A Message from Our CEO

As one of the world’s leading producers of fiber-based packaging, pulp and paper, we take great pride in our ability to deliver long-term value for our stakeholders without compromising on our commitment to environmental sustainability.

In 2016, we developed The IP Way Forward, a framework to align and engage the hearts and minds of employees on the things that matter most. This framework guides our efforts to enrich our culture, drive results, increase employee engagement, attract the next generation of talent and strengthen our reputation as a responsible leader in the packaging, pulp and paper industry.

The IP Way Forward outlines five strategic drivers that are critical to our success: sustaining forests, investing in people, improving our planet, creating innovative products and delivering inspired performance. These drivers are supported by our Vision 2020 Goals and are key to achieving our vision to be among the most successful, sustainable and responsible companies in the world.

Sustaining FORESTS

Our entire business depends upon the sustainability of forests. We will continue to lead the world in responsible forest stewardship to ensure healthy and productive forest ecosystems for generations to come.

Since 2013, we have invested more than $7.5 million in Forestland Stewards, a partnership with the National Fish and Wildlife Foundation aimed at protecting and enhancing ecologically significant forestland in the United States. Our investment generated more than $24.5 million in matching funds, for a total conservation impact of $32 million.

We renewed our commitment to this partnership and pledged to increase our contribution to $10 million over the next five years.
Investing in **PEOPLE**

Safety is our most important responsibility. Our robust safety program aims to prevent serious injuries in order to reach our goal of an injury-free workplace.

We continue to provide development and training opportunities for our employees and create a culture of inclusion where individuals feel respected, are treated fairly and have opportunities to do their best every day.

We’ve refined our community engagement strategy to address critical needs in the communities where our employees live and work. Our efforts to alleviate hunger and support education, health and wellness, and disaster relief will continue to have positive impacts on our communities.

**Improving our PLANET**

We are committed to reducing our environmental impact. Our sustainability story is evident in the renewability and recyclability of our products, and in the way we operate. Nearly 75 percent of the energy used in our global mill system is generated from renewable, carbon neutral biomass residuals.

Since setting our Vision 2020 Goals, we’ve reduced our energy use and greenhouse gas and other air emissions, resulting in a reduced environmental footprint and lower energy costs.

Creating Innovative **PRODUCTS**

We transform renewable resources into recyclable products people depend on every day.

In December 2016, we acquired Weyerhaeuser’s pulp business and integrated it with our existing business to create our Global Cellulose Fibers business, the world’s premier manufacturer of fluff and specialty pulp. This acquisition gave us best-in-class manufacturing assets and capabilities, a valuable patent portfolio and an expanded innovation team that will help us improve and grow our entire pulp business.

We continue to focus on creating innovative, sustainable and recyclable products that help our customers achieve their objectives and satisfy changing global consumer demand.

Delivering Inspired **PERFORMANCE**

We deliver long-term value for all stakeholders. By investing in attractive, fiber-based markets, controlling costs, managing capital spending and focusing on deliberate improvement efforts to increase productivity and efficiency, we have generated strong, sustainable free cash flow despite challenging economic conditions.

We are confident in the direction our company is headed. Our global team is committed to continuously strengthening our people and local communities, using resources responsibly and efficiently and ensuring our businesses are safe, successful and sustainable for generations to come.

Mark Sutton

Chairman and CEO
2016 Global Highlights

**REVENUE BY BUSINESS**

<table>
<thead>
<tr>
<th>Total Revenue</th>
<th>Industrial Packaging</th>
<th>Papers</th>
<th>Consumer Packaging</th>
<th>Global Cellulose Fibers</th>
</tr>
</thead>
<tbody>
<tr>
<td>$21 Billion</td>
<td>$14 Billion</td>
<td>$4 Billion</td>
<td>$2 Billion</td>
<td>$1 Billion</td>
</tr>
</tbody>
</table>

**SALES BY REGION**

- **North America**: $16.5 billion
- **Brazil**: $1.1 billion
- **EMEA3/Russia**: $2.8 billion
- **India**: $167 million
- **Asia3**: $505 million

- **Operations in more than 24 COUNTRIES**

- **55,000 EMPLOYEES GLOBALLY**

- **$17.5M invested to address critical community needs and to improve the planet4**

- **Nearly 75% OF OUR MILL ENERGY is generated from renewable biomass residuals**

- **31% INCREASE in third-party certified fiber since 2010**

---

1) Global Highlights include Weyerhaeuser’s pulp business acquisition as of Dec. 1, 2016.
2) Europe, Middle East, Africa
3) Asia Packaging business sold June 30, 2016
4) Includes $3 million raised through employee giving and fundraising
Alignment with the United Nations’ Sustainable Development Goals

To achieve our vision to be among the most successful, sustainable and responsible companies in the world, our efforts and goals must align with the greatest needs and priorities of our global community.

The United Nations’ Sustainable Development Goals (SDGs) are a set of 17 goals and 169 targets that address a broad range of sustainable development issues. We believe that businesses can play a large role in achieving these goals. Our alignment with the SDGs benefits society, the planet and our company.

We have focused our efforts on the areas that are material to International Paper and will continue to set our own targets, monitor developments and evolve as needed.

We partner with food banks to provide volunteers, corrugated boxes and financial contributions to help alleviate hunger in our communities.

We support programs that improve educational opportunities for children. Literacy, particularly from birth through third grade, is a major priority because it forms the foundation for all childhood learning.

We map water risk at our facilities annually and promote watershed health. We support many water treatment facilities and supply nearly 1 billion gallons of drinking water to communities.

We provide each of our 55,000 employees with decent work and fair wages. We also expect that our 100,000 suppliers adhere to our Supplier Code of Conduct prohibiting illegal and unfair work practices.

We are committed to responsible sourcing, consumption and recycling, and we promote the responsible use, recovery and recycling of our products.

We are a global leader in responsible forestry. We work with landowners and suppliers to advance credible third-party certification to ensure the responsible management of our fiber supply and to grow our fiber sourcing from certified forests.

We collaborate with organizations and landowners to promote sustainable forest management, combat illegal logging and deforestation and support healthy working forests. Even as one of the world’s largest packaging, pulp and paper producers, we recognize that our corporation, by itself, cannot successfully address these SDGs. We need a diverse and inclusive set of people and organizations to work with us and develop solutions that not only address these critical needs, but also provide value to all of our key stakeholders.

*Source: American Forest & Paper Association (AF&PA)
Businesses

We transform renewable resources into recyclable products that people depend on every day.

INDUSTRIAL PACKAGING

International Paper is the world’s premier manufacturer of containerboard and corrugated packaging. Our containerboard mills, box plants and converting operations across the globe allow us to sustainably meet the most challenging customer sales, shipping, storage and display requirements.

Industrial packaging also includes our North American recycling business, which recovers, processes and sells several million tons of corrugated packaging and paper annually.

CONSUMER PACKAGING

International Paper’s global coated paperboard business produces high-quality coated paperboard for a variety of packaging and foodservice applications. In addition to coated paperboard, consumer packaging includes our foodservice business, which produces paper cups, food containers and lids.

Our consumer packaging businesses collaborate with customers across a wide range of market segments to meet consumer-driven demand for high-quality, sustainable and innovative products.
GLOBAL CELLULOSE FIBERS

International Paper is a premier producer of fluff pulp for absorbent hygiene products like baby diapers, feminine care, adult incontinence, and other non-woven products, as well as pulp used for tissue and paper products. Our innovative, specialty pulps are used for non-absorbent end uses including textiles, filtration, construction material, paints and coatings, reinforced plastics and more.

Our cellulose fibers products serve diverse, global customers who share a common need for confidence in the quality and convenience of personal hygiene and household products, and who value innovative solutions.

*Numbers include Dec. 1, 2016, acquisition of Weyerhaeuser’s pulp business

PAPERS

International Paper’s global papers businesses manufacture a wide variety of uncoated papers for commercial printing, imaging and converting market segments. Customers rely on our signature brands including Accent®, Chamex®, Hammermill®, POL™, PRO-DESIGN® and Rey® to communicate, advertise, educate and inform.

Customer segments:
- Consumers
- Schools
- Businesses
- Commercial printing
- Book publishing
- Advertising
- Direct mail, bills and statements
- Office products
- Retail packaging and labeling applications
Sustaining FORESTS

We will continue to lead the world in responsible forest stewardship to ensure healthy and productive forest ecosystems for generations to come.
SUSTAINING FOREST ECOSYSTEMS

Our entire business depends upon the sustainability of forests. We are committed to ensuring the health of forest ecosystems, championing responsible forest management practices and promoting third-party certification.

Supporting Forests in the Southeastern United States

Since 2013, we have invested $7.5 million in Forestland Stewards, a partnership between International Paper and the National Fish and Wildlife Foundation (NFWF) aimed at restoring, protecting and enhancing forestland in the southeastern United States. Over five years, NFWF has leveraged our investment to generate matching contributions, for a total conservation impact of approximately $32 million.

Our contribution is helping to repopulate the endangered red-cockaded woodpecker, a species that provides habitats for other wildlife and contributes to the overall health of the forest ecosystem.

“Forestland Stewards has achieved tremendous success by bringing together business leaders, landowners, public agencies and conservationists to restore and protect some of the most iconic forests in the United States.”

— Jeff Trandahl, executive director and chief executive officer, NFWF

Protecting Forestland in Brazil

International Paper participates in the World Wildlife Fund’s Global Forest & Trade Network in Brazil, France, India, Russia and the United States to eliminate illegal logging and improve the management of forests. Our efforts in Brazil involve setting up Private Natural Heritage Reserves, which protect the forests, river basins and biodiversity in the area.

In 2016, two new areas of the Atlantic Forest in southeast Brazil, totaling 288 acres, were added to the protected area. The state of São Paulo now has 89 Private Natural Heritage Reserves, which protect a total area of more than 51,000 acres.

Forestland Stewards: By the Numbers

- **8,000** PRIVATE LANDOWNERS engaged through outreach and technical assistance
- **$10 MILLION** committed for forest ecosystem protection
- **75 CONSERVATION stakeholders** engaged, including state and local government agencies, nonprofits and academia
- **240,000 ACRES** of forestland restored and protected

After a drought, the International Paper Foodservice team in Shelbyville, Ill., partnered with the local Army Corps of Engineers and Okaw Valley Middle School by planting trees at the Bo Wood Recreation Area.
KEEPING FORESTLAND FORESTED

Our support of forests goes beyond conservation. We are committed to ensuring the future of healthy forests around the world. By providing a dependable market for responsibly grown fiber, we encourage landowners to manage their forestland instead of selling it for development or other non-forest uses.

Global Fiber Procurement Policy

The fiber used to make our products comes from responsibly managed sources. We will not knowingly accept fiber from illegally logged forests or from forests where high conservation values are threatened by management activities.

Fiber Certification

We work with landowners and wood suppliers to advance credible third-party forest certifications to improve our percentage of certified fiber.

Leading the Way in Forest Certification

In 2016, International Paper was awarded the Forest Stewardship Council® (FSC) Leadership Award for our efforts in establishing our own FSC forest management group, Certified Forest Management LLC, which provides a cost-effective means for small private landowners to become FSC certified.

External Collaboration

We work with suppliers, contractors, private landowners and other key stakeholders to advance sustainable forest management, combat illegal logging and deforestation, and support healthy working forests.

Forestry Collaboration in Russia

To promote Sustainable Forest Management in Russia, our fiber supply team worked with regulatory authorities, academia, logger unions, non-governmental organizations and others in the industry to institute forest measurement techniques, conduct thinning trials and establish a 2017 working group.

“It is seldom we find opportunities to add both tangible and intangible value to our timberlands, but through International Paper’s forest certification program, we are provided an extremely cost-effective means to become third-party certified, which promotes those values.”

— Jay Tidwell, forest management consultant and timberland owner

FIBER CERTIFICATION PROGRESS

31% increase in certified fiber volume since 2010

400% increase in FSC certified acreage

850,000-ton increase in total tons of certified fiber

VISION 2020 GOAL

Increase third-party certified fiber by 35%
MAXIMIZING FIBER USE, RECOVERY AND REUSE

We continuously improve our new fiber yields and fiber reuse capacity and efficiency to create high-quality products using fewer natural resources.

North American Fiber Recovery Expansion

Over the last two years, we invested in our containerboard business to expand our use of recovered fiber to meet customer demands. Through these efforts our mills have increased annual production capabilities.

Additional improvements in cleaning, screening and quality checks resulted in:

- **5% INCREASE** in fiber recovered
- **250,000** tons of fiber saved per year
- **7.4 MILLION TONS OF FIBER RECOVERED** and/or reused by International Paper globally in 2016
- **MORE THAN 12% OF THE TOTAL FIBER RECOVERED** in the United States is recovered, processed and sold by International Paper

**RECYCLING PROGRESS**

**17% increase** in recovery of OCC since 2010

**VISION 2020 GOAL**

Increase recovery of old corrugated containers (OCC) by 15% by exploring new sources and diverting usable fiber from landfills
Investing in PEOPLE

We improve the lives of our employees and address the critical needs in our communities.
LEADING WITH SAFETY

Our most important measure of success is ensuring all of our employees, contractors and visitors arrive home safely every day. We continue to work toward our Vision 2020 Goal of an injury-free workplace. We empower all our 55,000 employees to be safety leaders and ensure a safe working environment for themselves and others.

Protecting our Employees

We completed 2016 without a fatal injury, a significant milestone for our company. Our success in preventing fatalities is a result of our efforts to identify and eliminate workplace hazards and to reinforce safe work habits.

International Paper implemented Safety Leading Indicators, a collection of seven metrics that every facility in the company measures on a quarterly basis. By adding these preventative measures to the lagging indicators, we can identify gaps, prevent serious injuries and eliminate fatalities.

While we are proud of our improvement, we know that there is still work to do. We will persist in strengthening our safety culture to ensure all employees, contractors and visitors are safe.

“At International Paper, we learn how to be safety leaders and how to recognize hazards around us. Safety isn’t just for our manufacturing facilities; it is also for those of us who work in offices. We are always asking for feedback on how to make our environment even safer.”

Marta Chorosiska, customer service team leader, Global Business Services Center, Krakow, Poland

<table>
<thead>
<tr>
<th></th>
<th>Employees</th>
<th>Contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>57</td>
<td>11</td>
</tr>
<tr>
<td>2012</td>
<td>57</td>
<td>5</td>
</tr>
<tr>
<td>2013</td>
<td>45</td>
<td>10</td>
</tr>
<tr>
<td>2014</td>
<td>28</td>
<td>8</td>
</tr>
<tr>
<td>2015</td>
<td>28</td>
<td>8</td>
</tr>
<tr>
<td>2016</td>
<td>27</td>
<td>8</td>
</tr>
</tbody>
</table>

90% of LOCATIONS without serious injuries in 2016

39% reduction in serious safety incidents since 2010*

*Data adjusted for mergers and acquisitions. Began collecting contractor data in 2012.
Safety at International Paper

We believe that achieving our goal of an injury-free workplace is possible. The LIFE (Life-changing Injury and Fatality Elimination) program is designed to eliminate injuries and fatalities by empowering all employees and contractors to recognize and manage risk.

We focus on:

• Providing safe working conditions
• Ensuring safe work actions
• Training all employees to recognize and address safe and unsafe conditions
• Promoting accountability and responsibility for ourselves and our colleagues
• Maintaining an active safety mindset at work and at home

We expanded our program beyond the mills and converting facilities to include an emphasis on safety in the non-manufacturing setting as well.

85 SAFETY LEADERSHIP TRAINING CLASSES conducted
5,500 EMPLOYEES participated in safety leadership training

Contractor Safety

Nearly 100 senior business leaders from International Paper and contractor companies attended our 2016 Safety Leadership Summit. The meeting encouraged open dialogue on policy enhancements that would strengthen and simplify safety practices while contractors are on site. Attendees made a commitment to improve contractor safety performance based on our mutual vision of an injury-free workplace.

“Safety Leading Indicators allow us to focus and immediately act on proactive measures that will prevent the next serious safety incident.”

Deni Urrutia, EHS leader, North American Container, Guanajuato, Mexico
ATTRACTING GREAT TALENT

We value character as much as capability. We look for employees who not only have talent, skills and a strong work ethic, but who also are dedicated to the principle of doing the right things, in the right ways, for the right reasons, all of the time.

Building Future Leaders

Our college graduate development programs provide new team members with the foundation to build their career. These programs focus on technical, professional and personal development, while providing challenging work and training opportunities to help launch a successful career at International Paper.

“My grandfather worked at International Paper for more than 20 years. He always talked about the company and how much he enjoyed it. I loved hearing his stories and knew that someday I wanted to work there too. Joining the team was a dream come true and I continue to love it here.”

— Gláucia Faria, social responsibility and sustainability manager, São Paulo, Brazil

7,383

global hires in 2016

178

U.S. college students hired during the 2015-2016 recruiting season
DEVELOPING AND TRAINING EMPLOYEES

We help our employees grow in many ways depending on each employee’s capabilities and interests, as well as the needs of our company. We are committed to preparing, promoting and supporting employees at all levels.

Global Manufacturing Training Initiative

Over the next 10 years, International Paper is preparing for a high rate of retirement. To address that challenge, we created the Global Manufacturing Training Initiative (GMTI), an enterprise-wide effort designed to facilitate knowledge transfer. GMTI is designed to mitigate turnover impact and to establish a comprehensive integration program that will help transform new hires into dedicated, productive and safe employees.

Chairman’s Leadership Forum at Kennedy Space Center

One offering of the International Paper Leadership Institute is the Chairman’s Leadership Forum. Participants in the Forum are selected by the Chairman and come together to discuss current and future strategic business and leadership challenges. In 2016, the Chairman’s Leadership Forum moved to the Kennedy Space Center in Florida, where the participants studied the Apollo space program and humankind’s bold leadership vision to travel safely to the moon and back. Additionally, participants interacted with Space Shuttle astronauts who discussed leadership initiatives as countries around the world began to partner together to explore space, and then to build and work in the International Space Station.

Awarded Bronze Medal at Chief Learning Officer magazine’s 2016 LearningElite Awards

48% of our employees have worked with International Paper for more than 10 years

622 front line leaders trained and developed in 2016
“I’ve received such valuable training in my time with International Paper from so many inspirational leaders. I have been incredibly fortunate to train many enthusiastic and engaged team members. From safety procedures to quality basic care rounds and process theory, I have the opportunity to help mold individuals into leaders within their own crews and shifts.”

“I’ve been with International Paper for 30 years and have been provided development opportunities throughout my career. The most recent was the Chairman’s Leadership Forum, where we studied past leader approaches to making key decisions and how they operated successfully in ambiguous and unfamiliar circumstances. Continuous training and development of the entire workforce is important so employees can feel appreciated, challenged and have stronger satisfaction. It has improved my engagement, helped me work smarter and positioned me for advancement.”
FOSTERING AN INCLUSIVE WORK ENVIRONMENT

We promote a culture where individuals feel respected, are treated fairly and have an opportunity to do their best work every day. Our leaders are responsible for creating and maintaining diverse and inclusive teams that value individuality and collaboration.

Mentoring Boards

Our mentoring boards allow interested employees to share cultural perspectives related to the workplace. All employees are welcome to join our three mentor groups:

- African American Mentoring Board
- Hispanic and Latino Mentoring Board
- Women in IP Mentoring Board

The boards are designed to capitalize on the energy, passion and experiences of employees to improve both individual and company performance. Mentoring leaders share knowledge and encouragement to help members with personal and professional development. We consistently look at opportunities to add mentoring boards where there is a significant level of employee interest.

Inclusion Forums

Inclusion Forums are held twice a year with the goal of building diversity and inclusion champions, enhancing our ability to attract and retain the right talent in the right jobs and establishing consistent inclusive leadership skills. In 2016, forum topics included:

- Workforce trends
- Diversity dialogues
- Managing diversity and personal style
- Morale and workgroup cohesiveness
- Generational diversity and unconscious bias

“I originally got involved with the African American Mentoring Board to gain insight on how the company manages diversity and inclusion in our workplace, but I continue to participate because it provides me with great advice and allows me to share my experiences to help others.”


12 DIVERSITY AND INCLUSION IMPACT AWARDS given to employees in 2016 for their contributions to the company’s diversity and inclusion efforts

733 ATTENDEES at Inclusion Forums since the program inception in 2013
ENGAGING EMPLOYEES

Engaged employees drive significant and sustainable results, and engaged leaders inspire their teams to actively drive success. We provide opportunities and resources for employees to engage with colleagues within their communities and around the world.

Global Employee Onboarding Program

In 2016, we launched a simple and consistent global onboarding program to better align and maximize the experience of newly hired employees. This allows employees to quickly incorporate into the social, cultural and performance aspects of their jobs.

The simple, comprehensive, consistent and scalable onboarding program aims to achieve:

- Increased retention
- Higher engagement and productivity
- Improved safety
- Accelerated employee development process
- Faster cultural assimilation

“A successful leader is one that can build other leaders. The opportunity to be a leadership facilitator provides me the ability to contribute to building leaders and continue to strengthen my leadership skills I learn from the participants.”

— Rima Logan, manager, Converting Business Process, Memphis, Tenn.
ADDRESSING CRITICAL COMMUNITY NEEDS

We mobilize our people, products and resources to address critical needs in the communities where our employees live and work. Our global community engagement efforts include grants, financial contributions, volunteer opportunities and product donations focused on addressing four Signature Causes:

- **Hunger**
- **Education**
- **Health and Wellness**
- **Disaster Relief**

**Addressing Hunger in Memphis**
In 2016, we announced a $1.25 million grant to Mid-South Food Bank in Memphis, Tenn. The donation will be used to modernize and consolidate three warehouses into one, increasing efficiency and saving money for the food bank. We also committed to providing more than 250,000 custom corrugated boxes to help deliver meals to more than 400,000 people. These boxes will assist the food bank in delivering 15 million pounds of food annually across 31 counties in the Mid-South.

**Supporting Business Students**
In 2016, International Paper Russia extended its strategic partnership with the Moscow School of Management SKOLKOVO for another three years. International Paper was recently presented with the SKOLKOVO Trend Award in recognition of our support and commitment to developing the next generation of business leaders in Russia.

**Supporting the American Red Cross**
In 2016, flooding struck Louisiana and Texas, home to nearly 4,500 of our workers across 27 facilities. Louisiana Governor John Bel Edwards commended International Paper for its $1 million donation to the American Red Cross to aid flood victims in both states. The Industrial Packaging business donated more than 50,000 boxes to expedite distribution of items such as food, clothing, comfort kits and cleaning supplies.

“Because of partners like International Paper, we’re able to be there in the aftermath of these floods as well as continue our support of those facing countless other disasters across the country.”
— Brad Kieserman, vice president, Red Cross Disaster Cycle Services Operations and Logistics

**United Way**
In 2016, International Paper conducted United Way campaigns in nearly 80 communities around the United States and employees participated in United Way Day of Caring activities in their respective communities. We match employee donations by 60 cents on the dollar. In 2016, more than 350 International Paper employees volunteered 1,200 service hours during the United Way of the Mid-South Day of Caring in Memphis. Volunteers served at 13 nonprofit locations across the Mid-South.

**International Paper’s total United Way contributions in 2016:**

- **$2.3 MILLION** donated by employees
- **$1.3 MILLION** corporate pledge (60% match)
Focus on Safety and Health in India

International Paper India was named Best Smart Village Partner by the Indian government for improving the lives of residents near the Kadiyam Mill by installing a water purification system and building a wall at the local school to help keep children safe. On World Health Day, nearly 250 employees took advantage of free health screenings offered by International Paper India in Hyderabad. The focus was diabetes prevention and encouraging all employees to make personal health a priority.

Paper-powered Learning

The Hammermill® Paper is Power™ campaign puts paper front and center as a tool to drive classroom learning. Elementary school children learn about sustainability, recycling and how paper is made. Middle school students learn the importance of writing their thoughts on paper, versus typing on a keyboard. For more information or to download the materials, visit Hammermill.com.

Environmental Education in Brazil

More than 86,000 children and young people have participated in International Paper Brazil’s Programa de Educação Ambiental since 1983. The environmental education program strengthens ties to the communities where we operate and contributes to the education of citizens engaged in advocating for the environment.

Students Benefit in Poland

The Global Citizenship team in Krakow launched their employee volunteer program in 2016 by partnering with Siemacha, a civic association focused on helping children in the area. International Paper volunteers prepared activities and workshops, helped paint the education room and inspired young people who would soon be starting their careers. In addition, four $1,000 grants were given to local charities in Poland to support projects related to environmental education and literacy.

Employee Relief Fund

In 2001, the International Paper Employee Relief Fund (ERF) was created to support employees who are impacted by a natural disaster or personal emergency by providing temporary relief in the form of basic necessities such as food, clothing or shelter. The fund is supported by employee donations, and International Paper matches employee contributions dollar-for-dollar.

“When my home was nearly destroyed in a flood, my family was devastated. We had some assistance from FEMA. However, it only covered less than half of the cost to get our home back to living condition. I am very appreciative of the money that my co-workers gave my family to help assist us while going through this devastation.”

COMMUNITY INVOLVEMENT PROGRESS

$17.3M donated to charitable organizations in 2016*

VISION 2020 GOAL

Measure and report on our charitable support for hunger, education, health and wellness, and disaster relief in the communities where we operate

*Includes $3 million raised through employee giving and fundraising
Improving our PLANET

We continuously reduce our environmental impact and promote the long-term sustainability of natural capital.
PROTECTING WATERSHEDS

Water is essential to our manufacturing processes and to the communities in which we operate. We engage in regular evaluations to assess water use, quality and risk. We also continuously engage with our communities to address water-related issues.

Bogalusa Water Reduction

In Bogalusa, La., Manufacturing Excellence Leader Larry Phillips is leading the effort to cut water use and save more than $100,000 a year. The Bogalusa Containerboard Mill’s Water Reduction Team has made progress by rebuilding a cooling tower, increasing employee understanding of the interaction of water use between operating areas, and building sustainable systems to identify and diagnose potential increases.

International Paper India Wins Aqua Excellence Award in 2016

International Paper India’s clean drinking water initiative received the Aqua Excellence Award for setting up six new water plants in the East Godavari and Visakhapatnam districts, creating water accessibility for local residents.

WATER QUALITY PROGRESS

28% decrease in oxygen-depleting substances since 2010

VISION 2020 GOAL
Reduce mill wastewater discharges of oxygen-depleting substances to receiving streams by 15%

WATER STEWARDSHIP PROGRESS

Mapped water use and risk by location, identified priority mills and initiated annual stakeholder and facility assessments

VISION 2020 GOAL (restated in 2016)
Integrate water management into regular facility assessment and proactively engage with stakeholders in communities to address water-related issues within the watershed
REDUCING EMISSIONS

We continuously reduce our energy use and emissions through energy reduction projects, equipment upgrades, process improvements and fuel switching. As part of our commitment to reduce our environmental footprint, we restated our air emissions goal from 10 percent to 30 percent.

Energy Audits Result in Global Savings

Our technology team conducts continuous energy audits to discover where we can reduce energy use, carbon dioxide (CO₂) and air emissions, and cost. Some notable projects that resulted from these audits achieved:

54% DECREASE
in electricity needs for lighting, resulting from upgrades at box plants in Delaware, Ohio and Modesto, Calif.

15,000-TON REDUCTION IN CO₂ EMISSIONS IN GEORGETOWN, S.C.

Reducing Steam Energy

High-efficiency drying equipment installed on the mill’s fluff pulp machine improved energy efficiency and reduced steam demand at the mill. This had the added benefit of reducing CO₂ emissions and increasing the pulp drying capabilities of the machine.

10,300-TON REDUCTION
in CO₂ emissions/year

Energy Audits Result in Global Savings

15,525-TON REDUCTION
in CO₂ emissions at our Svetogorsk, Russia, Mill by upgrading a heat recovery system to boost its performance, resulting in reduced natural gas consumption

5,000-TON REDUCTION
in CO₂ emissions at our Kwidzyn, Poland, Mill by improving the efficiency of the industrial stripper, a piece of equipment that removes contaminants from water

9 MILLS SET MONTHLY RECORD LOWS FOR PURCHASED ENERGY CONSUMPTION

4,700-TON REDUCTION
in CO₂ emissions/year

Reusing Wastewater Sludge

We beneficially re-use wastewater residuals at Georgetown to create energy using our onsite boilers. We installed a new screw press to dry out the residuals, causing the boiler to run more efficiently.

10,300-TON REDUCTION
in CO₂ emissions/year

ENERGY EFFICIENCY PROGRESS

6.4% improvement
in purchased energy efficiency since 2010

VISION 2020 GOAL

Improve efficiency in purchased energy use by 15%
Replacing Fuel Oil in Ticonderoga, N.Y.

With new fuel mix options, the operators at Ticonderoga have replaced more than 50 percent of the heavy oil used at the mill with compressed natural gas. The Ticonderoga project received an Empire State Economic Development award of $1 million and a New York State Energy Research & Development Authority award of $750,000.

Reducing Transportation Emissions

We are proud to be a partner of the U.S. EPA’s SmartWay program, a public-private initiative to reduce greenhouse gas emissions and air pollution created by freight transportation. We seek suppliers that share our goal of reducing our overall carbon footprint even as we grow our business by improving fuel efficiency, maximizing average weight per shipment and optimizing shipping routes to reduce mileage.

From 2012-2015*:

• 56% reduction in CO₂ emissions for annual outbound transportation
• 464,941-ton CO₂ reduction
• 53% reduction in our CO₂ gallons per ton-mile by optimizing the mode of transportation for each shipment

*SmartWay carrier data
REDUCING WASTE

Our waste reduction strategy involves not only improving processes, equipment and materials to reduce waste generation, but also explores the beneficial use of waste and other residuals. Our ultimate goal is zero waste to landfill.

Beneficial Use of Waste in Georgia

Our Rome, Ga., Mill has beneficial use programs that provide alternatives to landfilling. The ash from the mill is purchased by the Cherokee Landfill to solidify hazardous waste, a safe and cost-effective way to prevent such waste from leaching into the soil. The mill also sells ‘sludge’ to local farmers to use as fertilizer for cotton and other crops.

Fabric Recycling

A paper machine has three main sections: forming, press and dryer. In each section there are woven textile fabrics, or machine clothing, that convey the wood fiber and water mixture through the end of the paper machine. In 2016, we worked with a key supplier to recycle our machine clothing fabric at five U.S. mills, diverting it from the landfill.

Zero Waste to Landfill at Mogi Guacu

Our Mogi Guacu Mill in Brazil has achieved zero manufacturing waste to landfill through composting. Since 2016, waste has been composted onsite and then applied as a soil nutrient to certified Brazilian forestland owned by International Paper.
SOURCING RESPONSIBLY

An efficient and responsible supply chain is key to obtaining quality raw materials and services that support our operations and ensure we meet our customers’ needs. We establish and enforce guidelines to ensure our suppliers operate ethically and responsibly throughout our supply chain.

We source:

- WOOD FIBER
- RECOVERED FIBER
- ELECTRICITY
- MANUFACTURED PARTS
- CHEMICALS
- LOGISTIC SERVICES (transportation)
- FUEL

Comprehensive Supplier Screening

In 2016, we improved our central global sourcing process to include a risk assessment and pre-screen of strategic suppliers. The assessment includes inquiry into a supplier’s policies, procedures and training practices, geographical operations, ownership interests and public reporting practices. We also added questions which evaluate suppliers’ human rights and labor policies and practices.

Additionally, we support the U.S. Lacey Act and the European Union Timber Regulation, important laws that help combat illegal logging and prohibit trafficking of illegally harvested products while protecting the competitiveness of legally harvested trees.

SUPPLY CHAIN PROGRESS

Established baseline supply chain performance and implemented plans to improve

VISION 2020 GOAL

Establish processes promoting transparency, managing risk by monitoring and identifying opportunities to collaborate with suppliers

100,000 vendors globally, with an estimated annual spend of $15 BILLION
Creating Innovative PRODUCTS

We create innovative and sustainable products that help our customers succeed.
MAKING PRODUCTS PEOPLE DEPEND ON

Whether they know it or not, most people depend on dozens of International Paper products every day. All our products are responsibly made from renewable resources, and many of our products will be recycled and repurposed many times over.

1. Posters that promote events, goods and services
2. Envelopes and boxes that enable worldwide commerce
3. Foodservice products including cold cups, paper plates, containers and fry scoops
4. Coffee cups that provide convenience and portability for the on-the-go consumer
5. Pulp for diapers and other personal hygiene products that promote health and wellness
6. Paper bags that provide a recyclable shopping alternative
7. Produce boxes customized for safe transport of fresh products
8. Boxes that protect and promote goods
9. Paper that facilitates communication and education
ANTICIPATING EVOLVING TRENDS

We adapt to meet shifts in global consumer demand and collaborate globally and across businesses to anticipate and prepare for future marketplace changes. We understand our customers’ businesses and provide them with solutions that meet or exceed their specific sustainability, functionality and design needs.

Shift from Brick-and-Mortar to Online

With the growth of eCommerce, our teams work to find innovative solutions for reducing cost, protecting products in transit, improving handling and servicing customers through online channels.

JavaStock

International Paper’s convenient online ordering program is designed especially for independent foodservice retailers, allowing the ability to order small quantities.

Changing Food Demands and Eating Habits

Many consumers are shifting away from processed foods toward fresher alternatives. Simultaneously, the growth of fresh meal delivery services has created a demand for stronger boxes and packaging designed for take home. Consumers’ fast-paced lifestyles are also driving more preference for single-use packaging and paper plates to minimize clean up.

5% GROWTH IN PAPER PLATE DEMAND over the last 3 years

Branding + Privacy for eCommerce Purchases

We devised an inside-the-box printing solution to disguise package contents for porch deliveries, while enhancing the customer experience and reinforcing brand recognition when the package is open.
ClimaShield®
ClimaShield® barriers are a unique line of coatings applied to the linerboard paper used to make a box. These recyclable, repulpable coatings are tailored to fit different packaging applications such as: meat release, grease resistance, non-skid, bakery coating and chemical resistance. Our experts match the right ClimaShield® product to our customers’ specific needs.

Commitment to Sustainable Choices
Many brands are publicly committing to sustainable, third-party certified packaging, creating a growing demand for our products.

The Age of Convenience
We are continually looking for innovation for user convenience and offer different packaging solutions. Among these solutions are easy-to-open paper reams and a hot cup lid that fits four sizes of cups.

Tear Strip Provides Convenience
Our EMEA team was recognized at the 2016 OPI’s European Office Products Awards for New Product of the Year in the Core Office Products category for the new tear strip that makes opening a paper ream easy. Much like the tear strip on a mailing envelope, it’s a small but appreciated convenience.

Absorbent Hygiene Products
Consumers all over the world depend on innovative, sustainable hygiene products every day—it’s what drives our business’s growth.

Hold&Go® 4-in-1 Lid
With the addition of the new Hold&Go® 4-in-1 lid, coffee and beverage retailers can use one lid for four cup sizes, streamlining inventory in tight stock rooms, simplifying operations and providing a quick and easy solution for consumers on the go.

SuperSoft® Air+
Our newest brand of fluff pulp is deigned to delight both customers and consumers. It is remarkably soft and absorbent, engineered to deliver the comfort and security that consumers need. SuperSoft® Air+ is made from sustainably sourced southern pine wood, the best choice for product performance and the environment.
Value Added Services’ customer commitment centers provide services to more than 200 North American container manufacturing sites, our 500-person salesforce and nearly 10,000 customers. By integrating all aspects of packaging development, the centers provide one-stop solutions to meet customers’ needs.

- Provide structural and graphic design
- Conduct package and component testing
- Develop innovative solutions
- Ensure product safety

“In today’s world of rapid technological change, innovation is not discretionary; it is no longer a luxury. Improving and innovating our people, processes and products is essential to keep pace and compete with the best companies in the world, which is why Innovative Products is one of the five strategic drivers of The IP Way Forward.”

Global Cellulose Fibers

New product development, innovation and technical services are central to the global cellulose fibers business. Teams of scientists use state-of-the-art research and development facilities to discover new uses for pulp in non-absorbent applications and a disciplined stage-gate process to create new products, from ideation to market.

- Provide fiber science and analytical services
- Conduct product evaluation and quality testing
- Develop products and processes
- Provide customer technical support
- Provide expertise in cellulose fibers applications

Papers

At our extensive testing lab, we ensure our digital papers deliver on our performance guarantees. Specialists with more than 150 years combined paper industry experience work with more than 100 models of digital presses and printers from a wide variety of equipment manufacturers to ensure that our papers run smoothly on their equipment.

- Evaluate product changes and trials
- Conduct benchmark studies
- Manage the copier qualification program
- Provide customer assistance with printer operation, paper properties or printing questions

Consumer Packaging

The product development center houses a network of research and development, technical and analytical teams who provide insights and solutions for our target markets. We offer advanced capabilities for the testing, evaluation and analysis of current and future products and processes. Our controlled environment and test labs allow us to improve the performance of our products and solve complex problems for our customers.

- Conduct physical, chemical and performance analysis and benchmarking
- Develop new products to meet emerging market needs
- Provide paper making, pre-press, printing and converting expertise
- Use test labs to improve performance and create solutions
Delivering Inspired PERFORMANCE

We create long-term value for all stakeholders.
GENERATING ECONOMIC VALUE

We are pleased with another year of strong cash generation and returns solidly above the cost of capital, despite tough economic conditions in 2016. We remain focused on serving our customers, strong operations and margin improvement, along with integrating the newly acquired Weyerhaeuser’s pulp business and driving synergies.

Free Cash Flow

Five-year average: $1.8B FREE CASH FLOW

$1.6B  $1.8B  $2.1B  $1.8B  $1.9B


7th consecutive year above
COST-OF-CAPITAL
RETURNS

Five-year average:
9.6% RETURN
ON INVESTED
CAPITAL

5th consecutive year of
DIVIDEND
INCREASE

Named by the Ethisphere Institute as one of the “World’s Most Ethical Companies®” in 2017 for the 11th consecutive year

Named by Fortune Magazine as one of the “World’s Most Admired Companies®” in 2017 for the 14th time

Institutional Investor’s “Most Honored Company” 2017
The success of our company is measured not only in revenue and shareholder returns, but also in the value we create for our communities, employees and planet through our company’s growth.

**CREATING VALUE FOR PEOPLE AND THE PLANET**

**A World More Reliant on Renewable Products**

Our products are made from sustainable, renewable materials and most are recyclable. We create recyclable boxes that replace plastic alternatives, fiber-based cups that replace styrofoam and fiber-based products that replace non-recyclable bags, envelopes and other packaging. As our business continues to grow and evolve, so too does our ability to continue replacing landfill-bound products with recyclable, sustainable solutions.

**Impact Through Recycling**

Each year we recover several million tons of fiber and are one of the largest users of recovered fiber in the United States, with 90 percent of our mills using some form of recovered fiber in the products they manufacture. Our recycling business is one of the largest recyclers of recovered office paper and corrugated boxes in North America.

**Minimizing Reliance on Fossil Fuels**

By using tree bark and other biomass byproducts from our manufacturing process as a fuel source for our facilities, we meet nearly 75 percent of our energy needs without using fossil fuels or depending on the energy grid. As we continue to invest in refining this process, we will continue to reduce our global climate impact.

---

**U.S. FORESTRY SUPPORTS 2.5 MILLION jobs and adds $102 billion to the Gross Domestic Product**
(according to American Forest & Paper Association)

**Every International Paper job supports 3.25 jobs outside the industry**

- **60%** SUPPLIER INDUSTRIES
  (chemicals, trucking, logging, etc.)
- **40%** LOCAL COMMUNITIES WHERE PAPER INDUSTRY WORKERS SPEND THEIR WAGES AND IN GOVERNMENT
  (i.e. teachers, police officers, etc.)

*According to Economic Policy Institute*
Improving Freight Cost
We use a systematic approach and tools for continuous, deliberate improvement and sustained year-over-year success. In 2016, the North American Papers business used Manufacturing Excellence tools to improve freight cost when shipping to the West Coast. A team was created from all critical functions: supply chain, transportation planning, sales, customer service and marketing. The team identified 20 new process issues or gaps that were prioritized based on greatest potential business impact.

Expanding Our Manufacturing Excellence Reach
In 2016, we saw greater collaboration, better sustainability and cost-improvement results than ever before. At our mill in Svetogorsk, Russia, for example, teams have integrated the Manufacturing Excellence approach to identify internal process improvement opportunities. Cost reduction was previously driven primarily by capital projects. Now employees are driving operational initiatives and reliability improvements that provide significant year-over-year improvements.

| 6.3% COST REDUCTION since 2012 through these efforts |

Manufacturing Excellence (ME)
Manufacturing/Commercial Excellence enables International Paper to identify, prioritize, implement and sustain deliberate improvements across the enterprise. The methodology enables us to focus attention on sustainable and deliberate improvement practices to enhance our performance, products, processes and teams. Our ME Belt Program encourages leadership and manufacturing excellence growth.

- **WHITE BELT**
  knows the basics of ME

- **YELLOW BELT**
  knows the basics and can apply ME tools

- **GREEN BELT**
  can implement significant changes

- **BLACK BELT**
  can work on strategic projects

- **MASTER BLACK BELT**
  can teach Black Belt training
CREATING ADVANTAGED POSITIONS IN ATTRACTIVE MARKETS

Aligned with our focus on anticipating evolving consumer demands, our business strategy is guided by the market. To continue to grow our businesses, we establish advantaged positions in attractive, fiber-based market segments with safe, efficient manufacturing operations near sustainable fiber sources.

Doubling Our Pulp Capacity

In December 2016, we acquired Weyerhaeuser’s pulp business and integrated it with our existing business to create our Global Cellulose Fibers business, the world’s premier manufacturer of fluff and specialty pulp. This acquisition gave us best-in-class manufacturing assets and capabilities, a valuable patent portfolio and an innovation team that will help us improve our entire pulp business. We also gained additional mills in key coastal locations, which allows us to export fluff pulp around the world.

THOUGHTS ON IP’S ACQUISITION OF MADRID MILL

“We are constantly looking at opportunities to provide superior value for our customers. Acquiring Holmen’s Madrid Mill represents a strategic opportunity to grow our corrugated packaging business in Europe, Middle East and Asia (EMEA) by further enhancing our value proposition and offering our customers even more options for innovative, tailored, high-performing corrugated packaging solutions.”

— John Sims, senior vice president, International Paper EMEA
Vision 2020 Goals

We recognize the importance of aligning our business with the needs of the world around us and we’re committed to continuous improvement and transparency around our sustainability goals. We set 12 voluntary goals with a 2010 baseline aimed at improving our impact on people and the planet, and are happy to share our progress.

To find out more about our Vision 2020 Goals, go to: internationalpaper.com

**SAFETY PROGRESS**
- **39% reduction in serious safety incidents**
- Injury-free workplace

**COMMUNITY INVOLVEMENT PROGRESS**
- **$17.3 million donated to charitable organizations in 2016**
- Measure and report on our charitable support for hunger, education, health and wellness, and disaster relief in the communities where we operate

**FIBER EFFICIENCY PROGRESS**
- **0.79% fiber loss from reporting mills**
- Reduce fiber lost in the manufacturing process to less than 0.75%

**GHG EMISSIONS PROGRESS**
- **19% reduction in GHG emissions**
- Reduce GHG emissions by 20% (direct and indirect)

**WATER STEWARDSHIP PROGRESS**
- **31% increase in certified fiber volume**
- Increase third-party certified fiber by 35%

**AIR EMISSIONS PROGRESS**
- **23% reduction in air emissions**
- Reduce air emissions (PM, SO2, NOx) by 30%

**SOLID WASTE PROGRESS**
- **11% reduction in manufacturing waste to landfills**
- Reduce manufacturing waste to landfills by 30% and ultimately to zero

**FIBER CERTIFICATION PROGRESS**
- **31% increase in recovery of OCC**
- Increase recovery of old corrugated containers (OCC) by 15% by exploring new sources and diverting usable fiber from landfills

**ENERGY EFFICIENCY PROGRESS**
- **6.4% improvement in purchased energy efficiency**
- Improve efficiency in purchased energy use by 15%

**WATER QUALITY PROGRESS**
- **28% decrease in oxygen-depleting substances**
- Reduce mill wastewater discharges of oxygen-depleting substances (BOD) to receiving streams by 15%

**SUPPLY CHAIN PROGRESS**
- **Established baseline supply chain performance and implemented improvement plans**
- Establish processes promoting transparency, managing risk by monitoring and identifying opportunities to collaborate with suppliers

**FIBER EFFICIENCY PROGRESS**
- **31% increase in certified fiber volume**

**RECYCLING PROGRESS**
- **17% increase in recovery of OCC**
- Increase recovery of old corrugated containers (OCC) by 15% by exploring new sources and diverting usable fiber from landfills

**ENERGY EFFICIENCY PROGRESS**
- **6.4% improvement in purchased energy efficiency**
- Improve efficiency in purchased energy use by 15%

**WATER QUALITY PROGRESS**
- **28% decrease in oxygen-depleting substances**
- Reduce mill wastewater discharges of oxygen-depleting substances (BOD) to receiving streams by 15%

**WATER STEWARDSHIP PROGRESS**
- **Mapped water use and risk by location, identified priority mills and initiated annual stakeholder and facility assessments**
  - Integrate water management into regular facility assessment and proactively engage with stakeholders in communities to address water-related issues within the watershed

**COMMUNITY INVOLVEMENT PROGRESS**
- **$17.3 million donated to charitable organizations in 2016**

* Includes $3 million raised through employee giving and fundraising