

California Transparency in Supply Chains Act of 2010

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Disclosure Statement

International Paper Company (“ International Paper”) is committed to conducting business with honesty and integrity wherever we operate around the world, treating all people with dignity and respect, and complying with all applicable laws, regulations and treaties.

We are also committed to protecting and promoting human rights globally. We do not tolerate illegal child labor, forced labor, or any use of force or other form of coercion, fraud, deception, abuse of power or other means to control people in order to exploit them. We respect international principles of human rights including, but not limited to, those in the UN Declaration of Human Rights, the Trafficking Victims Protection Act as amended, and the California Transparency in Supply Chains Act of 2010. We embody these principles and commitments in *The IP Way* and in our corporate policies, Code of Conduct and Supplier Code of Conduct (“ Supplier Code”).

We comply with the employment laws of every country in which we operate and expect those with whom we do business to do the same. In 2012, we updated our website with a Human Rights Statement, our

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Supplier Code and a revised version of our Purchase Order Terms and Conditions. These documents make our commitments more public and ensure our stakeholders know the standards we apply to ourselves and expect from all of our business partners. Additionally, starting in 2013, we began sending our Supplier Code to all International Paper suppliers – including vendors, contractors and service providers of any kind. With the Supplier Code, we also provided notification to all suppliers confirming we expected them to follow its standards – standards that were nothing new, but were now formally memorialized in the Supplier Code. This global distribution and notification process to all suppliers is now complete. Furthermore, during the past two years, we have revised all our supply agreement templates to require an affirmative commitment from suppliers to comply with our Supplier Code.

The California Transparency in Supply Chains Act of 2010 (the “ Act”) requires retail sellers and manufacturers doing business in California with over \$100 million in worldwide gross receipts to disclose their efforts to eradicate slavery and human trafficking from their direct supply chains. Accordingly, the Act requires International Paper to disclose, at a minimum, the following:

- **Verification.** Currently, International Paper routinely checks its supply chain to identify, assess and manage risks associated with suppliers. We consider product quality, supplier performance, transaction types, specific commodities we purchase, and the geographic locations from which we source commodities, along with other relevant business and legal criteria. We follow the trade laws of the United States and applicable laws of countries in which we operate, including restrictions on exports and on doing business with certain people, companies or countries. As part of its developing supply chain sustainability program, International Paper has developed a global risk mapping process based on the potential risk impact of a supplier’s non-compliance with our Supplier Code. The map incorporates a review and rank of risks related

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to the commodities and services we source, along with perceived risks of countries in which we operate based on Transparency International’s Corruption Perception Index. This global risk heat map provides overall direction for our risk focus areas. Based on it, we have made gap assessments and, in the United States, developed process maps for those areas. Using these, we have begun process enhancements to monitor for additional social responsibility risks outlined in our Supplier Code, including slavery and human trafficking risks. We continue to roll out the gap assessment process globally and are developing more specified risk assessment processes, as well as response and mitigation protocols, to implement globally.

- **Auditing.** International Paper has audit rights in many of its supply contracts, which permit us to audit supplier compliance with certain contract terms. While we have certain contractual rights to audit suppliers and have conducted routine audits or assessments of their performance, those assessment methodologies do not currently include an intentional focus on human trafficking and slavery. However, we have reserved the right to investigate instances of non-compliance with our Supplier Code, including non-compliance with laws on human trafficking and slavery. As part of our developing supply chain sustainability program, we are now developing audit protocols, including periodically scheduled audits for higher-risk suppliers, as well as individual audits of suppliers flagged through our processes and procedures.
- **Certification.** All International Paper contracts with suppliers require them to comply with all laws. They must also adhere to our Supplier Code, which states our expectations of them to comply with ethical business practices and all applicable laws, including those laws and principles prohibiting involvement with human trafficking and slavery. While some of our regions have obtained written acknowledgement from suppliers verifying they have received and agree to comply with

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our Supplier Code, most regions, including the United States, secure their commitment through written contracts. Every new, renewed or amended contract contains updated compliance language requiring a contractual commitment by suppliers to comply either with our Supplier Code or their own company code of conduct – if it expresses comparable standards and meets with our approval. Furthermore, with every contract, suppliers must commit in writing that they will require the same level of compliance from their own suppliers. Suppliers who do not agree to these terms – if we do not replace them immediately – are flagged, monitored and reviewed in the ongoing relationship until we can come to a business decision about their status and take appropriate action. For fiber products, we do obtain certifications from third-party organizations, some of which include updated standards requiring compliance with slavery and trafficking laws. Other than these fiber certifications, along with our contractual obligations with suppliers and the reservation of our right to investigate, International Paper does not have a formal supplier certification process.

- **Internal Accountability.** Everyone who is part of the International Paper business community, whether employees, contractors, agents or suppliers, will be held accountable to conduct business with or for us in an ethical manner. International Paper employees are, under the terms of their employment, required to follow all laws of the countries in which they operate and all International Paper policies and procedures, including our Code of Conduct, employee manuals, various business rules, and standard operating procedures. Employees who violate laws or company policies are subject to disciplinary action, up to and including discharge. Likewise, suppliers must comply with our Supplier Code. If they fail to comply with the law or do not address contractual non-compliance in a timely manner, International Paper reserves its contractual rights to terminate relationship with them. A supplier’s compliance with the Supplier Code is an essential factor in International Paper’s decision whether to enter into a business

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relationship or to continue or extend their existing one. As part of our developing supply chain sustainability program, we will continue to develop processes and procedures that hold suppliers accountable in all areas, including labor sourcing.

- **Training and Awareness.** International Paper regularly trains its employees in the standards of ethical behavior, policies, procedures and legal requirements that define the way we do business. We have also specifically trained our U.S. supply chain and sourcing directors, managers and employees on human trafficking and slavery, particularly on mitigating risks within supply chains. Implementation of training for global employees and management is in progress. Finally, International Paper provides supplier training on our Supplier Code. As our training programs develop, we plan to include training on human trafficking and slavery as part of our annual onboarding program.