



UK TAX STRATEGY

International Paper

THE IP WAY

We do the right things, in the right ways, for the right reasons – all the time.



**THE IP WAY
FORWARD**

Pursuant to sections 161 and 19(2) of Schedule 19 of the 2016 Finance Act, International Paper (UK) Limited (“IP UK”) is herewith publishing an outline of its tax strategy for the tax year ending 31 December, 2017 on its own behalf and on behalf of the following UK based International Paper companies:

1. International Paper Group (UK) Limited (“IP Group UK”)
2. International Paper Company Limited (“IP Co UK”)
3. International Paper Foodservice Europe Limited (“IP Foodservice”)¹

International Paper (IP) relies on a set of core values that are solid, enduring and time-tested which are applied across all business functions, including tax. IP is committed to doing what is in the best interest of our shareholders, the company, and our employees. We are each individually accountable for faithfully following the laws that apply to IP. Wherever we operate, we uphold the highest ethical standards of conduct on the job. We pride ourselves in operational excellence, and exercise integrity when managing the information and assets that are at the heart of our business.

IP has been recognized for many years as one of the world’s most ethical companies by the Ethisphere organization. Further, IP has a Corporate Ethics Office and employees are periodically required to reaffirm, in writing, their commitment to the IP Code of Conduct.

International Paper Worldwide

IP is one of the world’s leading producers of fiber-based packaging, pulp and paper. We create packaging products that protect and promote goods, enable worldwide commerce and keep consumers safe; pulp for diapers, tissue and other personal hygiene products that promote health and wellness; papers that facilitate education and communication; and paper bags, cups and food containers that provide convenience and portability for the on-the-go consumer.

Headquartered in Memphis, Tennessee, USA, IP employs approximately 55,000 people worldwide and is strategically located in more than 24 countries serving customers around the globe.

International Paper in the UK

¹ International Paper has entered into a global agreement with Graphic Packaging to transfer the Coated Paperboard and Foodservice businesses and as part of this agreement International Paper will divest this entity. The transaction is expected to close in 2018.

IP UK is part of the Company's Europe, the Middle East and Africa (EMEA) region. IP EMEA, with its regional headquarter in Brussels, Belgium, operates manufacturing sites in 8 countries and sales offices in all European major countries, including the UK. IP EMEA's packaging, paper and cellulose fibers business units serve customers across the region with a full range of top notch products: uncoated woodfree papers, corrugated packaging, coated paperboard, cellulose fibers and foodservice. In the UK, IP operates mainly via two entities: IP UK and IP Foodservice.

IP UK's main activity is the distribution in the UK and Ireland of business communication and printing papers and other fiber-based products that are manufactured by IP mills located in Brazil, the US, France and Russia. IP UK aims to provide to its customers a broad portfolio of papers for a multitude of uses and applications for the office and commercial printing.

IP Foodservice's principal activity is the manufacture and sale of disposable paper products for the food industry. By providing the highest quality single-usage beverage cups and food containers, IP Foodservice's packaging helps to advertise and enhance customers' brand.

IP's UK subsidiaries also include a holding company (IP Group UK) and a dormant company (IP Co UK).

Tax risks and their management

The standards set forth in IP's Code of Conduct apply in all countries in which IP conducts business. IP in the UK is committed to effectively manage tax risks in compliance with its Code of Conduct and all applicable rules and regulations. All tax and finance professionals at IP are committed to observe the respective applicable laws and to act within the standards set by the internal Code of Conduct.

Moreover, as an affiliate of a US public company, IP UK must also comply with all applicable financial policies, internal controls, processes and audit procedures such that, amongst others, potential risks, including tax risks, can to the extent possible be identified and properly addressed as the case might be. IP's VP of Tax reports on these topics to the Audit and Finance Committee of the Board of Directors.

IP in the UK continually reviews its tax obligations through a periodic control and reconciliation of tax accounts, the monitoring of legislative and regulatory developments, managing relationship with tax authorities and seeking advice from tax advisory firms when needed.

The key role and responsibility in terms of tax compliance and controls lie with the Controller of IP UK while the ultimate accountability resides with the EMEA Tax Director.

Attitude towards tax planning

IP UK manages its affairs in a generally tax efficient manner and seeks external tax advices to confirm, when necessary, that operations and transactions comply with tax laws and regulations.

Relative to the size, reach and complexity of the IP Group globally, the IP UK operations are modest in size and principally centered on routine activities for the distribution and marketing of paper products manufactured by IP mills in a number of countries outside of the UK.

Against this background, the main point of attention from a tax point of view for the UK entities is to ensure that transactions with IP affiliated companies meet OECD principles, relevant transfer pricing documentation is in place and that benchmarking studies are being undertaken.

Approach towards dealings with HMRC

IP in the UK maintains a good and professional working relationship with Her Majesty's Revenue and Customs (HMRC). All IP entities in the UK undertake all necessary actions to comply with UK laws and regulations in a professional and timely manner. IP maintains an open and constructive dialogue with tax authorities and other governmental bodies that is built on respect and trust.

By way of illustration, thanks to a good dialogue and further to a review of IP UK's operations by HMRC, IP UK received from HMRC in 2017 a Certificate of Authorized Economic Operator (AEO) .