes of the proxy solicitation?

You can contact us by mail sent to the attention of The Corporate Secretary at our principal executive offices located at 15710 John F. Kennedy Boulevard, Suite 300 Houston, Texas 77032. You can call us by dialing 281-504-4700. You can access our proxy materials online at [www.proxyvote.com](http://www.proxyvote.com).

## PROPOSAL 1—ELECTION OF CLASS III DIRECTORS

Our board is presently comprised of nine directors, divided into three classes, designated as Class I, Class II and Class III, each serving staggered three-year terms.

The board has nominated for re-election Steven J. Demetriou, Kevin M. Fogarty and Karen A. Twitchell, as Class III directors, to serve until their respective successors are duly elected and qualified at the annual meeting of stockholders held in 2018 or their earlier death, resignation or removal. Each nominee is currently a director of Kraton.

Each of Messrs. Demetriou and Fogarty and Ms. Twitchell has consented to being named in this proxy statement and to serving as director if elected at the Annual Meeting. If for any reason, any of Messrs. Demetriou and Fogarty or Ms. Twitchell becomes unable or unwilling to serve at the time of the Annual Meeting, the board may reduce the size of the board accordingly, or the persons named as proxies in the proxy will have the authority to vote for substitute nominees. We do not anticipate that any nominee named in the proxy statement will be unable or unwilling to serve. The board has determined that Mr. Demetriou and Ms. Twitchell are independent under the listing standards of the NYSE. Mr. Fogarty, our President and Chief Executive Officer, is not independent under the NYSE listing standards. The board recommends that stockholders vote “FOR” each of the company’s nominees for Class III Director.

### Biographical Information

Set forth below is a brief biography of Messrs. Demetriou and Fogarty and Ms. Twitchell and all other members of the board of directors who will continue in office. In addition, set forth below is a biography of each of our executive officers who is not a director. Where applicable, the date a director joined our board refers to the date the director joined Polymer Holdings LLC, which converted into Kraton Performance Polymers, Inc. in connection with our initial public offering in December 2009.

Also included below following each biography is a brief discussion of the specific experience, qualifications, attributes or skills that led our Nominating and Corporate Governance Committee to conclude that the applicable director should serve on our board at this time. In addition to those criteria discussed below, each of our nominees and directors meets the requirements of applicable law and NYSE listing standards, is judged by the committee to be a person of high character and integrity, and serves our goal of having a well-rounded board, including our consideration of principles of diversity. For a further discussion of the guidelines and qualifications our Nominating and Corporate Governance Committee considers, please see “Corporate Governance—Director Nominations,” below.

### Nominees for Election as Class III Directors: Term Expiring 2018

**Steven J. Demetriou.** Mr. Demetriou, age 56, was named a director of our principal operating subsidiary Kraton Polymers LLC in December 2004 and as a director of Kraton Performance Polymers, Inc. in September 2009.

Mr. Demetriou is currently the Chairman and Chief Executive Officer of Aleris International, Inc., a global leader in the production and sale of aluminum rolled and extruded products, recycled aluminum, and specifications alloy manufacturing, a position he has held since 2004. Previously, Mr. Demetriou was appointed President and Chief Executive Officer of Commonwealth Industries, Inc. (a predecessor by merger to Aleris) in June 2004, after serving as a member of that company’s board of directors from 2002. Before joining Commonwealth in 2004, Mr. Demetriou was Chief Executive Officer of Noveon, Inc. Before that, from 1999 to 2001, he was Executive Vice President of IMC Global Inc. From 1997 to 1999, Mr. Demetriou held various leadership positions with Cytec Industries Inc., a specialty chemicals company. From 1981 to 1997, he served in management positions with ExxonMobil Corporation. Mr. Demetriou is a director of OM Group, Inc. During the past five years, he served on the board of directors of Foster Wheeler AG. He has a B.S. degree in chemical engineering from Tufts University.

Mr. Demetriou has business leadership experience at the highest levels, is currently serving as the Chairman and CEO of Aleris International, and has prior CEO experience before his tenure at Aleris. He has significant experience in the specialty chemicals industry and a chemical engineering background, together with substantial public company board experience. Mr. Demetriou also has a longstanding tenure on our board, which provides an institutional knowledge base that is beneficial to the board as a whole.

**Kevin M. Fogarty.** Mr. Fogarty, age 49, was named a director of our principal operating subsidiary Kraton Polymers LLC in January 2008 and as a director of Kraton Performance Polymers, Inc. in September 2009. Mr. Fogarty was appointed our President and Chief Executive Officer in January 2008. Prior to being appointed President and Chief Executive Officer, Mr. Fogarty served as our Executive Vice President of Global Sales and Marketing from June 2005. Mr. Fogarty joined us from Invista, where he had served as President for Polymer and Resins since

May 2004. For the 13 years prior to his most recent position with Invista, Mr. Fogarty held a variety of roles within the Koch Industries, Inc. family of companies, including KoSa.

Mr. Fogarty serves on the board of directors of P. H. Glatfelter Company. Mr. Fogarty earned a B.S. degree in engineering from Dalhousie University, formerly known as the Technical University of Nova Scotia.

The Nominating and Corporate Governance Committee believes the CEO should serve on our board. As the CEO of our company, Mr. Fogarty sets the strategic direction of our company under the guidance of the board and provides valuable insight to the board into the day to day business issues facing our company. Mr. Fogarty has extensive sales, marketing and leadership experience in the chemical industry, including experience in the specialty chemicals business, and has broad international business experience. His strong chemical company expertise in marketing is of particular value to our board. In addition, Mr. Fogarty has high-level leadership experience in several prior positions. Karen A. Twitchell. Ms. Twitchell, age 59, was named a director of our principal operating subsidiary Kraton Polymers LLC and Kraton Performance Polymers, Inc. in December 2009. From 2010 to 2013, Ms. Twitchell served as the Executive Vice President and Chief Financial Officer of Landmark Aviation, a fixed base operator in the aviation industry. Previously, Ms. Twitchell was a Vice President and Treasurer of LyondellBasell Industries and Lyondell Chemical Company from 2001 to 2009. Prior to that, she served as a Vice President and Treasurer of Kaiser Aluminum Corporation and Southdown, Inc. Before joining Southdown, Ms. Twitchell was an investment banker with Credit Suisse First Boston in its corporate finance department. Ms. Twitchell serves on the board of directors of KMG Chemicals, Inc., where she is Chair of the Audit Committee. Ms. Twitchell holds a B.A. in economics from Wellesley College and an M.B.A. from Harvard University.

Ms. Twitchell has broad experience in financial management and corporate finance, including investment banking, treasury and investor relations. She draws on her experience as a chief financial officer to assist in the oversight of the financial management of Kraton by its management team. Ms. Twitchell also has extensive chemical industry experience and approximately 30 years' experience in senior corporate positions. She also has experience in enterprise risk management through her board and management positions.

Incumbent Class I Directors: Term Expiring 2016

Anna C. Catalano. Ms. Catalano, age 55, was named a director in September 2011. Ms. Catalano served in various capacities for BP plc, and its predecessor Amoco, from 1979 until her retirement in 2003, including from 2000 to 2003, as Group Vice President, Global Marketing, for BP plc. Ms. Catalano currently serves on the boards of directors of Willis Group Holdings plc, Mead Johnson Nutrition Company and Chemtura Corporation, and during the past five years, she previously served on the boards of directors of Hercules Incorporated, SSL International plc and U.S. Dataworks, Inc. Ms. Catalano also serves as an advisory board member of Edelman Berman as well as the Kellogg Innovation Network of Northwestern University and serves on the national board of the Alzheimer's Association. Ms. Catalano received her B.S. in marketing and business administration from the University of Illinois and is a graduate of the Indiana University Graduate School of Business, Executive Partnership Program.

Ms. Catalano has international business experience and demonstrated executive leadership abilities. Her marketing and communications experience is highly valued by our board of directors and complementary to the skill sets of our board members. Ms. Catalano has extensive experience in Asia, having served as President of Amoco Orient Oil Company and also having lived in Beijing for two years. In particular, Ms. Catalano has experience in China, which is valuable to our board, and is fluent in Mandarin. Ms. Catalano has served on the boards of a diverse group of public companies and, therefore, brings a wealth of knowledge on corporate governance, executive compensation and board function that is beneficial to the functioning of our board of directors.

Barry J. Goldstein. Mr. Goldstein, age 72, was named a director of our principal operating subsidiary Kraton Polymers LLC in May 2008 and as a director of Kraton Performance Polymers, Inc. in September 2009. Mr. Goldstein retired as Executive Vice President and Chief Financial Officer of Office Depot, Inc. in October 2000, which he first joined as Chief Financial Officer in May 1987. Mr. Goldstein was previously with Grant Thornton from 1969 through May 1987, where he was named a Partner in 1976. Mr. Goldstein is a director of Stock Building Supply Holdings, Inc. and Generac Holdings, Inc. During the past five years, Mr. Goldstein served on the board of directors of Interline Brands, Inc. and Noble Environmental Power, LLC. He received a B.S. degree in economics from the Wharton School at the University of Pennsylvania.

Mr. Goldstein has public company accounting experience at the highest levels, having served as the Chief Financial Officer of Office Depot for 13 years, having been a partner in a major public accounting firm for over a decade, and having served as the chairman of six audit committees, four of them for public companies. Mr. Goldstein also has

strong corporate finance experience and demonstrated business leadership experience. Mr. Goldstein has served on the boards of directors of seven companies, four of them public, and the board values his experience in matters of corporate governance.

Dan F. Smith. Mr. Smith, age 68, was named a director and Chairman of our principal operating subsidiary Kraton Polymers LLC in February 2008 and as a director of Kraton Performance Polymers, Inc. in September 2009. He began his

career with ARCO (Atlantic Richfield Company) in 1968 as an engineer. He was elected President of Lyondell Chemical Company in August 1994, Chief Executive Officer in December 1996, and Chairman of the Board of Directors in May 2007. Mr. Smith retired in December 2007 as Chairman, President and Chief Executive Officer of Lyondell Chemical Company following the acquisition of Lyondell by Basell. Mr. Smith also served as Chief Executive Officer of Equistar Chemicals, LP from December 1997 through December 2007 and as Chief Executive Officer of Millennium Chemicals Inc. from November 2004 until December 2007. Equistar and Millennium are wholly-owned subsidiaries of Lyondell. Mr. Smith is a director of Northern Tier Energy LLC and Orion Engineered Carbons, S.A. During the past five years, Mr. Smith served on the board of directors of Cooper Industries plc. He also serves as a member of the College of Engineering Advisory Council at Lamar University. Mr. Smith is a graduate of Lamar University with a B.S. degree in chemical engineering.

Mr. Smith has a long and distinguished career in the chemical industry and is widely recognized as an expert in the field. He has extensive executive experience at the highest levels, including several years of service as the Chief Executive Officer of a major chemical company. Mr. Smith has extensive international business experience, together with a chemical engineering and manufacturing background that is of value to the board. Mr. Smith remains active in the chemical industry, having served on the boards of several public and private companies, including as Chairman of the Board, and the board values this diverse business and corporate governance experience.

Incumbent Class II Directors: Term Expiring 2017

Dominique Fournier. Mr. Fournier, age 64, was named a director in February 2012. Mr. Fournier retired in December 2011 as Chief Executive Officer of Infineum International Limited, a joint venture specialty chemical company owned by Shell and ExxonMobil. Mr. Fournier first joined Infineum as its Chief Executive Officer in January 2005. He was previously with ExxonMobil (and its predecessor Exxon) from 1976 to 2004, where he served in various positions in the company's chemical businesses from manufacturing to marketing to senior leadership positions, including AIB Vice President, from 1998 to 2004 and Managing Director – Exxon Chemical France, from 1996 to 1997. Mr. Fournier has a mechanical engineering degree from l'Ecole des Mines de Saint-Etienne in Paris, France.

Mr. Fournier has extensive experience in all aspects of the chemical business, including manufacturing, marketing and executive management, which expertise is of value to our board. Mr. Fournier has experience in the specialty chemicals business, including at the senior executive level, and has familiarity with Kraton by virtue of commercial relationships established prior to his retirement. Mr. Fournier's international business experience, including in Asia, is of value to the board, and the board also values the geographical diversity Mr. Fournier, a French national, brings to the board.

John J. Gallagher III. Mr. Gallagher, age 51, was named a director in July 2011. Mr. Gallagher is the Chief Operating Officer - Melt Delivery & Control Systems / Fluid Technologies / Finance and Shared Services of Milacron LLC, a leading supplier of plastics processing equipment, technologies and services. Previously, Mr. Gallagher served as Chief Executive Officer of Stellar CJS Holdings, LLC, a privately held investment company formed in 2009. Prior to his service with Stellar CJS, Mr. Gallagher served in various senior executive capacities with Celanese Corporation from 2005 until 2009, including as Executive Vice President and President, Acetyls and Celanese Asia, from 2007 to 2009, and Executive Vice President and Chief Financial Officer of Celanese Corporation, from 2005 to 2007. Prior to his service with Celanese, Mr. Gallagher served in several executive positions with Great Lakes Chemical Corp., including acting Chief Executive Officer, CFO and Senior Vice President, Global Supply Chain. Prior to that time, Mr. Gallagher was Vice President and CFO of UOP, LLC, a leading international supplier and licensor for the petroleum refining, gas processing, petrochemical production and major manufacturing industries, from 1999 to 2001; served in varying capacities at AlliedSignal, Inc., including CFO, Bendix Commercial Vehicle Systems Division, from 1995 to 1999; and worked for the public accounting firm Price Waterhouse, LLP, from 1986 to 1995.

Mr. Gallagher has a B.S. in accounting from the University of Delaware and is a certified public accountant.

Mr. Gallagher has extensive experience in the chemical industry that is of value to our board. In addition, he has executive experience at the highest levels and international business experience, including in Asia. Mr. Gallagher has corporate finance expertise, public company accounting experience and financial reporting expertise, including as a chief financial officer.

Francis S. Kalman. Mr. Kalman, age 67, was named a director in July 2011. Mr. Kalman served as Executive Vice President of McDermott International, Inc. from February 2002 until his retirement in February 2008, and as Chief

Financial Officer from February 2002 until April 2007. From March 2000 to February 2002, he was Senior Vice President and Chief Financial Officer of Vector ESP, Inc. From April 1999 to March 2000, he was a principal of Pinnacle Equity Partners, LLC. From February 1998 to April 1999, he was Executive Vice President and Chief Financial Officer of Chemical Logistics Corporation. From May 1996 to September 1997, he was Senior Vice President and Chief Financial Officer of Keystone International, Inc. Mr. Kalman currently serves as a senior advisor to a private investment subsidiary of Tudor, Pickering, Holt & Co., LLC, which specializes in direct investments in upstream, oilfield service and midstream companies. Mr. Kalman is a director and serves on

the audit committees of CHC Group Ltd., Ensco plc, and Weatherford International, plc. Our board of directors has affirmatively determined that such simultaneous service on the audit committees of more than three public companies would not impair the ability of Mr. Kalman to serve on our audit committee. During the past five years, he previously served on the board of directors of Pride International, Inc. He has a B.S. degree in Accounting from Long Island University.

Mr. Kalman has 30 years' experience in accounting, auditing and financial reporting for global enterprises, including serving as chairman of a public company audit committee. He has executive leadership experience and experience in strategic planning for international businesses. Mr. Kalman's accounting, financial reporting and international business experience provide depth to our audit committee and to our board as a whole. Mr. Kalman has also served on multiple public and private company boards of directors, providing valuable expertise in matters of corporate governance.

#### Information Regarding Executive Officers Who Are Not Directors

##### Biographical Information

Set forth below is a brief biography of each of our executive officers who is not a director.

**Damian T. Burke.** Mr. Burke, age 43, was appointed Vice President of Corporate Development in 2011. Mr. Burke joined Kraton from Oldcastle, the North American subsidiary of CRH plc, where he was a Senior Vice President for Development and Strategy from 2005 to 2011. Prior to Oldcastle, Mr. Burke was a consultant at Bain & Company. He started his career at ExxonMobil, serving in a variety of roles in Europe and the United States. Mr. Burke earned a Master's degree in chemical engineering from University College London and an MBA from the Wharton School of the University of Pennsylvania.

**Melinda S. Conley.** Ms. Conley, age 49, our Vice President, Chief Human Resources Officer, was appointed as our principal human resources officer in May 2012. Prior to joining Kraton, from 2006 to 2011, Ms. Conley served in various capacities; including Vice President, Total Rewards for Dean Foods, a multi-billion dollar publicly-traded food and beverage company, with responsibility for all compensation and benefits. Prior to that role, she served as Vice President, Human Resources, where she was responsible for all aspects of human resources within the largest division. Ms. Conley previously held multiple human resources positions within the United States and England, with increasing responsibility, at companies including Capital One Financial Corporation, Monsanto Corporation, AlliedSignal, and Ford Motor Company. In addition, she practiced litigation at the firm of Figari & Davenport. Ms. Conley earned a B.A. in Speech Communication and an M.A from the School of Labor and Employment Relations at the University of Illinois at Urbana-Champaign, and received her J.D. from Southern Methodist University.

**Lothar P. F. Freund.** Dr. Freund, age 55, our Senior Vice President, Chief Technology Officer was appointed our principal technology officer in 2005. He is responsible for Kraton's global R&D programs and technical service as well as the implementation of the company-wide innovation process. Dr. Freund joined us from Koch Industries, where he served from 1989 in a variety of operating and technical positions in the polyester businesses acquired from Hoechst in 1998, most recently as the manufacturing and technology director of the PET & Nylon Polymer business of Invista, a Koch subsidiary. Dr. Freund holds a Master's Degree and a Ph.D. in polymer chemistry from the University of Marburg in Germany.

**J. Fernando C. Haddad.** Mr. Haddad, age 51, our Vice President, Manufacturing & Supply Chain was appointed on April 6, 2015. He is responsible for Kraton's global manufacturing, supply planning, and environmental, safety, & health. Prior to joining Kraton, Mr. Haddad worked as the Global Manufacturing & Supply Chain Director for UOP, a Honeywell Company, from 2013 to 2014. Prior to Honeywell, he spent 19 years with Dow Corning, where he held increasingly more senior manufacturing and supply chain leadership positions, including Global Operations Director for the Silicon Metal Business from 2009 to 2013. Mr. Haddad holds a Bachelor of Science degree in Chemical Engineering from the State University of Campinas (Brazil) and an MBA from Faculdade Getulio Vargas (Brazil).

**Holger R. Jung.** Dr. Jung, age 52, our Senior Vice President, Chief Commercial Officer was appointed our principal commercial officer in 2011. He is responsible for all sales, marketing and market development activities globally for Kraton. Dr. Jung joined us from Invista, a Koch Industries subsidiary, where he held a number of positions of increasing responsibility, serving most recently since 2008 as Vice President of Invista's North American Polyester & Intermediates business, overseeing the successful sale of that business to Indorama in 2011. Dr. Jung commenced his employment with Hoechst AG in 1990 prior to the sale of Hoechst's polyester businesses to Koch in 1998, in positions



including research and development chemist, technical service manager, and positions with oversight for quality management, strategic planning, and for the marketing and sales functions of KoSa's European Polyester Specialty Polymer Business. Dr. Jung holds a Ph.D. in polymer chemistry from the University of Marburg in Germany. James L. Simmons. Mr. Simmons, age 49, was named Vice President, General Counsel and Corporate Secretary in December 2014. Mr. Simmons joined Kraton in January 2010 and served in various capacities in Kraton's legal department,

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including most recently as Deputy General Counsel and Assistant Secretary. From 2004 to 2010, Mr. Simmons served in a number of roles, with increasing responsibilities, in the legal department of HCC Insurance Holdings, Inc., including as Vice President & Corporate Secretary from 2007 to 2010. Mr. Simmons previously was an associate with Haynes and Boone, LLP, from 2000 to 2004, and Porter & Hedges LLP, from 1998 to 2000, practicing in the areas of general corporate representation of public and private companies. Mr. Simmons earned B.A. and M.A. degrees from Stephen F. Austin State University and his J.D. degree from the University of Houston Law Center.

Stephen E. Tremblay. Mr. Tremblay, age 56, our Executive Vice President and Chief Financial Officer was appointed our principal financial officer in 2008. From 1997 to 2007, Mr. Tremblay held various financial positions, including Chief Financial Officer, at Vertis, Inc., a provider of print advertising and media technology. Mr. Tremblay held senior finance positions at Wellman, Inc., a provider of polyester fiber and resins, from 1990 to 1997 and was a member of the accounting and auditing practice at Ernst & Young LLP, from 1983 to 1990. Mr. Tremblay earned a B.S. degree in business administration from Bryant University and is a certified public accountant.

## CORPORATE GOVERNANCE

### Our Board of Directors

#### Board Composition

Our board of directors is comprised of nine members. The exact number of members of our board of directors will be determined from time to time by resolution of a majority of our full board of directors, but may at no time consist of fewer than three members. Our board of directors is divided into three classes, with each director serving a three-year term and one class being elected at each year's annual meeting of stockholders.

Ms. Catalano and Messrs. Goldstein and Smith serve as Class I directors (term expiring in 2016). Messrs. Fournier, Gallagher and Kalman serve as Class II directors (term expiring in 2017). Messrs. Demetriou and Fogarty and Ms. Twitchell are nominees to serve as Class III directors (term expiring in 2018).

#### Meetings and Attendance

Our board of directors met 15 times during 2014, and acted on other occasions by written consent. During the last full fiscal year, no incumbent director attended fewer than 75 percent of the aggregate of the total number of meetings of the board of directors (held during the period for which he or she has been a director) and the total number of meetings held by all committees of the board on which he or she served (during the periods that he or she served).

#### Board Leadership Structure

Our board believes it is preferable at this time for one of our independent directors to serve as Chairman of the Board. Therefore, we separate the roles of Chairman of the Board and Chief Executive Officer. Our Chairman of the Board leads the board's oversight of the management of the company and presides at meetings of the board of directors and the stockholders. Our Chief Executive Officer is responsible for implementing the policies adopted by the board and exercising general superintendence over all the business and affairs of the company. We believe our leadership structure is appropriate for our company because our independent Chairman, Mr. Smith, can bring his extensive experience in the petrochemical industry, and in executive management generally, to bear on matters relating to our board's oversight of our execution of our strategy, while Mr. Fogarty is able to use his extensive experience in the chemical industry and knowledge of the day-to-day operations of our business to focus his abilities on executing that strategy.

#### Board Role in Risk Oversight

Our executive management is responsible for managing the risks inherent in our business, and our board of directors oversees our executive team in the execution of its risk management function. To assist in this oversight function, our board of directors has overseen the development of the company's risk management process. Management identifies and assesses the risks inherent in the business based on the likelihood of the risk occurring and the consequence to the company if the risk were to be realized. Annually, internal audit conducts a risk assessment to assist management in the identification and assessment of risks. The risks are communicated to the management of the company followed by a meeting of the senior leadership of the company to evaluate the results and identify the most significant risks facing the company. Executive management manages the significant risks identified through their monthly evaluation of the company's business goals and objectives as well as through a quarterly evaluation of key strategic and functional risks. Each year an annual risk assessment is presented to the board of directors identifying the significant risks, including a description of any mitigating controls in place and/or further mitigating actions that might be required. Further, the board or audit committee receives interim reports on emerging risks as they occur.

#### Executive Sessions of the Board of Directors

Our non-management directors, all of whom are independent under NYSE listing standards, meet regularly in executive session. Mr. Smith, as the non-management Chairman of the Board, serves as the presiding director at each executive session.

#### Communications with Directors

Our board of directors has established procedures by which our stockholders and other interested parties may communicate with any member of our board of directors, the chairman of any of our board committees or with our non-management directors as a group by mail addressed to the applicable directors or director group, in the care of: Corporate Secretary, Kraton Performance Polymers, Inc., 15710 John F. Kennedy Boulevard, Suite 300, Houston, Texas 77032. Such communications should specify the intended recipient or recipients. All such communications, other than unsolicited commercial solicitations, will be forwarded to the appropriate director, or directors, for review.



#### Board Attendance at the Annual Meeting

We encourage our directors to attend our annual meeting, but their attendance is not required. All of our directors attended the 2014 Annual Meeting of Stockholders.

#### Corporate Governance Guidelines

We are committed to having sound corporate governance practices that maximize stockholder value in a manner consistent with legal requirements and the standards of integrity. In that regard, our board has adopted guidelines that provide a framework for the governance of our company. In addition, we periodically review these guidelines and regularly monitor developments in the area of corporate governance. Our Corporate Governance Guidelines are posted under the Corporate Governance portion of the Investor Relations section on our website at [www.kraton.com](http://www.kraton.com) and are also available to any stockholder upon request.

#### Director Resignation Policy

We have adopted a director resignation policy to recognize principles associated with majority voting for directors. Our Corporate Governance Guidelines provide that any nominee for director in an uncontested election who receives a greater number of votes “withheld” from his or her election than votes “for” such election shall, promptly following the certification of the voting results for such election, tender his or her offer of resignation for consideration by our Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee will recommend to the board whether to accept the offered resignation or other action to be taken, and the board will act on the offered resignation within 90 days following the certification of voting results for such election and promptly thereafter disclose publicly its decision regarding the offered resignation, and, if applicable, the reasons for rejecting the resignation offer. The Nominating and Corporate Governance Committee and the board may consider any factors and alternatives they deem appropriate in making their recommendation or decision, as the case may be. Any director who is required to tender his or her offer of resignation pursuant to these provisions will not participate in the Nominating and Corporate Governance Committee recommendation or board action regarding such offered resignation. In the event that each member of the Nominating and Corporate Governance Committee failed to receive the required vote in favor of his or her election, then those independent directors who did not receive a majority withhold vote would appoint a committee amongst themselves to consider the resignation offers and recommend to the board whether to accept them.

#### Independence

Our board has determined that each of our non-management directors is independent under the listing standards of the NYSE, and references in this proxy statement to these directors as “independent directors” are in that capacity.

Mr. Fogarty is not considered to be an independent director for these purposes because he is our President and Chief Executive Officer.

The NYSE listing standards include objective tests that can disqualify a director from being treated as independent, as well as a subjective element, under which the board must affirmatively determine that each independent director has no material relationship with us, either directly or as a partner, stockholder or officer of an organization that has a relationship with us. In making its subjective determination that each non-employee director is independent, the board reviewed and discussed information provided by the directors with regard to each director’s business and personal activities as they may relate to our company and management. The board also considered the information in the context of the NYSE’s objective listing standards, as well as the types of relationships addressed in the NYSE listing standards and disclosure rules of the SEC regarding transactions with related parties.

As part of its analysis to determine director independence, the board considered the ongoing commercial relationship between Infineum International Limited, and other Infineum group companies, from which Mr. Fournier retired as CEO in December 2011, and Kraton. The Infineum group is a joint venture between Shell and ExxonMobil that makes products for the lubricant additives business. Infineum USA LP (an affiliate of Infineum International Limited and part of the Infineum group of companies) owns a portion of the hydrogenated styrenic block copolymer, or HSBC, capacity at our Belpre, Ohio, manufacturing facility. Under a facility sharing agreement that terminates in 2030, we operate Infineum USA’s share of the HSBC assets to manufacture a line of products for Infineum, and Infineum is entitled to a portion of the HSBC capacity at Belpre. In addition, Infineum group companies are customers and purchase additional products from us. After considering the foregoing, the board made a subjective determination as contemplated by NYSE listing standards that, in light of the fact that Mr. Fournier was not disqualified under the

objective independence tests under the NYSE listing standards and that Mr. Fournier does not have any ownership interest in, or receive any compensation from, Infineum, Mr. Fournier did not have any relationships that, in the opinion of the board, would impair his independence under the NYSE listing standards.

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## Committees of the Board of Directors

We currently have four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Executive Committee. The charters for each of these committees can be found in the “Investor Relations” section of our website located at [www.kraton.com](http://www.kraton.com). The information on our website is not incorporated into, or a part of, this proxy statement.

Our committee composition is as follows:

| Director              | Audit Committee | Compensation Committee | Nominating and Corporate Governance Committee | Executive Committee |
|-----------------------|-----------------|------------------------|---|---------------------|
| Anna C. Catalano      |                 | X                      |   |                     |
| Steven J. Demetriou   |                 | X†                     | X   |                     |
| Kevin M Fogarty       |                 |                        |   | X                   |
| Dominique Fournier    |                 |                        | X†  | X                   |
| John J. Gallagher III | X†              |                        | X   |                     |
| Barry J. Goldstein    | X               |                        | X   |                     |
| Francis S. Kalman     | X               |                        |   |                     |
| Dan F. Smith          |                 | X                      |   | X†                  |
| Karen A. Twitchell    | X               | X                      |   |                     |
| Committee Chair       |                 |                        |   |                     |
| Audit Committee       |                 |                        |   |                     |

Our Audit Committee consists of Messrs. Gallagher (Chair), Goldstein and Kalman and Ms. Twitchell. Our board of directors has affirmatively determined that Messrs. Gallagher, Goldstein and Kalman and Ms. Twitchell meet the definition of “independent director” for purposes of serving on an audit committee under applicable SEC rules and NYSE listing standards. In addition, our board of directors has determined that each of Messrs. Gallagher, Goldstein and Kalman and Ms. Twitchell qualifies as an “audit committee financial expert.” The Audit Committee met nine times during 2014.

The Audit Committee is responsible for, among other things:

- selecting and hiring our independent registered public accounting firm, and pre-approving the audit and non-audit services to be performed by our independent registered public accounting firm;
- reviewing the performance and independence of our external auditors;
- reviewing the performance and qualifications of our internal auditors;
- discussing the scope and results of the audit with the independent registered public accounting firm and reviewing with management and our independent registered public accounting firm our interim and year-end operating results;
- reviewing the adequacy and effectiveness of our internal control policies and procedures;
- preparing the Audit Committee report required by the SEC to be included in our annual proxy statement;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
- setting policies regarding the hiring of current and former employees of our independent registered public accounting firm;
- reviewing or discussing types of information to be disclosed in earnings press releases and provided to analysts and rating agencies;

- establishing procedures for receipt, retention and treatment of complaints received by the company regarding accounting or internal controls and the submission of anonymous employee concerns regarding accounting;
- reviewing with our general counsel and other appropriate legal staff material legal affairs and our compliance with applicable law and listing standards;
- reviewing our policy with respect to related party transactions and approving or rejecting proposed related party transactions;
- provide oversight of the liquidity and corporate finance activities of the company; and
- undertaking such other tasks delegated to the committee by the board of directors, including matters relating to risk oversight.

#### Compensation Committee

Our Compensation Committee consists of Ms. Catalano, Mr. Demetriou (Chair), Mr. Smith and Ms. Twitchell. Our board of directors has determined that all the committee members are independent for purposes of applicable NYSE listing standards. The Compensation Committee met five times in 2014.

The Compensation Committee is responsible for, among other things:

- engaging, compensating, evaluating and retaining or terminating compensation advisors, including any independence determinations with respect thereto;
- evaluating and addressing any compensation consultant conflicts of interest;
- reviewing and approving corporate goals and objectives relevant to compensation of our executive officers and other members of management;
- determining the compensation of our executive officers and management;
- approving, when appropriate, changes to our compensation philosophy and objectives;
- evaluating our overall compensation and benefits programs;
- advising the board of directors with respect to the compensation and perquisites of our directors;
- overseeing our executive talent development;
- making recommendations to our board with respect to the establishment and terms of incentive compensation and equity-based plans and administering such plans;
- reviewing and discussing with management, prior to the filing of the proxy statement, the disclosure prepared regarding executive compensation, including the Compensation Discussion and Analysis and the compensation tables (in addition to preparing a report on executive compensation for the proxy statement); and
- undertaking such other tasks delegated to the committee by the board of directors, including matters relating to risk oversight.

Under its charter, our Compensation Committee may delegate any of its responsibilities to one or more subcommittees comprised of one or more members of the Compensation Committee. Without limiting the foregoing, the Compensation Committee may establish a committee comprised of our officers, directors or employees to administer defined benefit and other pension plans as may be provided in plan documentation or otherwise.

See “Compensation Discussion and Analysis,” below, for information on our process and procedures for determining 2014 executive officer compensation.

#### Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of Messrs. Demetriou, Fournier (Chair), Gallagher and Goldstein. Our board of directors has determined that all of the committee members are independent for purposes of applicable NYSE listing standards. The Nominating and Corporate Governance Committee met five times in 2014.



The Nominating and Corporate Governance Committee is responsible for, among other things:  
• assisting our board of directors in identifying prospective director nominees, and recommending nominees to our board of directors;

• reviewing, developing and recommending governance principles applicable to our board of directors;

• overseeing the evaluation of our board of directors; and

• recommending members for each committee of our board of directors.

#### Executive Committee

Our Executive Committee consists of Messrs. Fogarty, Fournier and Smith (Chair). The Executive Committee did not meet in 2014.

Subject to the limitations specified in the committee's charter, by Delaware law and in our certificate of incorporation and bylaws, the purpose and responsibility of the committee is to act, between meetings of the board, concerning matters arising with respect to the company when, due to an emergency or crisis situation, a meeting of the full board cannot be convened in a timely manner and with respect to such other matters as may be delegated to the committee by the board.

#### Director Nominations

Our Nominating and Corporate Governance Committee identifies director candidates through the recommendations of directors, management and stockholders. The committee commences its process by evaluating the needs of the board going forward and then considering those directors who wish to continue to serve on the board. Then, if necessary, the committee seeks out additional candidates for board service.

The committee evaluates all director nominees, regardless of the person or firm recommending such candidate and all incumbent directors being considered for re-nomination according to established criteria, approved by the board, for selecting nominees to stand for election as directors. The committee considers all director candidates in light of the entirety of their credentials and other relevant considerations, including the quality and quantity of information about the candidate made available to the committee.

The committee is also authorized to retain search firms to identify and evaluate candidates, including for purposes of performing background reviews of potential candidates. The committee provides guidance to search firms it retains about the particular qualifications the board is then seeking.

In compliance with our Nominating and Corporate Governance Committee's charter, our board has established guidelines for nominees selected to serve on our board of directors. Generally, these include:

- the nominee's ability to meet any requirements of applicable law;
- the nominee's ability to meet any requirements of NYSE listing standards;
- the nominee's character and integrity;
- the nominee's history in matters of compliance;
- the nominee's ability to represent the interests of all stockholders;
- the nominee's business experience;
- the nominee's specific areas of expertise;
- the composition of the board as a whole; and
- principles of diversity.

In addition, our board has also determined that nominees to serve on our board should exhibit exemplary qualifications in one or more of the following areas:

- business leadership experience, especially at the highest executive levels;
- financial reporting experience, especially as it relates to public companies;
- corporate finance experience;
- experience in the chemical industry;
- expertise in marketing; and/or
- international business experience.

#### Diversity

Our Nominating and Corporate Governance Committee has not adopted a specific policy with respect to diversity. However, as noted above, the committee does consider principles of diversity as an important factor in evaluating nominees to recommend for service on our board. When considering diversity for the purposes of overall board composition, the committee considers diversity in a broad context, including, without limitation, race, age, sex, nationality, business experience, skills, international experience, education, other public company board experience and other relevant factors. In addition, the board considers diversity factors such as race, sex and national origin as important factors in evaluating individual nominees for board service and includes such factors as important criteria in identifying candidates for board service.

#### Stockholder Recommendations

Our Nominating and Corporate Governance Committee will consider director candidates recommended by our stockholders. Our Bylaws provide the procedures to be followed by a stockholder desiring to make a director nomination. In order for a stockholder to properly bring any item of business before a meeting of stockholders, including nominations to serve as a director, the stockholder must give timely notice to our Secretary in compliance with the requirements of our Bylaws. Stockholder notices or nominations for director should be made in writing to Corporate Secretary, Kraton Performance Polymers, Inc., 15710 John F. Kennedy Boulevard, Suite 300, Houston, Texas 77032. Please refer to the text of our Bylaws (including Section 1.12 “Notice of Stockholder Business and Nominations”), which are on file with the SEC, and “Stockholder Proposals and Nominations for 2016 Annual Meeting” in this proxy statement for additional information.

#### Compensation Committee Interlocks and Insider Participation

None of our Compensation Committee members was formerly or during 2014 an officer of or employed by us. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or our Compensation Committee. No member of our Compensation Committee had any relationship requiring disclosure under Item 404 of Regulation S-K under the Exchange Act.

#### Code of Ethics and Business Conduct

We have adopted a Code of Ethics and Business Conduct that is applicable to all of our directors, officers and other employees. The Code of Ethics and Business Conduct is posted under the Corporate Governance portion of the Investor Relations section on our website at [www.kraton.com](http://www.kraton.com) and is available to any stockholder upon request. If there are any material changes to or material waivers of the Code of Ethics and Business Conduct that apply to our CEO and/or senior financial officers, we will disclose them on our website in the same location. No information on our website or any other website is incorporated by reference into or otherwise made a part of this proxy statement.

#### Involvement in Certain Legal Proceedings

One of our directors, Mr. Demetriou, is the Chief Executive Officer of Aleris International, Inc. On February 12, 2009, Aleris International and its wholly-owned U.S. subsidiaries filed petitions for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code, in the U.S. Bankruptcy Court in the State of Delaware. On June 1, 2010, the case was concluded by the confirmation by the bankruptcy court of a final plan of reorganization.

#### Election of Officers

Our board of directors elects our officers, and our officers serve until their resignation or termination or until their successors are duly elected and qualified.

#### Certain Relationships and Related Party Transactions

Our board has adopted a written policy relating to the approval of related party transactions. Under our policy, our employees, officers and directors are encouraged to avoid entering into any transaction that may cause a conflict of interest for us. In addition, they must report any potential conflict of interest, including related party transactions, to their supervisors or our law department. Pursuant to its charter, our Audit Committee is required to evaluate each related party transaction for the purpose of making recommendations to the disinterested members of our board of directors as to whether the transactions are fair, reasonable and within our policy, and should be ratified and approved by the board.

In evaluating such proposed transactions, the Audit Committee is required to consider the relevant facts and circumstances and the controls implemented to protect our interests and the interests of our stockholders, including:

- the benefits of the transaction to our company;
- the terms of the transaction and whether they are arm's-length and in the ordinary course of our company's business;
- the direct or indirect nature of the related party's interest in the transaction;
- the size and expected term of the transaction; and
- other facts and circumstances that bear on the materiality of the related party transaction under applicable law and listing standards.

#### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers, as defined under the Exchange Act, and persons who own more than 10% of our stock to file initial reports of ownership and reports of changes in ownership of our stock with the SEC. Such executive officers, directors and stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely upon a review of the copies of such forms furnished to us and written representations from our directors and executive officers, all Section 16(a) reports applicable to our executive officers and directors and 10% beneficial owners were filed on a timely basis except that Forms 4 relating to shares withheld to cover taxes upon the vesting of restricted stock awards were not timely filed for Messrs. Abrey (vesting date May 25, 2014), Burke (vesting date August 5, 2014) and Clark (vesting date August 29, 2014) and a Form 4 relating to the grant of restricted stock to Mr. Burke on September 15, 2014 was not timely filed.

## SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Beneficial ownership of our stock is determined in accordance with the rules and regulations of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting thereof, or to dispose or direct the disposition thereof or has the right to acquire such powers within 60 days. Percentages of beneficial ownership reported below are based on 31,378,873 shares of common stock outstanding on the April 1, 2015 record date, plus, with respect to any person, the number of shares that may be acquired pursuant to stock options that are or will become exercisable by such person within 60 days. Except as disclosed in the footnotes to the table below and subject to applicable community property laws, we believe that each stockholder identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the stockholder.

Except as otherwise updated or specified in the footnotes to the table below, the following table sets forth information regarding the beneficial ownership of our common stock as of April 1, 2015 of:

- each person or group who is known by us to own beneficially more than 5% of our outstanding shares of common stock;
- each of our named executive officers;
- each of our directors and each director nominee; and
- all of our executive officers, directors and director nominees as a group.

| Name and Address of Beneficial Owner (1)  | Amount and Nature<br>of<br>Beneficial Ownership (2) | Percent of Class |
|---|---|------------------|
| Five-Percent Stockholders:  |   |                  |
| BlackRock, Inc. (3)<br>55 East 52 <sup>nd</sup> Street<br>New York, New York 10022                        | 3,873,365(4)  | 12.01%           |
| Fine Capital Partners, L.P. (5)<br>590 Madison Avenue, 27 <sup>th</sup> Floor<br>New York, New York 10022 | 3,259,787(6)  | 10.10%           |
| Frontier Capital Management Co., LLC (7)<br>99 Summer Street<br>Boston, Massachusetts 02110               | 2,176,726(8)  | 6.69%            |
| The Vanguard Group, Inc. (9)<br>100 Vanguard Boulevard<br>Malvern, Pennsylvania 19355                     | 2,159,575(10)                                       | 6.75%            |
| Point72 Asset Management, L.P. (11)<br>72 Cummings Point Road<br>Stamford, CT 06902                       | 1,764,691(12)                                       | 5.47%            |
| Directors and Named Executive Officers:   |   |                  |
| Damian T. Burke   | 52,766  | *                |
| Anna C. Catalano  | 12,907  | *                |
| Steven J. Demetriou   | 31,010  | *                |
| Kevin M. Fogarty  | 670,957   | 2.08%            |
| Dominique Fournier  | 11,664  | *                |
| Lothar P. F. Freund   | 117,068   | *                |
| John J. Gallagher III   | 22,724  | *                |
| Barry J. Goldstein  | 34,160  | *                |
| Holger R. Jung  | 79,509  | *                |
| Francis S. Kalman   | 12,724  | *                |
| Dan F. Smith  | 61,316  | *                |
| Stephen E. Tremblay   | 156,078   | *                |

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|   |           |       |
|---|-----------|-------|
| Karen A. Twitchell                              | 17,509    | *     |
| All Directors and Executive Officers as a Group | 1,416,332 | 4.39% |

\*Represents beneficial ownership of less than 1%.

- (1) Unless otherwise provided in the table, the address for the beneficial owners is 15710 John F. Kennedy Boulevard, Suite 300 Houston, Texas 77032.
- Shares shown in the table above include shares held in the beneficial owner's name or jointly with others, or in the name of a bank, nominee or trustee for the beneficial owner's account. The totals in this column include the
- (2) following shares, beneficial ownership of which the officer or director has the right to acquire within 60 days of the Record Date: Mr. Burke—33,059; Mr. Demetriou—7,400; Mr. Fogarty—487,378; Dr. Freund—93,731; Mr. Goldstein—16,651; Dr. Jung—49,965; Mr. Smith—14,801; and Mr. Tremblay—109,664.
- According to a Schedule 13G/A filed with the SEC on January 9, 2015, the subsidiaries of BlackRock, Inc. that acquired the shares are BlackRock (Luxembourg) S.A., BlackRock Advisors (UK) Limited, BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A., BlackRock International Limited, BlackRock Asset Management (Australia) Limited, BlackRock Investment Management (UK) Ltd, and BlackRock Investment Management, LLC.
- (3)
- (4) This share information was obtained from a Schedule 13G/A filed with the SEC on January 9, 2015.
- (5) According to a Schedule 13G/A filed with the SEC on February 17, 2015, Fine Capital Partners, L.P., Fine Capital Advisors, LLC and Debra Fine share voting and dispositive power over the shares reported.
- (6) This share information was obtained from a Schedule 13G/A filed with the SEC on February 17, 2015.
- (7) According to a Schedule 13G/A filed with the SEC on February 13, 2015, Frontier Capital Management Co. LLC holds sole power to vote 1,217,319 shares and sole power to dispose of 2,176,726 shares.
- (8) This share information was obtained from a Schedule 13G/A filed with the SEC on February 13, 2015.
- According to a Schedule 13G/A filed with the SEC on February 10, 2015, Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 46,249 shares of the Common
- (9) Stock outstanding of the company as a result of its serving as investment manager of collective trust accounts.
- Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 2,300 shares of the Common Stock outstanding of the company as a result of its serving as investment manager of Australian investment offerings.
- (10) This share information was obtained from a Schedule 13G/A filed with the SEC on February 10, 2015.
- According to a Schedule 13G/A filed with the SEC on February 8, 2015, Point72 Asset Management, Point72 Capital Advisors Inc., Cubist Systematic Strategies, Rubric Capital Management and Steven A. Cohen own directly no shares. Pursuant to an investment management agreement, Point72 Asset Management maintains investment and voting power with respect to the securities held by certain investment funds it manages. Point72 Capital Advisors Inc. is the general partner of Point72 Asset Management. Pursuant to an investment management agreement, Cubist Systematic Strategies maintains investment and voting power with respect to the securities held by certain investment funds it manages. Pursuant to an investment management agreement, Rubric
- (11) Capital Management maintains investment and voting power with respect to the securities held by certain investment funds it manages. Mr. Cohen controls each of Point72 Capital Advisors Inc., Cubist Systematic Strategies and Rubric Capital Management. By reason of the provisions of Rule 13d-3 of the Exchange Act, each of (i) Cubist Systematic Strategies and Mr. Cohen may be deemed to beneficially own 5,170 Shares (constituting less than 0.1% of the Shares outstanding); and (ii) Rubric Capital Management and Mr. Cohen may be deemed to beneficially own 1,759,521 Shares (constituting approximately 5.4% of the Shares outstanding). Each of Point72 Asset Management, Point72 Capital Advisors Inc., Cubist Systematic Strategies, Rubric Capital Management and Mr. Cohen disclaims beneficial ownership of any of the securities covered by this statement.
- (12) This share information was obtained from a Schedule 13-G/A filed with the SEC on February 8, 2015.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

We do not directly employ our executive officers. The executives who run our company are employed by our principal operating subsidiary, Kraton Polymers LLC, and, therefore, the disclosure in this section relates to those executives. References to “our” compensation policies in this proxy statement refer to the joint policies and practices of us and Kraton Polymers LLC, and references to “our” Compensation Committee refers to both the Compensation Committees of our company and Kraton Polymers LLC. Executive officers named in the Summary Compensation Table below are referred to in this proxy statement as our “named executive officers.” This section includes information and analysis related to the compensation arrangements of our named executive officers.

#### Named Executive Officers

Our named executive officers for 2014 were:

- Kevin M. Fogarty, President and Chief Executive Officer;
- Stephen E. Tremblay, Executive Vice President and Chief Financial Officer;
- Holger R. Jung, Senior Vice President, Chief Commercial Officer
- Lothar P. F. Freund, Senior Vice President, Chief Technology Officer; and
- Damian T. Burke, Vice President of Corporate Development.

#### Executive Summary

**2014 Operating Results.** Our management achieved several significant milestones in 2014. Growth in sales in our Cariflex™ and Specialty Polymers product groups reflects continuing traction for our portfolio shift strategy. In 2014, 57% of our overall revenue was derived from innovation and differentiated product grades, up from 54% in 2013, and our Vitality Index was our highest ever at 16.6%. We also completed the first year of operations of our semi-works facility at our Belpre, Ohio, location, which has significantly expanded our polymer development capabilities.

Following the cancellation of the LCY combination, management refined a strategy for growing the business and delivering returns to stockholders, which is comprised of three elements: revitalization of organic growth, a cost reset to improve our competitive position, and the pursuit of strategic acquisitions that will complement our existing portfolio. Management has identified an initial tranche of \$18 million in cost savings it expects to realize in 2015. We continued progress in building a new, state-of-the-art HSBC plant in Mailiao, Taiwan, with an anticipated operational start date at the beginning of 2016, through our joint venture with Formosa Petrochemical Corporation. Finally, in October our board of directors approved a stock buyback program, which has resulted in a significant return to our stockholders.

Key operating results for 2014 were as follows:

• Adjusted EBITDA<sup>†</sup> was \$147.2 million or 12.0% of revenue in 2014, compared to \$140.9 million, or 10.9% of revenue in 2013, an increase of \$6.3 million or 4.5%.

• Sales volume was 305.6 kilotons in 2014, a 7.9 kiloton or 2.5% decrease from 313.5 kilotons in 2013.

• Sales revenue was \$1,230.4 million for 2014, down \$61.7 million or 4.8% compared to \$1,292.1 million in 2013.

• Excluding the effects of foreign currency, revenue decreased \$50.3 million or 3.9%.

• Net income attributable to Kraton was \$2.4 million or \$0.07 per diluted share for 2014, an increase in net income of \$3.0 million compared to a net loss of \$0.6 million or \$0.02 per diluted share for 2013.

• Adjusted net income<sup>‡</sup> attributable to Kraton was \$38.4 million or \$1.16 per diluted share in 2014 compared to \$39.2 million or \$1.20 per diluted share in 2013.

• Cash provided by operating activities for 2014 was \$29.9 million, compared to \$105.5 million in 2013.

<sup>†</sup>For a reconciliation of Net Income to Adjusted EBITDA and Adjusted Net Income, please refer to “Compensation Discussion and Analysis – Reconciliation of Adjusted Gross Profit, EBITDA, and Adjusted EBITDA.”

Elements of Compensation Paid in 2014. Material elements of compensation paid to our named executive officers in 2014 consisted of:

| Element of Compensation | Performance-Based? | Variable? | Purpose |
|-------------------------|--------------------|-----------|---------|
| Base Salary             | No                 | No        |         |