International Paper has been connecting with our world for more than a century, and our sustainable business model has been an enduring foundation for those connections. From the beginning, our connection to sustainably managed forests has created a proud legacy. And while it’s only been called “sustainability” more recently, we have always known doing the right things creates value for our employees and their families, our customers, our communities, and our shareholders. We call it the IP Way.

The economic, environmental and social value we create stretches across our entire supply chain, from responsible stewardship of the forests where our products are sourced, to our energy-efficient manufacturing process, to our recovery and reuse of wood fiber, and to our dedication to ethical business operations and treating people with respect. We are proud of and treasure our rich history, and we look forward to serving our stakeholders and creating more connections in 2014 and beyond.

ABOUT THIS REPORT
This report covers International Paper’s sustainability performance for calendar year 2013. We report against the Global Reporting Initiative’s key performance indicators in the areas of economic, environmental and social performance “In Accordance” with the G4 Sustainability Reporting Guidelines Core level. This report is supplemented by information on our sustainability website and through our Annual Report. The 2014 GRI Content Index is also available online.

Additional information on International Paper is available at www.internationalpaper.com.

For questions or more information about this report, inquiries can be emailed to sustainability@ipaper.com.
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As the world’s largest packaging and paper company, International Paper’s wise use of natural resources — renewable wood fiber from sustainable and responsibly managed working forests, as well as water and energy — is critical to the sustainability of our business and our environment. For more than 116 years, our company has been a sustainability leader, with continuous performance improvement as the driving force and common denominator among our economic, environmental and social priorities. Our people are the key to our success, making vital connections that matter between our company and the world we share with our many stakeholders.

In 2013, International Paper achieved another financial milestone as we generated record operating earnings and continued our strong cash flow generation, driven by our great team of highly engaged people and first-rate execution. We delivered on our ongoing commitments to return cash to shareholders, strategically reinvest in our business and maintain a strong balance sheet. As a result, we believe that no other company in our industry is as well-positioned to meet the needs of global markets and create value for shareowners on a global scale.

International Paper’s sustainability begins in the responsibly managed working forests where we source the wood fiber to make our products. Around the globe, we are engaged in a broad range of efforts to protect and conserve forest resources, promote sustainable forest management practices and encourage third-party forest certification, especially in the regions where we operate. In 2013, these efforts included:
Contributing $7.5 million (over the next five years) to the National Fish and Wildlife Foundation to create the Forestland Stewards Initiative, a pioneering partnership to promote the value of working forests and to conserve and restore more than 200,000 acres of forestland across eight southern U.S. states;

Establishing a Private Natural Heritage Reserve to protect and conserve biodiversity and conduct biodiversity research on 2,000 acres of high-conservation-value forest owned by International Paper in Brazil; and

Joining the Global Forest & Trade Network, a World Wildlife Fund initiative focused on eliminating illegal logging and promoting environmentally and socially responsible forest management worldwide.

While working forests are the lifeblood of our business, International Paper’s sustainability commitment doesn’t end at the forest’s edge. It touches the entire life cycle of our products, from our manufacturing operations through end-use and recycling. Our products are made from renewable resources, on average 70 percent of the energy used in our mill manufacturing processes is self-generated using renewable wood-based biomass, and most of the products we make are reusable and recyclable. Our sustainability commitment also reaches into the communities where we operate. In addition to supporting our local communities with good jobs, tax dollars and purchases from local and regional suppliers, International Paper contributed nearly $12 million in 2013 to charitable causes, disaster relief, social development programs and support for employee volunteer efforts.

Our commitment to continuous performance improvement in everything we do carries with it a responsibility to be both transparent and accountable to our many stakeholders. To help us gauge and report our progress, we’ve set 12 voluntary sustainability goals with a 2010 baseline and an initial target date of 2020. At year-end 2013, we had already surpassed several of these targets and continue to challenge ourselves to raise the bar even higher.

Ultimately, our sustainability success — like our business success — comes down to the commitment of our 70,000 employees around the globe to do the right things, the right way for the right reasons. Nowhere is this more evident than in our quest to be an injury-free workplace. Safety is a core value at International Paper, and through our Life-changing Injury and Fatality Elimination (LIFE) initiative we reduced year-over-year LIFE incidents by 20 percent in 2013. While we are extremely proud of our industry-leading safety performance, we will never be satisfied until International Paper is injury-free.

On the pages that follow, you’ll find 2013 highlights that illustrate the many ways our people are helping International Paper achieve our mission: To improve the world today and for generations to come by using renewable resources to make products people depend on every day. I invite you to read on and encourage you to share your feedback at sustainability@paper.com.

Sincerely,

John V. Faraci

“For more than 116 years, our company has been a sustainability leader, with continuous performance improvement as the driving force.”
ON THE COVER

Payal Shah, North America
Process Manager / Industrial Packaging Group

Responsible for the reliable operation of the effluent treatment system. Water quality goal team leader.

FORESTS

Charlie Saunders, North America
Procurement Forester / Global Sourcing-Fiber Supply

Responsible for the purchase and delivery of fiber products including pulpwood, chips, and sustainably managed fiber fuel (biomass).

RECYCLING & END-OF-LIFE

Marcio Miranda, Latin America
Leading Operator / Printers & Box Plant

Responsible for leading the printers and finishing operators related to job scheduling and resources.
MANUFACTURING

Larisa Yarets, EMEA / Russia
Sheet Supervisor / Sheeting Plant

Responsible for managing the finished products department. She also leads the efficiency program (5S) at the mill.

PRODUCTS & DISTRIBUTION

Jenny Wang, Asia / China
Key Account Manager / Industrial Packaging

Provides a high level of support to IP’s strategic customers and manages sales targets to enhance our revenue growth.

RESPONSIBLE SOURCING

Y Vamsi Krishna, India
Assistant Officer / Chemical Store

Receives and issues chemicals on a daily basis to all users and ensures the safety of the chemical material handling process.

GLOBAL PRESENCE

International Paper employees take pride in our long history of making things that matter. We know the way we make our products is as important as the products we make. While our colleagues represent many areas of expertise, span many time zones and speak different languages, we are all connected around a common commitment to do the right things, the right way for the right reasons. We invite you to learn more about our core focus areas of sustainability, highlighted on this page. Through the eyes of our employees you will learn how International Paper is making connections that matter.
ABOUT INTERNATIONAL PAPER

BUSINESSES & GLOBAL PRESENCE

International Paper is a global leader in packaging and paper with manufacturing operations in North America, Latin America, the EMEA region (Europe, the Middle East, Africa and Russia) and Asia. Our businesses include industrial and consumer packaging and uncoated papers. Headquartered in Memphis, Tenn., we employ approximately 70,000 people and are strategically located in more than 24 countries serving customers worldwide.

2014 marks International Paper’s 116th year in business, a testament to the enduring value of fiber-based packaging and paper and to our company’s ability to innovate and adapt in an ever-changing marketplace. Today’s International Paper is a strategically well-positioned company with low-cost assets in attractive growth markets around the world. With an underlying commitment to do the right things the right way for the right reasons, our focus on people, customers and operational excellence makes International Paper a company where customers want to do business, the best-of-the-best talent wants to work and investors want to put their money.

INDUSTRIAL PACKAGING

International Paper is the world’s leading manufacturer of containerboard and corrugated packaging. With fully aligned containerboard mills, box plants and converting facilities, we’ve created a unique-to-the-industry platform that provides the consistent high-quality, best-in-class reliability and total cost solutions our customers need to meet their most challenging shipping, storage and sales requirements. End uses for our products include corrugated boxes, bulk packaging, retail displays, specialty packaging and paper bags. Our target market segments include food and beverage, fresh fruits and vegetables, non-durables, durables, and shipping and distribution. International Paper’s industrial packaging footprint includes facilities in North America, Latin America, the EMEA and Asia region. Industrial packaging also includes a recycling business with facilities across the United States and Mexico. International Paper is one of North America’s largest recyclers that collects, consumes or markets more than 6 million tons of corrugated packaging and paper annually.

CONSUMER PACKAGING

International Paper produces top-quality coated and uncoated paperboard used in a wide variety of packaging and commercial printing applications. End uses for our paperboard include packaging for food and beverages, pharmaceuticals, cosmetics, candy, food items, tobacco products, and juice and milk cartons. Our products also are used in a wide range of commercial printing applications, from greeting cards and direct mail to book covers and lottery tickets. International Paper’s consumer packaging footprint includes facilities in North America, the EMEA region, Russia and Asia. Under the consumer packaging umbrella, the International Paper foodservice business serves customers in segments like quick-service restaurants, specialty coffee, grocery, hospitality and distribution. Our hot cups, cold cups, food containers and lids are manufactured in the United States, United Kingdom, China, and through a joint venture agreement in Colombia.
PRINTING PAPERS

International Paper’s printing papers business manufactures just about every type of uncoated paper used in home offices, businesses and commercial printing operations. This includes some of the best-known, highest-quality paper brands in the world, including Accent® Opaque, Hammermill® Chamex®, Rey®, POL® and Svetocopy®. As part of this business, International Paper also produces market and fluff pulp that is used by other companies to produce a wide range of absorbent hygiene, paper and tissue products used by millions of consumers every day. Our printing papers footprint includes facilities in North America, Brazil, the EMEA region, Russia and India.

EMPLOYEE ATTRACTION & RETENTION

International Paper’s talented employee base comprises 70,000 engineering, manufacturing, sales and business support professionals spanning five continents. At International Paper, we foster an inclusive work environment with a focus on employee well-being and enhanced performance. Our global team is united around International Paper’s vision to be one of the most respected and successful companies in the world.

International Paper’s Recruit Engage Align College Hires (REACH) Program is designed to attract talented U.S. college graduates to join our team. The REACH program integrates a core curriculum into the work experience for new hires, providing access to industry experts who help them improve their skills and knowledge on processes and equipment. The success of our program has grown as a result of attracting and hiring more talented engineering graduates every year: Over the last three years, International Paper hired more than 230 engineers, 47 percent of whom were women and minorities. In 2013, we hired 72 engineers.

BLOOMBERG ARTICLE HIGHLIGHTS YOUNG FEMALE ENGINEER

Lauren Scallon, an environmental engineer at our Orange, Texas facility, was recently highlighted in an article on Bloomberg.com, titled “International Paper Drafts Women in Talent War.” Lauren chose International Paper instead of NASA after working for two semesters and two summers at the agency. At International Paper, she helps manage inventory as a project-improvement engineer in the finished products section.

“I really like manufacturing and that fast-paced environment. I felt there would be a lot of opportunity for growth a lot faster at International Paper.”

Lauren Scallon, Environmental Engineer

Left to right:
First Line Leader (FLL) training class in Russia / Lauren Scallon, Environmental Engineer at the Orange, Texas, facility
DIVERSITY AND INCLUSION PROGRAMS

International Paper fosters an environment of diversity and inclusion. We believe listening to different viewpoints will improve our business results.

Diversity and Inclusion Program highlights from 2013 include:

- Continuing the Mentoring Excellence Program, including more than 400 employee mentors and mentees in the United States;
- Offering virtual mentoring group events in which more than 1,200 employees participated; and
- Launching our first Inclusion Forum, focused on engaging and educating more than 120 First Line Leaders who collectively lead more than 1,100 employees. The forum showed ways to continue advancing diversity and inclusion efforts within their facilities and teams. The group represented all U.S. businesses and included many forms of diversity, including race, gender, age, background and tenure.

Recognizing that diversity is driven by local culture and demographics, our strategies and approaches vary by region. At a high level, regional strategies include gender diversity for Asia and India, programs aimed at retention of younger employees and disabled workers in Brazil and focused efforts to address the aging workforce in certain parts of EMEA. Supporting initiatives across the company ensures a fulfilling employee experience, from job applicant to retirement.

“Diversity and inclusion matter. Winning requires different viewpoints and backgrounds to make connections that drive toward a common mission. Engaged teams make better decisions. When people know their viewpoints matter, commitment follows.”

Kirt Cuevas, Co-Chair, Chairman’s Diversity Council
CHAIRMAN’S DIVERSITY COUNCIL

The Chairman’s Diversity Council includes senior leaders who drive diversity and inclusiveness initiatives to maintain a culturally rich and collaborative work environment. Inclusion aspects are also important to the council’s efforts to ensure our ability to attract, retain and develop the best talent in an increasingly global market. In 2013, The Council achieved a number of notable accomplishments, including:

- Raising awareness — by publishing more than 76 articles that recognized employees who foster diversity and inclusion in our workplaces;
- Grooming future leaders — through our sponsorship program, which promotes the learning, development, exposure, and business acumen of talented employees; and
- Mentoring — our Mentoring Boards, representing African-American, Latino and female company leaders, sponsored quarterly virtual discussions to offer career guidance, and encourage meaningful professional relationships and personal connections.

DIVERSITY AWARDS

REACH manager Terri Creech and zone general manager Derrick Pratt personify International Paper’s drive for diversity and inclusion. Terri’s work to recruit diverse new engineers earned her a Chairman’s Diversity Council (CDC) Impact Award; Derrick was recognized as a diversity thought leader as a result of strong work in creating a more productive and inclusive workplace.
“Without question our results are a product of our people; consequently, we are committed to providing an inclusive work environment that ensures every employee, regardless of role or work location, has the opportunity to learn, grow and contribute every day so that teams consistently deliver the best performance possible.”

Paul Karre, Senior Vice President of Human Resource and Communications

LEADERSHIP TRAINING

Leadership works when employees are motivated, engaged and working toward common goals and objectives. International Paper builds employee skills and supports professional growth through a variety of training and development, working hard to create and sustain a leadership culture with high ethical standards. Our leadership development efforts fall into three key areas:

- On-the-job experiences and assignments;
- Coaching and mentoring; and
- Formal classroom training.

LEADERSHIP INSTITUTE

International Paper’s Leadership Institute provides interactive learning and growth opportunities for employees with exceptional promise. It offers skills development that helps build employee relationships, leading to better execution of business objectives. The Institute offers programs and resources that align with our key business strategies and initiatives, while promoting leadership development through assessment, feedback and coaching. Since 2005, more than 2,000 employees have participated in our Leadership Institute programs.

In 2013, more than 320 leaders, including senior management and the chairman, were a part of our 14 Institute programs, sharing examples from their own leadership experience.

FIRST LINE LEADER DEVELOPMENT

First Line Leaders (FLLs) are responsible for supervising teams of employees across the enterprise. In 2013, we expanded our development program, now available in seven languages. Two hundred FLLs from six countries participated in the second year of the program.
IPADVANTAGE (IPA) PROGRAM

The company’s IPAdvantage (IPA) program seeks to identify and grow internal talent early in an employee’s career. Program participants are identified as having significant upward growth potential. The IPA experience connects participants with a range of talented IP leaders who share how work experiences and assignments contributed to their successful careers. Through open and candid discussions on career obstacles and opportunities, participants and leaders explore initiatives and actions to help maximize professional development and growth.

ADDITIONAL EMPLOYEE DEVELOPMENT RESOURCES

International Paper provides several development opportunities for employees:

- The Performance and Development Roadmap includes monthly or quarterly meetings to foster personal development, along with annual performance reviews.
- The Learning Management System provides all employees access to on-demand courses.
- Comprehensive Tuition Reimbursement Assistance Program encourages professional education.
- The online 360 feedback tool allows employees to receive feedback on specific skills from internal/external colleagues, followed by meeting with a trained facilitator who helps devise a development plan based on feedback. In 2013, more than 150 employees used the feedback tool.
- In 2013, a Leadership Learning Center (LLC) was launched online by the Leadership Institute to support formal and informal self-paced continual learning.

“PARTNERSHIPS THAT WORK”: INTERNATIONAL PAPER JOINS THE WHITE HOUSE LABOR MANAGEMENT SUMMIT

International Paper was selected to participate in the White House Labor Management Summit. Together with union, business and government leaders, such as U.S. Secretary of Labor Thomas E. Perez and U.S. Secretary of Commerce Penny S. Pritzker, the summit focused on major labor management agreements, showing the potential for unions and employers to work together to improve competitiveness, productivity and quality. The summit highlighted recent collective bargaining successes that demonstrate the value of labor-management cooperation.
<table>
<thead>
<tr>
<th>SUSTAINABILITY AREA</th>
<th>UPDATED 2020 GOALS</th>
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<tbody>
<tr>
<td>FIBER CERTIFICATION</td>
<td>35% global increase in third-party-certified fiber volume.</td>
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<tr>
<td>AIR EMISSIONS</td>
<td>10% reduction in pollutant emissions (SO₂, NOₓ, PM) from aligning with our energy efficiency initiatives by 2020.</td>
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<tr>
<td>SUPPLY CHAIN</td>
<td>Establish baseline supply-chain performance and implement plans to improve by 2013.</td>
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<tr>
<td>ENERGY EFFICIENCY</td>
<td>15% improvement in efficiency in purchased energy use by 2020.</td>
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<tr>
<td>GHG EMISSIONS</td>
<td>20% absolute reduction in global GHG emissions (Scope 1 and 2) associated with the production of our products by 2020.</td>
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<tr>
<td>SAFETY</td>
<td>Accident-free workplace.</td>
</tr>
<tr>
<td>FIBER EFFICIENCY</td>
<td>Reduce fiber loss in the manufacturing process by achieving performance of less than 0.75% fiber loss.</td>
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<tr>
<td>WATER QUALITY</td>
<td>15% reduction in mill wastewater discharges of oxygen-depleting substances (BOD) to receiving streams.</td>
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<tr>
<td>WATER USE</td>
<td>Map water usage through our manufacturing locations by 2013; develop site-specific plans by 2015 to reduce use in strategic watershed areas by 2020.</td>
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<tr>
<td>SOLID WASTE</td>
<td>Reduce manufacturing waste to landfills 30% by 2020, and ultimately to zero.</td>
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<tr>
<td>RECYCLING</td>
<td>15% increase in the recovery of Old Corrugated Containers (OCC) by exploring new sources and diverting usable fiber from the landfill.</td>
</tr>
<tr>
<td>PHILANTHROPY</td>
<td>Measure and report on our charitable support for education, literacy and health and human services in the communities where we operate.</td>
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Transparency and accountability are important elements of our sustainability commitment. We measure and report progress on 12 voluntary sustainability goals to demonstrate this commitment and guide continuous performance improvement. All goals are based on a 2010 baseline.

Our voluntary goal process is governed by our Senior Leadership Team, EHS&S Council and Sustainability Steering Team. These groups, with input from goal team leaders, goal champions and subject matter experts, can approve new targets.

INTERNATIONAL PAPER’S 2020 GOALS

FIBER CERTIFICATION
35% global increase in third–party–certified fiber volume.
Surpassed our original goal of 15%, with 22.8% increase in certified fiber volume since 2010. We reset our goal to 35%.

AIR EMISSIONS
10% reduction in pollutant emissions (SO 2, NOx, PM) from aligning with our energy efficiency initiatives by 2020.
Achieved 14% reduction from 2010 levels.

SUPPLY CHAIN
Establish baseline supply-chain performance and implement plans to improve by 2013.
Established baseline supply-chain performance and implemented plans to improve.

ENERGY EFFICIENCY
15% improvement in efficiency in purchased energy use by 2020.
3.7% gain in efficiency since 2010.

GHG EMISSIONS
20% absolute reduction in global GHG emissions (Scope 1 and 2) associated with the production of our products by 2020.
5.8% reduction since 2010.

SAFETY
Accident-free workplace.
21% decrease in LIFE events since 2010.

FIBER EFFICIENCY
Reduce fiber loss in the manufacturing process by achieving performance of less than 0.75% fiber loss.
Completed standardized measurement methodology and reporting format.

WATER QUALITY
15% reduction in mill wastewater discharges of oxygen-depleting substances (BOD) to receiving streams.
BOD levels increased in 2013 but still remain 13% below 2010 baseline.

WATER USE
Map water usage through our manufacturing locations by 2013; develop site-specific plans by 2015 to reduce use in strategic watershed areas by 2020.
Completed risk mapping and ranked mills by composite risk score.

SOLID WASTE
Reduce manufacturing waste to landfills 30% by 2020, and ultimately to zero.
International team analyzed data from mills across the globe and put forward an aggressive new goal to reduce waste.

RECYCLING
15% increase in the recovery of Old Corrugated Containers (OCC) by exploring new sources and diverting usable fiber from the landfill.
18.7% decrease in OCC.

PHILANTHROPY
Measure and report on our charitable support for education, literacy and health and human services in the communities where we operate.
Donated approximately $11.9 million to charitable organizations in 2013. Global team is working on measuring employee volunteer hours.
Our sustainability strategy is embedded in our vision, mission and core values. We view sustainability-related risks and opportunities as additional ways to strengthen our business and generate value for our stakeholders today and in the future.

OUR VISION

“To be one of the most respected and successful companies in the world.”

To realize this vision, we insist on high ethical values and professional standards that maintain and strengthen our reputation for integrity, fairness and good science. We conduct our business with a view toward long-term environmental and social sustainability, to improve the world today and for future generations. We actively assess existing and potential environmental and social impacts in decision-making and implementation.

OUR MISSION

To do our part to improve the world, today and for generations to come, by using renewable resources to make products people depend on every day.

SUSTAINABILITY AT INTERNATIONAL PAPER

Sustainability at International Paper goes beyond forests and encompasses our whole supply chain — from fiber procurement, operations and products to our communities, employees and suppliers. Engaging internal and external stakeholders in explaining our sustainability strategy helps us optimize environmental and social impacts at International Paper.

OUR CORE VALUES – “THE IP WAY”

Ethical behavior and personal integrity are at the core of our culture. These values extend past our employees to our suppliers, who are required to maintain the same level of ethics and integrity in their dealings with us. By honoring these principles, we do the right thing for people, communities and the environment.

For a complete copy of the IP Way, please visit:
GOVERNANCE & ETHICS

Our business decisions are based on a governing structure that considers risks and attracts investments, driving value for shareholders and other valued stakeholders. Our vision, mission and values, collectively known as “The IP Way,” reflect our commitment to ethical business operations. This entails complying with all laws and regulations that govern our industry and adhering to our Code of Conduct.

Our Code of Business Ethics was revised in 2013 and renamed the Code of Conduct. The updated Code is written in clear, easy-to-understand language that reflects changes in laws and corporate policies. It includes on-the-job scenarios along with questions and answers to help guide employees through ethically challenging situations.

An extension of our internal Code of Conduct, our Supplier Code of Conduct outlines expectations for workplace standards and business practices for our suppliers, along with their parent entities, subsidiaries, affiliates and subcontractors. Compliance with these expectations helps determine whether International Paper enters new or extends existing business relationships. Suppliers are responsible for ensuring their employees, representatives and subcontractors understand and comply with our Code. International Paper honors laws and treaties of the countries where we operate. In addition, laws such as the United States Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act apply to our global operations, regardless of whether countries of operation recognize them.

Additional information can be found at:
http://internationalpaper.com/documents/EN/Ethics/IPCodeofConduct.PDF

“Good corporate governance is the foundation upon which we build and achieve our goals and provide value to our shareholders, customers and the communities where we operate. We uphold the highest ethical standards and are accountable for all that we do.”

Sharon Ryan, SVP, General Counsel & Corporate Secretary
SUSTAINABILITY GOVERNANCE

Sustainability is integral to all International Paper operations and is a shared responsibility of all International Paper employees. Our sustainability strategy relies on the guidance of our Board of Directors and Executive Office. Primary responsibility for implementing it lies with our senior leadership team and business and operations leaders.

CHAIRMAN & BOARD OF DIRECTORS (BOD)
Sustainability Vision & Oversight

SENIOR LEAD TEAM
Sustainability Strategy & Leadership

ENVIRONMENT, HEALTH, SAFETY & SUSTAINABILITY COUNCIL
Set Metrics & Goal Development, Compliance & Progress

GLOBAL ENVIRONMENT, HEALTH, SAFETY, & SUSTAINABILITY LEAD TEAM
Manage EHS&S function & set global standards

SUSTAINABILITY STEERING COMMITTEE
Cross-Functional Application of Best Practices & Sustainability Strategy
COMMITTEDS

International Paper is committed to excellence in environmental, health, safety, sustainability practices and performance. Sharing best practices by engaging with third-party organizations accelerates progress toward sustainable development throughout our global operations. Some of the groups we work with include:

American Forests and Paper Association
World Environment Center
ORCHSE Strategies, LLC
National Fish and Wildlife Foundation

“Continuously improving our environmental, health, safety and sustainability performance is a cornerstone of our future business success and fundamental to The IP Way.”

Tommy Joseph, Senior Vice President of Manufacturing, Technology, EHS&S & Global Sourcing

AWARDS

We are pleased our commitment to driving sustainability throughout our global operations has resulted in the following awards:

FORTUNE® MAGAZINE WORLD’S MOST ADMIRE COMPANIES® 2014
Named #1 in the Forest and Paper Products industry for the 11th time in the last 12 years

CR’s 100 Best Corporate Citizens® 2014
On the list for the second consecutive year

ETHISphere INSTITUTE WORLD’S MOST ETHICAL COMPANIES® 2014
Named among the Ethisphere Institute’s World’s Most Ethical Companies® for the 8th year in a row

WORLD CORPORATE SOCIAL RESPONSIBILITY CONGRESS AWARD FOR CORPORATE SOCIAL RESPONSIBILITY — RURAL DEVELOPMENT 2014
Received global recognition for social development and enrichment efforts in India
STAKEHOLDERS & MATERIALITY

STAKEHOLDER ENGAGEMENT

International Paper engages a wide variety of stakeholders to broaden our perspective and validate our internal assessments. Ongoing engagement and dialogue occurs with the following stakeholders:

CUSTOMERS: Meeting customer requests and maintaining long-term contracts are crucial to our success. International Paper works with customers to meet sustainability objectives within our value chain. Subject matter experts regularly meet to discuss product and service innovation.

EMPLOYEES: Employees are our greatest asset and advocates. Their health, safety and well-being are at the very top of our priorities. We also invest significantly in employee training and development. We measure employee engagement with a formal survey every two years, and each team creates improvement plans based on employee feedback.

GOVERNMENTS AND REGULATORS: Global operations require sophisticated communication in order to comply with regulations and operate seamlessly. We educate policy makers on our commitment to promote sustainable forestry, third-party certification, reduce emissions through energy efficiency, responsible resource management, efficient use of renewable biomass and recycling.

ENGAGEMENT CHANNELS

Meeting
Conversation
Inquiry

Specific consultation
Committee
Panel

Survey
Suggestion scheme

Visit
Talk
Seminar
Workshop

Publication
Website
Briefing

Advisory service
Community program
INVESTORS: Accountability to investors requires us to monitor both financial and non-financial performance. Communicating our performance to our investors strengthens our reputation.

LOCAL COMMUNITIES: The communities where we operate are valuable stakeholders, and we work hard to maintain strong relationships with the people who live in these communities and the entities that govern them. Our business is often a key contributor to the economic life of the community. Our Community Advisory Councils meet regularly and share open dialogue on a range of concerns and opportunities for us to improve.

NON-GOVERNMENTAL ORGANIZATIONS (NGOS): We work to establish trusting, long-term relationships with NGOs. Doing this provides a good opportunity to share information about our sustainable business model. In 2013, we launched a quarterly external stakeholder newsletter to share timely news and information about International Paper’s sustainability efforts.

SUPPLIERS: Setting high standards for ethical practices by our suppliers enables us to deliver quality products to market. We brief suppliers on our standards and expectations so they can better understand sustainability and the role they play in achieving it with us.

“Engaging all of our stakeholders, in a consistent and meaningful way, is critical to achieving success across our value-chain.”

David Kiser, Vice-President, Environmental, Health, Safety & Sustainability

Opposite Page
Managers from various functional areas participating in a Diversity and Inclusion Forum

Left to right:
John Faraci / A group of REACH engineers participating in a training
Our broad array of stakeholders cares about a wide range of issues. Discussions with these stakeholders shown in the illustration below, inform us on identifying which environmental, economic and social impacts to report on.

MATERIALITY

International Paper follows the Global Reporting Initiative (GRI) framework to guide its Sustainability Report. Determining materiality includes consideration of sustainability matters such as economic, environmental and social issues that affect the ability to create or erode value for stakeholders, now and in the future.

Our process for identifying material issues to include in this report follows the GRI model by noting relevant issues internally and also engaging external stakeholders in the process. To create a more comprehensive materiality analysis, we retained a third-party sustainability consultant to assist in expanding this analysis for our 2013 report. If you were one of the stakeholders who participated in the survey, thank you. We sincerely appreciate your feedback.

In general, issues related to the environment such as fiber sourcing, sustainable forestry and water use consistently scored highest in importance for stakeholders. Other related issues, such as chemical use, climate change and sustainable product innovation, ranked lower in importance in our materiality analysis. As we adapt and refine our sustainability strategy, we will continue to ask for stakeholders’ input, and respond to those concerns.
Issues related to the environment such as fiber sourcing, sustainable forestry and water use consistently scored highest in importance for stakeholders.

Issues of Prime Significance fit into overarching sustainability categories:

- Fiber sourcing and certification
- Sustainable forestry
- Worker health and safety
- Regulatory compliance
- Business ethics, anti-bribery and corruption
- Transparency and disclosure
- Water use
- Human rights

**A** WORKFORCE & HUMAN RIGHTS
Worker health & safety

**B** ECONOMIC & GOVERNANCE
Business ethics, anti-bribery & corruption
Transparency & disclosure

**C** REGULATORY COMPLIANCE

**D** PRODUCT RELATED

**E** ENVIRONMENTAL
Fiber sourcing & certification
Sustainable forestry
Water Use

**F** SOCIETY & COMMUNITY

**ISSUES OF PRIME SIGNIFICANCE**
Average scores for each category, bubble size = number of issues
“As the largest pulp and paper company clean production and responsible forestry are fundamental to long-term business success, especially in emerging markets.”

*Environmental Non-Governmental Organization*

We strongly agree. As a primary buyer of wood globally, we are committed to healthy forests. With wood fiber as our largest raw material, we expanded our supply-chain risk review and developed and introduced a Supplier Code of Conduct. Our foresters and wildlife biologists help create and implement better forest management plans with many key wood suppliers and land owners. Lastly, offering third party fiber certification demonstrates our commitment to steadily increase our supply of certified wood fiber.

*David Liebetreu, VP, Global Sourcing*

You will be delighted to read that we have established a 30% reduction of solid waste, with an ultimate goal of zero waste from our manufacturing processes. Manufacturing excellence is driving greater efficiency (less waste) and increased beneficial use of process residue is decreasing waste to landfills. The technology to achieve zero waste isn’t available in all cases today, but we do have opportunities to reduce waste significantly in the near future, as we aspire toward zero waste facilities in the longer term.

*Marcio Bertoldo, Manufacturing Director, IP Brazil*

“IP could look more holistically at the life cycle impact of their products and engage non-traditional stakeholders in future discussions.”

*Large retail customer*

We are actively involved with a number of stakeholders that could be described as “non-traditional,” and we see this engagement as important to creating a common understanding of the renewable and sustainable nature of our business, and to listen to and address stakeholder ideas and concerns. An example of this are the multiple points of engagement we have with fiber certification standards; this has been expanding dramatically in recent years, and is now a critical business component for us. We are guided by what our customers and other stakeholders value.

*John Sims, VP, Commercial Printing & Imaging Papers*

“As the largest pulp and paper company clean production and responsible forestry are fundamental to long-term business success, especially in emerging markets.”

*Environmental Non-Governmental Organization*

“Improving efficiency in all facets of your operations will allow you to be profitable and reduce the use of resources per ton of product produced. The goal in all operations should be zero waste!”

*Printing papers customer*
Do we need to go above and beyond the legal requirements of the countries in which we operate?

EHS&S employee

“Being more global invites more risk, which ultimately can impact performance. All the more reason to have standard processes and practices in place that show our commitment to doing the right thing.”

Global sourcing employee

At International Paper, we follow the spirit and the letter of the law. We are committed to meeting legal requirements and when needed going beyond them to uphold our high ethical standards and do what is truly right in a given situation. If we merely complied with written regulations, we would not be one of the most trustworthy names in business. Our commitment, through the IP Way, to do the right thing for the right reasons, every time sometimes means following IP standards that are stricter than legal requirements.

Stephen Donovan, Chief Ethics & Compliance Officer

We recognize our employees are IP’s biggest competitive advantage. We continually work to ensure workforce planning, knowledge transfer and skill and competency assessments are in place for all positions. Additionally, we must understand the skills needed now and in the future to attract and retain the best talent in the market. The role for human resources and for all IP leaders is to employ a strategic process to analyze and forecast workforce trends, to anticipate retirement waves, to understand our workforce needs and match those with the best and brightest talent.

Shiela Vinczeller, VP, Talent Development

“Do we need to go above and beyond the legal requirements of the countries in which we operate?”

EHS&S employee

“As the company works to replace the many skilled workers who will be hitting retirement age over the next decade, what is your strategy?”

Government relations employee

The ‘IP Way’ is our global standard that is supported with a strong network of policies. This common vision combined with standard policies will lead us toward a “One Company, One Set of Expectations” approach. For example, we adopted IP’s fiber procurement policy in our businesses in IP Asia. As IP continues to grow in developing markets, it is important that we continue to drive towards global policies, and standard processes and practices. This will enhance our competitive advantage and bring positive impact everywhere we operate.

Cecilia Ho, President, IP Asia
International Paper is strongly connected with our world. We use natural resources to make our products, and we work to make them efficiently, leaving a smaller environmental footprint over time. Our life cycle connects us with people who:

- Work as part of our team;
- Supply goods and services;
- Live in our communities;
- Buy and use our products; and
- Help recycle and reuse our waste.
WOOD FIBER SOURCING
Fiber certification

FORESTRY MANAGEMENT
Conservation / protecting biodiversity
Ensuring prosperity of local communities
Forest management
Carbon sequestration

PROCUREMENT OF RAW MATERIALS & OTHER
Responsible sourcing
Managing supply chain
Engaging suppliers on sustainability

INVESTMENT IN MILLS & EQUIPMENT
Ensuring prosperity of local communities — income generation, tax contribution

PULP & PAPER PRODUCTION
Energy, water, chemicals use

PAPER PRODUCTS CONVERTING
Fiber efficiency / fiber recovery

PRODUCTS TRANSPORTATION
Waste generation
Ensuring health & safety of our people
Emissions, effluents, & waste management

INVESTMENT IN FACILITIES & EQUIPMENT
Income generation, tax contribution

STORAGE & DISTRIBUTION
GHG emissions during transportation

FACILITATING PRODUCT INNOVATION
Advancing lower waste & carbon footprint
Flexibility in meeting client demands

INVESTMENT IN RECYCLING FACILITIES
Income generation, tax contribution

COLLABORATE WITH THIRD PARTIES
Provide education on benefits of recycling
Provide clients with proof of responsible paper sourcing (chain of custody certification)
Increasing recovery of OCC, paper, packaging materials — landfill diversion
OUR ENVIRONMENTAL stewardship BEGINS IN THE FOREST

FORESTS

As the largest procurer of fiber in the world, our business sustains tens of millions of acres of working forests.
Connections That Matter

International Paper couldn’t make products without its primary raw material, wood. Our connections to working forests and those who manage them responsibly help us ensure a continuous and sustainable supply of fiber. We use our influence for good to combat illegal logging, encourage forest stewardship and support forest ecosystems. We connect our customers with certified sources of fiber, and, in turn, their use of wood-based products encourages landowners to maintain forests by providing a direct financial incentive to keep working forests working.

SUSTAINABLE FORESTRY — A GLOBAL VIEW

More than 30 percent of the earth’s land surface — almost 10 billion acres — is covered by forests. Almost two-thirds are considered working forests, the productive forestlands that are actively managed to generate multiple resources, including wood fiber, recreation, wildlife, aesthetics, clean water and other forest ecosystem values. When managed responsibly, working forests can produce a continuous and sustainable supply of these important resources. Each year, less than 1% of the wood from these forests is harvested. The remaining one-third of forested area is considered primary forest, which means human activities in these forests have been limited or are entirely absent.

Globally, many forests have been converted to non-forest uses, such as agricultural production and urban development, to meet increasing demands of growing populations. Although deforestation has slowed and even reversed in many economically developed countries, forest conversion for food production, fuel, and development pressures continues to drive deforestation in some developing countries.

INTERNATIONAL PAPER’S ROLE

Trees are International Paper’s primary raw material. Our global demand for fiber is an important economic driver for the existence of tens of millions of acres of forested land. In 2013, we purchased 71 million tons of wood fiber and pulp in the United States, Brazil, Europe, the Middle East and Africa, China and India. Brazil and Russia are the only countries where we source wood fiber directly from lands owned or leased to International Paper. In the United States, we buy wood fiber primarily from private landowners. When consumers use wood-based products, they provide a direct financial incentive for landowners to keep working forests working.

“A significant challenge for the forestry profession is to communicate and demonstrate the simple idea that one of the best ways of saving a forest is to use it.”


WORKING FOREST INFOGRAPHIC

Growing forests is a long-term effort, with cycles varying depending on species and climate. Elements of a forest life cycle include managing forests for multiple values, harvesting according to forest type, and replanting or allowing the forest to naturally regenerate.
INTERNATIONAL PAPER FRANCE WORKS TO EDUCATE CUSTOMERS AND LANDOWNERS ON RESPONSIBLE FOREST MANAGEMENT

Our stewardship efforts actively address the environmental, social and economic values of forests. One example of how International Paper is educating employees, customers and other stakeholders about forest stewardship comes from an employee-led initiative at our Saillat Mill in France: The mill, managed by Philippe D’Adhemar, constructed an educational forest trail, tracking International Paper’s role from tree to paper, and highlighting key aspects of forest management. Trail walkers can learn about the forest ecosystem and harvesting techniques used to ensure forest health. This exciting project was completed in March 2014.

International Paper is committed to making quality products and ensuring responsible stewardship of the forests that supply our wood. We have a Responsible Fiber Procurement Policy that states we will not knowingly accept fiber from illegally logged forests, from forests where high conservation values are threatened by management activities or from endangered forests.

International Paper is a strong proponent of domestic and international efforts to combat illegal logging and trade. As the largest procurer of fiber in the world, we are focused on preventing illegally harvested wood products from entering U.S. and global marketplaces. We support the U.S. Lacey Act, and the EU Timber Regulation, important laws that help combat illegal logging and prohibit trafficking of illegally harvested products while protecting the competitiveness of legally harvested trees. International Paper has worked to oppose changes that would weaken the U.S. law.

FIBER CERTIFICATION

Using certified fiber can encourage responsible forest management practices and reduce the possibility wood from unacceptable sources ends up in our products. Most of International Paper’s operations are certified to one or more third-party forest management or Chain of Custody (CoC) standards. Our efforts in working with suppliers and landowners to advance forest certification led to us to exceed our 2020 certified fiber goal in 2012. Based on strong performance in 2012 and 2013, we developed a new 2020 goal. Our revised certified fiber goal for 2020 is to increase third-party-certified fiber volume purchases on a global basis by 35 percent over our 2010 baseline. We are committed to expanding certification throughout our fiber sourcing regions to meet our customers’ needs, and are pleased our recent progress has allowed us to develop a new, more ambitious 2020 certification goal.
FOREST MANAGEMENT CERTIFICATION

Around 30 percent of the world’s working forests are certified. We recognize that encouraging responsible stewardship is one of the keys to protecting global forestlands and ensuring a sustainable supply of wood fiber for our business needs. Globally, we follow a certification policy that recognizes all credible third-party standards. These include the Forest Stewardship Council® (FSC®), the Programme for the Endorsement of Forest Certification (PEFC), and standards recognized by PEFC like the American Tree Farm System® (ATFS) and Sustainable Forestry Initiative® (SFI®) in the U.S. and Certificação Florestal (CERFLOR) in Brazil. All of the forestland we lease, own or manage in Brazil and Russia and is certified according to national or international forest management standards.

ABOUT THIRD PARTY VERIFICATION

Responsible forest management and fiber sourcing practices can be verified by third-party certifiers to a number of independent standards. Third-party experts verify a company’s performance against a set of objectives detailed in the standards. The following are three types of certifications:

- Forest Management – Certification of land management activities – harvesting to reforestation
- Fiber Procurement – A certification offered by SFI®, which includes land management as well as the responsible purchasing of timber and contracting for harvesting and transportation.
- Chain of Custody – Certification that verifies that policies, systems and procedures are in place to track wood fiber from the forest, through the manufacturing and converting processes and then to customers.

STRATEGY

Developing new sources of third-party-certified fiber is not easy. Landowners can be reluctant to take on the additional responsibility and costs associated with certifying their property. Our strategy relies on working directly with suppliers and landowners to encourage them to make this investment, and we deploy significant resources in this effort. Professional foresters and wildlife biologists from International Paper provide technical support to suppliers and landowners on developing forest management plans required for certification audits.

PERFORMANCE

Since 2010, International Paper has increased its certified fiber use by more than four million tons in our global system.
FOREST MANAGEMENT CERTIFICATION HIGHLIGHTS:

- In the United States, 28 percent of International Paper’s sourced fiber is third-party, forest, management–certified (ATFS, FSC® or SFI®).

- Outside North America, approximately 47 percent of the combined fiber sourced in 2013 was third-party–certified. Our teams in Europe, Russia and Brazil also have made excellent progress in increasing certified fiber volume. Highlights include:
  - Russia: All forests directly leased or managed and harvested by International Paper are FSC-certified.
  - Brazil: All forests owned and managed by International Paper in Brazil are PEFC-certified, and 90 percent of owned land is FSC-certified.
  - France: The Saillat Mill manages an FSC group certification project that included 89 new members in 2013.

- We worked directly with landowners and suppliers in the United States to achieve individual FSC certification, and, since 2007, we’ve added approximately 1.5 million tons of FSC-certified wood fiber to our U.S. paper and packaging manufacturing system. We are expecting to add an additional 300,000 tons during 2014.

- In 2012, we began facilitating group FSC certification for landowners in the southeast United States. During 2013, we worked with 43 new landowners to certify an additional 67,000 acres to the FSC Standard through the group certification program. This initiative enabled a group of small, non-industrial landowners to certify their collective holdings under a single FSC certificate. The Group FSC Certification provides an opportunity that may not have otherwise been realized, because many of the participants are small, private landowners, and securing an individual certification for their property is not a financially viable option.
IP SUPPORTS RESPONSIBLE FORESTRY WITH WORLD WILDLIFE FUND RELATIONSHIP

In 2013, International Paper joined the World Wildlife Fund (WWF) Global Forest & Trade Network North America (GFTN-NA), a WWF initiative focused on eliminating illegal logging and promoting environmentally and socially responsible forest management. Our participation in the GFTN-NA is aligned with our internal goal of increasing fiber certification. This initiative complements our Responsible Fiber Sourcing Policy and our longstanding efforts to promote legal and sustainable forest management around the world. The initial scope of International Paper’s participation in the GFTN includes fiber sourced for our North American and Brazilian mills, representing more than two-thirds of our global fiber volume. For more information on GFTN see www.gftn.panda.org.

REPORTING AND ENGAGEMENT

Global: For the fourth year in a row, we submitted information on our forestry operations to the Forest Footprint Disclosure (FFD) Project. The FFD collects information for investors on the operational, reputational and regulatory risks and opportunities of companies related to their forestry operations. This year International Paper’s scope was limited to North America, Brazil and India.

United States: Our Global Sourcing-Fiber Supply employees, led by David Liebetreu, Vice President of Global Sourcing, engage with stakeholders at a national level through the Forest Resource Association and the American Forest & Paper Association. We are also actively involved in state forestry associations as board directors and committee members on forest management, timber harvesting, logger training, and public affairs committees.

France: Our Saillat Mill is represented as a member of FSC, and a member of the French Technical Workgroup for PEFC.

Brazil: We are part of the Forestry Certification Working Group of the Brazilian Pulp and Paper Association, and we are a member of the Brazilian FSC Standardization Committee. We also coordinate the Brazilian Forest Management Technical Committee concerning CERFLOR and PEFC certification.

Russia: We are a participant in the Russian Ministry of Natural Resources Working Group and are actively engaged in discussing improving sustainable forestry regulations.

Customer Engagement: To give customers relevant information on our products, we provide a range of product certifications and documentation. Our product verifications cover criteria such as regulatory status, suitability for intended use, chemicals of concern, recycled content, recyclability and compostability, as well as certification standards.

During 2013, we worked with 43 new landowners to certify an additional 67,000 acres to the FSC® Standard through the group certification program.
POPLAR PLANTATION SHOWCASES SUSTAINABLE INNOVATION IN POLAND

International Paper’s poplar plantations in Poland set the example for responsible fiber sourcing. The plantations consist of fast-growing varieties of poplar trees that are intended to provide pulpwood and biomass for energy. Our plantation program was recognized by the Polish Minister of the Environment as a sustainable innovation in fiber sourcing and as a model of successful collaboration among farmers, government and industry within the European Union. The tree plantations — which are established on agricultural land — provide environmental benefits, create new sources of revenue for farmers and facilitate our compliance with environmental legislation.

With its expert foresters and wildlife biologists, International Paper is a leader in the forest products industry in promoting the planting and responsible harvesting of trees.

CHAIN OF CUSTODY CERTIFICATION

Certification of International Paper’s operations to internationally recognized Chain of Custody (CoC) standards verifies that we have the policies, systems and procedures in place to track wood fiber from the forest, through the manufacturing and converting processes, and on to customers.

As customer demand for certified products has grown, International Paper not only has increased the availability of certified products, we have become a global leader in CoC certification. All of our pulp and paper mills and many of our converting operations are now CoC-certified to one or more recognized standards. In addition, all xpedx warehouses and U.S. Foodservice plants are CoC-certified to FSC®, PEFC and SFI® standards.

EXPANDING OUR EFFORTS THROUGH COLLABORATION

For generations, International Paper, with its expert foresters and wildlife biologists, has led the forest products industry in promoting the planting and responsible harvesting of trees, in monitoring forest productivity and in conserving and protecting forest biodiversity. Our commitment to responsible forestry is complemented by ongoing collaborations with academic institutions, research and trade organizations and non-profit organizations. Through these relationships, International Paper is sustaining and building upon a proud heritage of land management and stewardship.
INTERNATIONAL PAPER CONTINUES COMMITMENT TO CONSERVATION

In March 2013, the National Fish and Wildlife Foundation (NFWF) and International Paper established the Forestland Stewards Initiative, a pioneering partnership to conserve and restore southern forestlands representing some of America’s most iconic landscapes, critical habitats for endangered wildlife and economic opportunities. The initiative also highlights the critical role working forests play – especially for the United States, where 68 percent of all forests are working forests – by helping landowners improve working-forest management. The initiative supports conservation projects in three regions: the Piney Woods on the Louisiana-Texas border; the Cumberland Plateau of Tennessee, Kentucky, Alabama and Georgia; and the low country forests of North Carolina and South Carolina.

Seven grants were awarded in 2013, with a $750,000 investment from International Paper leveraging more than $3.8 million in additional funds and in-kind support from NFWF and project partners. These projects will restore over 4,000 acres of longleaf and shortleaf pine forest, enhance over 43,000 acres of forest habitat through prescribed fire and other management practices, provide educational outreach and technical support to over 300 private landowners and benefit wildlife species of conservation need that rely upon these forest habitats.
International Paper owns and sustainably manages nearly 253,000 acres of Brazilian forestland, 75 percent of which is composed of eucalyptus plantations.

GLOBAL FORESTRY COLLABORATION PLATFORMS

International Paper’s ongoing involvement promotes innovation and encourages continuous improvement of our worldwide responsible forest management efforts. Our global and country specific collaborations include:

- World Business Council for Sustainable Development (WBCSD): Forests Solutions Group (GLOBAL)
- World Wildlife Fund (WWF) (GLOBAL)
- Conservation International (U.S.)
- Dogwood Alliance (U.S.)
- Institute for Forest Biotechnology (IFB) (U.S.)
- Institute for Forest Genetics and Tree Breeding (INDIA)
- The National Fish & Wildlife Foundation (NFWF) (U.S.)
- Two Sides U.S. — Commercial Membership (U.S.)
- The Nature Conservancy (TNC) (U.S.)
- Von Thuringen Institute (GERMANY)
- National Council for Air & Stream Improvement (NCASI) (U.S.)
- Forest Stewardship Council (FSC®) (GLOBAL)
- China Green Foundation (CHINA)
- North Carolina State University (NCSU) (U.S.)
- National Park Foundation (U.S.)
- Sustainable Forestry Initiative® (SFI®) (U.S.)
- Forest Research Institute (POLAND)
- St. Petersburg State Forestry University (RUSSIA)
- U.S. State Forestry Associations (U.S.)
- SveTree Technologies (SWEDEN)
- World Wildlife Fund (WWF) (GLOBAL)
- National Fish & Wildlife Foundation (NFWF) (U.S.)
- Sustainable Forestry Initiative® (SFI®) (U.S.)
- Forest Research Institute (POLAND)
- St. Petersburg State Forestry University (RUSSIA)
- U.S. State Forestry Associations (U.S.)
- SveTree Technologies (SWEDEN)
- World Wildlife Fund (WWF) (GLOBAL)
- National Fish & Wildlife Foundation (NFWF) (U.S.)
- Sustainable Forestry Initiative® (SFI®) (U.S.)
- Forest Research Institute (POLAND)
- St. Petersburg State Forestry University (RUSSIA)
- U.S. State Forestry Associations (U.S.)
- SveTree Technologies (SWEDEN)
PIONEERING INDIA FARM FORESTRY: IP INDIA

Farm forestry is the cultivation of sourced plantations, usually on former agricultural land. International Paper APPM established a farm forestry program in 1989, working with local farmers to plant casuarina, leucanea and eucalyptus seedlings. The program has enabled farmers in the districts of Srikakulam, Vizianagram, Visakhapatnam, East Godavari, West Godavari, Krishna, Guntur, Prakasam and Nellore of Andhra Pradesh to cultivate forest plantations on their land. From 1989 to 2013, more than 1 billion seedlings were distributed to approximately 48,000 beneficiaries, allowing the planting of over 390,000 acres. In addition to creating a secure fiber supply for IP India, the program has significant benefits to the agrarian economy. The involvement of previously marginalized women in farm forestry, the employment of landless laborers and the sale of wood are some of the benefits that have resulted in noticeable improvement in the economic status and quality of life of the farming community.

RESTORING AND PROTECTING NATURAL HABITATS

International Paper owns and manages nearly 253,000 acres of Brazilian forestland, 75 percent of which is composed of eucalyptus plantations. One-quarter of this area is designated for nature conservation and has been converted to, or retained in, native vegetation.

Forest management in Brazil is certified to a range of standards, including ISO 9001, ISO 14001, OHSAS 18001, Cerflor (PEFC), and FSC®. Ongoing research and development collaborations with a range of universities and scientific institutions allow us to continuously improve forest productivity and ecological conservation on our plantations. Our conservation efforts have been highlighted through biodiversity surveys spanning more than 15 years, which showed our Brazilian land to have more than 400 species of animals and 350 different native tree species.

RPPN SÃO MARCELO FOREST PARK

In December 2013, International Paper celebrated 10 years of conservation and collaboration through our Private Reserve of Natural Heritage (RPPN), in São Marcelo, Brazil. The celebration included attendees from environmental and governmental entities, who learned about plant and animal life, environmental legislation and public policies. Encompassing 460 acres, the RPPN São Marcelo Forest Park engages in ongoing conservation and protection of soil and water resources. RPPN also contributes to the development of scientific research and educational outreach.

CHINA GREEN FOUNDATION

In 2013, IP Asia, led by IP China President Cecilia Ho, supported reforestation in the Jinshanling area near Beijing in partnership with the China Green Foundation. Our donation supported the planting of additional seedlings, which will help mitigate the impacts of sandstorms common to the region. It was the fourth consecutive year we have supported this project.
RESPONSIBLE SOURCING

We collaborate with over 100,000 suppliers across the globe to source the highest-quality materials that go into our products.
Connections That Matter

With more than 100,000 vendors in our diverse supply chain, International Paper seeks out environmentally responsible sources for the materials needed to make our products. Our Global Sourcing approach ensures consistent compliance and risk management so we can secure quality products and services that create, deliver and sustain value for our operations and customers.

RESPONSIBLE SOURCING STRATEGY

International Paper’s global supply chain includes more than 100,000 suppliers that provide products and services from around the world. Our supply base is complex and diverse. With products ranging from fiber, raw materials and energy, to services such as transportation, we have a vast network that supports our production of sustainable and renewal paper and packaging products. With a global expenditure exceeding $15 billion, half of which is with suppliers based in the United States, our initial supply-chain focus is U.S. suppliers with national and global reach.

For improved global alignment, we have established internal Global Commodity Boards, led by senior sourcing professionals from each region around the world. These boards assure a standard approach to sustainability in our sourcing processes worldwide.

Our Global Sourcing policies and processes ensure we secure quality products and services that create, deliver and sustain value for our operations and customers. Our strategic sourcing process applies a comprehensive methodology to source products and services in support of our operations around the globe.

In 2013, we continued to develop our Supply Chain Sustainability Strategy by reaching out to internal and external stakeholders for input. With the support of our Global Commodity Boards, cross-functional working teams were developed to build the framework of the supply-chain strategy. With help from Pennsylvania State University’s Smeal MBA program, a benchmark study was completed. The study identified key opportunities, confirming the focus and path forward in support of our strategic approach.

International Paper’s Global Supply Chain organization collaborates with stakeholders to reduce emissions and waste, consume natural resources responsibly, maximize the use of renewable resources and further mitigate risk — which in general contributes to lowering our overall total cost of ownership. This strategy enables increased transparency and performance through the following supply-chain aspects:
Risk Assessments — Identify potential risk in the supply chain, assess the likelihood of risk and develop response protocols to address potential exposure;

Capturing Value Through Improved Collaborations — Capture, measure, monitor and communicate initiatives that have a sustainability impact on International Paper’s supply chain and;

Supplier Diversity — Commit to the growth and development of U.S. minority- and women-owned business enterprises.

**MANAGING OUR SUPPLY CHAIN RISK**

International Paper believes in conducting business with honesty and integrity. We are committed to treating all people with dignity and respect, supporting our communities and honoring the laws, regulations and treaties of the countries in which we operate. In selecting our suppliers, International Paper chooses reputable business partners who conduct their business in a manner that also shows commitment to regulatory compliance, high ethical standards, safe and healthy working environments and protection of human rights and the environment.

Our Supplier Code of Conduct outlines the expectations regarding workplace standards and business practices of our suppliers, along with their parent entities, subsidiaries, affiliates, subcontractors and others who are within their supply chain. The code is focused on principles that uphold consistent compliance obligations throughout our global operations, including:

- Business Conduct & Ethics;
- Health, Safety & Environment;
- Workplace, Labor & Human Rights; and
- Accountability & Compliance

In early 2013, we distributed the Supplier Code of Conduct to more than 40,000 U.S. suppliers and included terms in our U.S. sourcing and procurement agreements requiring our supplier/vendors and those within their supply chain to comply with our Supplier Code of Conduct. We have translated the Supplier Code of Conduct into 15 languages in preparation for global distribution. We are developing processes and procedures that identify potential risk of non-compliance with our Supplier Code of Conduct and address and respond to any incidents of non-compliance discovered. We plan to have initial implementation of these processes and procedures in place globally by 2015.
HIGHLIGHT

CAPITAL & MANUFACTURING SERVICES

In 2013, International Paper’s Manufacturing Services team reached an agreement with three key suppliers for the ongoing maintenance, repair or reuse of electronic sensors and circuit boards in our mills. The combination of these agreements and previously established internal recycling systems, centralized the prioritization of all facility repairs through Global Sourcing. The program resulted in International Paper generating repair-cost reductions as well as eliminating waste.

Because we have a vast number of suppliers and engage people of multiple languages, cultures and customs, we recognize that the launch of our Supplier Code of Conduct must be dealt with at a manageable pace. We plan a continued review and deliberate improvements to maintain a strong supply-chain risk management process.

This work will build upon our current robust processes, which include:

- Formal sourcing agreements that include a supplier’s commitment to the Supplier Code of Conduct;
- Supplier Risk Assessment Matrix screening that captures supply disruption, financial stability, alternative supply sources, and material substitution;
- Supplier Safety Performance reviews that confirm safety records for suppliers/contractors working on-site at International Paper facilities; and
- Fiber supplier audits and checks performed by three separate groups: International Paper’s Global Sourcing Fiber Supply and EHS&S departments, and the international third-party auditor, Bureau Veritas.

CAPTURING VALUE THROUGH IMPROVED COLLABORATIONS

We are working to identify total cost of ownership opportunities and improve dialogue with key stakeholders about economic, environmental and social impacts. This will increase visibility and transparency into our supply chain and allow more informed decision-making while aligning with our 2020 Sustainability Goals.

In 2013, we launched a sustainability survey evaluating 24 key suppliers that represent almost 10 percent of our global spend. The 40-question survey focused on social, environmental, governance and supply-chain factors. We will assess the results of the survey and determine next steps in early 2014.
SUPPLIER DIVERSITY

COMPANY COMMITMENT

International Paper has been committed to supplier diversity for more than 30 years. Having a diverse supplier base enables International Paper to contribute to the economic well-being of the cities and towns where we live and work as well as increase access to suppliers that provide products and services to International Paper. These business partners reflect our customers, employees and communities, and bring value to our company by delivering creative, cost-effective solutions to our businesses. Equally as important, we are able to fuel local business development, contribute to economic growth and create jobs that ultimately enhance the communities in which we work. The efforts of our business partners help us deliver world-class products and services to meet our customers’ diverse needs, thereby improving our position in the marketplace as an innovative leader.

Since 2008, International Paper has spent over $1.9 billion with diversity-owned businesses. In 2013, our spend exceeded $400 million, a 16-percent increase over 2012. Our goal is to help diverse businesses improve their operations, while enhancing their ability to develop and grow with us.

In 2013, the Supplier Diversity team collaborated with our procurement professionals to develop and deploy initiatives designed to expand the use of diverse suppliers in our supply chain. In 2014, we look forward to continuing our commitment to inclusion of diverse businesses in our supply chain.

SUPPLIER DIVERSITY STRATEGIES AND PROGRAMS

In 2013, the Supplier Diversity team was responsible for developing and implementing the strategies and programs that helped International Paper achieve its targets. These strategies and programs included: tracking and...
reporting supplier diversity spend results; ensuring supplier diversity regulatory compliance; encouraging business development; mentoring diverse suppliers; responding to prospective supplier inquiries; assisting sales with requests for information and requests for proposals; internal and external stakeholder management; supplier diversity communications and training; and supporting supplier diversity outreach events.

OUTREACH PROGRAMS: MEETINGS, CONFERENCES, TRADE SHOWS AND MEMBERSHIPS

In 2013, International Paper maintained its corporate membership with U.S. diversity advocacy organizations such as the Mid-South Minority Business Council (MMBC), the National Minority Supplier Development Council (NMSDC) and the Women’s Business Enterprise National Council (WBENC).

2014 STRATEGIC GOALS

- Increase spend with diversity-owned suppliers by 15 percent;
- Increase supplier diversity education and training across International Paper;
- Continue coaching and mentoring diverse suppliers;
- Focus on supplier development opportunities; and
- Launch formal Tier 2 program.

ENGAGEMENT WITH DIVERSE SUPPLIER SERVICEMASTER FACILITIES MAINTENANCE GROWS

Since 2006, ServiceMaster Facilities Maintenance Inc., a diversity owned supplier based in Memphis, Tenn., has provided facility services for International Paper. A key advantage with ServiceMaster Facilities Maintenance is the company’s attention to detail, flexibility and a value-driven approach. Our business with them has grown from primarily janitorial services to include landscaping and pest control. Additionally, the company has expanded to multiple International Paper facilities across the United States, all the while maintaining a competitive price and quality service.

ServiceMaster Facilities Maintenance has developed a deep understanding of International Paper’s objective to control cost while improving service and maintaining quality. In 2013, ServiceMaster introduced an innovative concept of day cleaning, aimed at delivering more value to International Paper. A pilot is planned for the first quarter of 2014. ServiceMaster Facilities Maintenance has demonstrated capability and strength as a long-term provider to International Paper.

3. A “Tier 2” or “Second Tier” supplier is one that provides the products/services and invoices to the first tier supplier for goods and services rendered for eventual delivery to International Paper.
Even with facilities in over 24 countries, we aim to be one company with one set of standards and one set of expectations.
Connections That Matter

Beyond forests, we have many connections to our natural world. Our manufacturing process needs resources such as water and energy to make our products, and these operations produce waste and emissions. We recognize these connections and work to reduce our impact on the planet.

Manufacturing Excellence is core to our success, but our most valuable connection is with our employees and ensuring their safety and well-being. We will not be satisfied until we are an accident-free workplace. Our goal of an accident-free workplace is just one of International Paper’s 12 voluntary sustainability goals. This section outlines our commitment and progress toward our goals most closely connected to manufacturing.

Of all of International Paper’s activities, manufacturing has the largest impact on the environment. So we measure progress against our targets for manufacturing in terms of efficiency and energy consumption, greenhouse gas emissions, water consumption, fiber loss, waste and the safety of our workplace.

“Our sustainability commitment extends beyond the forests to include manufacturing and supply chain excellence.”
Russell V. Harris, Vice President, Manufacturing Coated Paperboard
ENERGY

Pulp and paper-making is the main manufacturing activity for most of International Paper’s products. We employ the kraft pulping process, which cooks wood in an alkaline solution, and separates the wood fibers from the natural glues and sugars that hold the tree together. Paper is then made from the fibers that remain after the pulping process.

The separated sugars and glues aren’t wasted; instead, they are used as a biofuel that is burned to create energy. Our energy production uses additional biomass-based energy sources such as forest residuals (like bark). This efficient use of resources enables our mills to be about 72 percent fueled by renewable carbon-neutral biomass. In essence, the same trees that provide the wood fiber for our products also efficiently provide the majority of the energy to make the products themselves.

We purchase fuels and electricity for the remaining (approximately 28 percent) energy needed to power our mills. We believe we can further reduce the use of purchased fuels, particularly fossil-based fuels (coal, natural gas, oil and other fuel types) and purchased steam and electricity. Our converting operations, distribution business and non-manufacturing operations also have an impact, but it is less than 5 percent of our total energy use.

For over 10 years, we have been focused on improving our energy efficiency. With energy as a significant cost, it makes financial as well as environmental sense to reduce energy consumption. During the past four years, we have invested $290 million to reduce our annual energy purchase by over 9 trillion British Thermal Units (BTUs). This energy reduction is equal to 3,000 railcars of coal or the energy to heat a Midwestern town of 80,000 people for a year. For the U.S. mills specifically, our fossil fuel intensity in 2013 was 21 percent less than the 2005 level (excluding mills acquired from Temple-Inland in 2012). For the global mill system (excluding joint-venture operations), fossil fuel intensity is 10 percent less than in 2010.

In 2013, energy efficiency in our mills improved by 3.7 percent compared with our 2010 baseline. Ten of our mills set monthly records for energy efficiency during 2013.
Global highlights for 2013 include:

- From 2007 to 2013, our Eastover, South Carolina, facility, currently led by Mill Manager, Hai Ninh, reduced its use of fossil fuels by 26 percent. The mill used investments of $21 million and our resourceful employees to drive these results, which are equivalent to eliminating 50,000 tons of coal per year.

- Our Svetogorsk Mill in Russia, led by Mill Manager Luis Claudio Pereira, ramped up operation of a new 25-megawatt combined heat and power system (CHP), designed to generate over 180 million kilowatt-hours of electricity and process steam at annual efficiencies significantly higher than standalone power generation. That is equivalent to electricity used by 16,000 average homes in the United States. The CHP system also provides steam to the mill that is needed for our manufacturing processes.

- Our Maysville, Kentucky, Mill, led by Mill Manager Steve Braun, has invested in paper machine heat recovery, a project started at year end, which should save the equivalent of 12,000 tons per year of coal, or 100 railcars annually. The project takes hot exhaust gas from the paper drying process and uses it for heating water, thus decreasing the need for steam that had been provided by fossil fuel.
Although our energy goal is specific to our mill system, where more than 90 percent of our fossil fuel is consumed, we are also continuously improving the energy performance of our container and converting facilities.

While we have achieved some success toward our 2020 energy goal, we continue to look aggressively for opportunities to re-engineer processes, upgrade equipment and manage our facilities in ways that improve efficiency and operating costs. We use energy process audits to systematically identify opportunities as well as measure and verify our results.

**GREENHOUSE GAS EMISSIONS**

**FROM MANUFACTURING**

Our impact on greenhouse gas (GHG) emissions starts in the forest, well before our manufacturing process. As trees and forests grow, they remove CO₂ from the atmosphere, and convert it into organic carbon, stored in woody biomass. Trees release the stored carbon when they die or decay, or are combusted for energy. As the biomass releases carbon as CO₂, the carbon cycle is completed. When woody biomass derived from sustainably managed forests is used for energy, the emissions have no net effect on the atmosphere and are thus called carbon-neutral. International Paper emitted approximately 34 million metric tons of carbon-neutral biomass CO₂ in 2013, and our use of biomass energy avoids emissions from more carbon-intensive sources like fossil fuels.

In addition to the use of biomass, we also have the ability, through the onsite creation of electricity and steam, to produce a sizable portion of the electricity we need. Additional fuels are purchased to meet our energy needs. Our 41 mills consume more than 95 percent of International Paper’s total energy and generate 90 percent of our fossil fuel GHG.

Our GHG emissions are classified as either Scope I or Scope II. Emissions from burning fossil fuels are considered to be Scope I while emissions from generating purchased electricity at off-site utilities are considered Scope II. Our Scope I emissions also include relatively modest and stable emissions from International Paper–owned and –operated landfills at our paper mills.

Our goal for a 20 percent GHG emission reduction by 2020 was set as a combination of both Scope I and Scope II emissions. On-site generation of GHGs has been trending downward, and continued in that direction in 2013, falling an additional 7 percent. Scope II emissions were up 4 percent from our 2010 baseline and 8 percent year-over-year. Total reduction of Scope I and II from the baseline was about 5.8 percent in 2013.

Several mills contributed to this progress by improving their energy efficiency, and their stories are shared in more detail in the energy efficiency section. We are also realizing benefits by replacing fuel oil and coal with natural gas. Both coal and natural gas are fossil fuels, but natural gas generates half the CO₂ of coal on a same-energy-content basis.
In Brazil, International Paper invested $90 million in a new biomass boiler at our Mogi Guacu Mill, led by Mill Manager, Luis Cesar Assin. Burning biomass reduced the need for on-site combustion of fossil fuel, and nearly 200,000 tons of fossil fuel based GHGs were converted to carbon-neutral biomass in 2013 from this project.

Where applicable, International Paper sells Renewable Energy Credits at a number of our global integrated mills.

**FROM PRODUCTS**

Once our paper and paper-based packaging is manufactured, it is a relatively stable medium that does not emit greenhouse gases while in use. With the exception of wood pulp sold into the absorbent hygiene markets, most of the products we manufacture are readily and frequently recycled. International Paper operates an extensive recycling collection and reuse system. (See the section on Recycling & End-of-Life).

**FROM CONVERTING**

Once the paper or pulp has been manufactured, it is sold to our customers or converted by International Paper into a variety of products. Rolls of white paper, for example, are sold to large printing firms, or cut to size at our locations or at the converting operations of our customers. Linerboard can be converted in International Paper container plants to make shipping containers or the linerboard can be sold to other converters. Across our company, International Paper has more than 200 converting locations.

Emissions from transporting to converters are considered Scope III emissions. If the site is owned and operated by International Paper, the energy used to convert the paper into a product is considered part of International Paper’s Scope I and Scope II emissions. Individually, our 200 plus converting operations contribute on average about 5,000 tons of emissions, but collectively they emit approximately 1.5 million tons. Over time, their emissions also have trended slightly downward by approximately 3 percent.

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**IP’S 2020 GOAL**

**AIR EMISSIONS**

10 percent reduction in pollutant emissions (SO₂, NOₓ, PM) from aligning with our energy efficiency initiatives by 2020

**LEADING OUR PROGRESS TOWARD THIS GOAL:**

**GOAL CHAMPION:**

Kirt Cuevas

**TEAM LEADER:**

Doug Stilwell

---

**SELECTED AIR POLLUTANTS**

Metric tons per 1,000 Metric tons of Production

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<tr>
<th>2010</th>
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<tr>
<td>NOₓ</td>
<td>PM</td>
<td>SOₓ</td>
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- 13.9%
OTHER AIR EMISSIONS — AIR POLLUTANTS

For the past four years fuel-switching, particularly away from coal and oil, resulted in significant reductions of our other air emissions; this included a 25 percent reduction in SO\textsubscript{2} and a 10 percent reduction in NO\textsubscript{x} for an overall reduction of 14 percent for the criteria pollutants addressed in the air emissions goal. We believe our gains will continue as more fuel-switching, energy efficiency projects and regulatory changes are expected in the next five years.

WATER

WATER USAGE

Water is a primary input into our manufacturing process. In fact, we could not make our product without it. Approximately 93 percent of the water in our process goes back to the aquatic environment after treatment. Much of the remaining 7 percent is returned to the environment via evaporation.

Across the company, in 2013 we saw water usage remain about the same as the previous year’s usage.

In 2013, International Paper analyzed our water risk by mapping it facility by facility. This analysis included four factors: the World Resources Institute (WRI) risk mapping tool, perceived community and regional risk, manufacturing risk and customer sensitivity. This analysis resulted in a composite score for each mill. We are using this ranked list to focus on our highest-risk mills, identifying projects to reduce water risk. This analysis and ranking puts us on track with our goal to develop site-specific plans by 2015. We will continue to further identify water conservation opportunities and risks.
WATER QUALITY AND MONITORING

In 2013, we recorded an increase of approximately 13 percent in Biochemical Oxygen Demand (BOD) from 2012 levels, due to year-to-year variability, acute system upsets and weather-related events. BOD is used as a gauge of the effectiveness of wastewater treatment plants. We are now 13 percent under our baseline level from 2010, but our mill teams remain focused on reducing process losses to our wastewater treatment systems, thereby reducing oxygen-depleting substances and generating cost savings. Wastewater best practices continue to be shared across our manufacturing sites.

IP’S 2020 GOAL
WATER QUALITY
15 percent reduction in mill wastewater discharges of oxygen-depleting substances to release environments

LEADING OUR PROGRESS TOWARD THIS GOAL:
GOAL CHAMPION: Roman Gallo
TEAM LEADER: Payal Shah
In addition to managing water use and output associated with our manufacturing facilities, we work with groups like São Paulo University to evaluate the impact of our forest management on water resources in Brazil, where we possess a unique stake in plantations and land we own.

**FIBER EFFICIENCY**

Wood fiber is the single-largest component in the manufacturing of our paper and pulp products. Addressing wood fiber efficiency helps manage our costs and makes efficient use of natural resources. After the 2012 reporting period, International Paper began a process to establish a global standard for collecting data related to fiber loss from the manufacturing process. We have approved a tracking system and standards to monitor fiber efficiency efforts, and will begin implementing it across our global mill system in 2014.

**WASTE MANAGEMENT**

In 2013, we worked to develop the target for this goal. We also approved a global “Waste Management Performance Standard” that defines acceptable global waste-handling practices. We already beneficially reuse about half of our manufacturing residual waste. The new standard uses Manufacturing Excellence principles to maximize efficiency and minimize waste, and is aligned with our newly adopted solid waste sustainability goal.

A 30 percent reduction by 2020 is seen as a “stretch” goal because the resources needed to achieve the goal are limited, and because sometimes, in many instances, the cost of beneficial use exceeds that of economical onsite landfill disposal.

Several mills marked improvement in reducing their BOD levels in 2013. The following mills posted reductions of greater than 15 percent year over year.

### MILLS WITH BOD REDUCTIONS OF GREATER THAN 15 PERCENT YEAR OVER YEAR

<table>
<thead>
<tr>
<th>MILL</th>
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<tr>
<td>Ticonderoga, New York</td>
<td>Chris Mallon</td>
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<tr>
<td>Springfield, Oregon</td>
<td>Dave Castro</td>
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<tr>
<td>Pine Hill, Alabama</td>
<td>Janet Neighbors</td>
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<tr>
<td>Newport, Indiana</td>
<td>Derek Depuydt</td>
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In addition to managing water use and output associated with our manufacturing facilities, we work with groups like São Paulo University to evaluate the impact of our forest management on water resources in Brazil, where we possess a unique stake in plantations and land we own.
INTERNATIONAL PAPER BRAZIL FACILITIES LEAD THE WAY ON SOLID WASTE

In Brazil, where our fiber is supplied by eucalyptus plantations grown near our mill, land application of composted pulp and paper mill residual waste materials returns organic matter and nutrients to the very land that produces the mill’s primary raw material. Mills at Mogi Guaçu and Luiz Antonio, Brazil, led by Mill Managers Luis Cesar Assin and Dorival Almeida, respectively, have engaged in this best practice since early in their production history, working closely with the responsible regulatory group. In 2013, both mills achieved near zero manufacturing waste to landfills. While this achievement might be more complex for many of our mills, it sets a high bar for future waste-reduction endeavors.

Leadership is a key element in achieving our zero waste management goal. Near-zero manufacturing waste to landfills has been approached by some of our major converting sites, which stress efficiency and recycling wherever possible to minimize waste. As new technologies for separating waste components becomes more cost-effective, zero manufacturing waste to landfills is expected to become feasible at pulp and paper mills as well.

While our road map to achieving our waste management goal is still being developed, we expect it will include the following initiatives:

- Driving best practices through our manufacturing network;
- Developing site-specific waste reduction plans by 2015;
- Incorporating e-waste reduction progress into employees’ work performance criteria and objectives;
- Incorporating waste minimization criteria into our capital project review process; and
- Recognizing plants and employees for most improved and best-in-class performance.

Solid waste performance in 2013 versus the 2010 baseline year reflects improvement in the efficiency of our operations, both in terms of waste generated (seven percent less waste generated) and waste beneficially used (57 percent reused versus the baseline of 53 percent). The metric for our revised goal, which we plan to track moving forward, is “percent reduction in manufacturing waste to landfill per ton of pulp and paper production.” Production in this context refers to product suitable for sale.

Our 2010 “metric tons of manufacturing waste landfilled per 1,000 metric tons of production” baseline was 64 and our 2013 value is 54, a 15 percent decline and progress toward our new goal of 30 percent reduction by 2020. We believe land application of pulp and paper manufacturing residual waste materials will play a key role in the pursuit of our 2020 landfill waste-reduction goal.
INNOVATING TO PROTECT LIFE

As part of our overarching safety program known as LIFE (Life-changing Injury and Fatality Elimination), employees are continually looking for ways to improve our operations to make them safer for employees, contractors and visitors. For example, to reduce the risk of falls for truck drivers hauling chips and fiber fuels to U.S. mills, our fiber supply team created tarping stations that eliminate the need for drivers to climb on top of the trucks to uncover loads. As a result, drivers are less prone to falls, a hazard prevalent in the industry for years. Our innovative solution has been recognized by national associations, which are now advocating that other companies implement this best practice.

COMMITMENT TO HEALTH & SAFETY

EMPLOYEE HEALTH & SAFETY

The strongest connection we have in our company is with each other. With that connection comes our commitment to improving our environmental, health, safety and sustainability performance. A core foundation of that commitment is the belief that we can operate and maintain an accident-free workplace for our employees, contractors and visitors.

With a workforce of more than 70,000 employees, operating in more than 24 countries, an accident-free workplace is a stretch goal, but in 2013 we took a key step forward with the update of our Health & Safety Management System.

We look to both internal and external expertise to improve our safety performance. The company has a number of facilities certified to OHSAS (Occupational Health & Safety Advisory Services) 18001, a global standard for occupational health and safety management systems. Additionally, in the United States, our facilities partner with the Occupational Safety and Health Administration's Voluntary Protection Programs (VPP) to seek independent evaluation of our manufacturing locations. Currently 49 International Paper sites are certified to the VPP.

While safety is about people, a key metric we use to measure our safety performance is Total Incident Rate or TIR. In 2009, International Paper achieved a 1.0 TIR (incidents per 200,000 hours worked). Since then we have lowered injury rates, achieving a .91 TIR in 2013. We expect a continuing downward trend for our TIR as we fully integrate newly acquired facilities into our safety-first culture.
Despite declining TIR, serious injuries continue to affect our employees and contractors. To achieve significant changes in our safety performance, we launched the Life-changing Injury and Fatality Elimination (LIFE) program in 2010.

LIFE-CHANGING INJURY AND FATALITY ELIMINATION (LIFE)

The LIFE Program focuses on deliberate improvement projects, audits, employee engagement and physical condition upgrades, along with new and updated procedures, policies and technologies, to work toward our ultimate safety goal of an accident-free workplace.
VICKSBURG ACHIEVES EXCELLENT SAFETY RECORD

Power plant employees at our Vicksburg, Mississippi, facility, led by Mill Manager Tom J Olstad, celebrated three years without a recordable safety incident in April 2013. The team has demonstrated its commitment to safety by focusing on safety observations and reporting on them daily in morning meetings. They also report safety observations during pre-shift safety meetings to increase awareness of potential hazards. The zero-incident rate reflects the high level of engagement and commitment by the Vicksburg team.

LIFE is designed to make everyone in the company — from the leadership level to operating personnel — aware of the risks of serious injury. We achieve this awareness through LIFE lessons, an innovative communication tool shared with all employees highlights lessons learned from LIFE injuries. This tool is just one of many that allows our company to identify risks and implement sustainable solutions to prevent future injuries.

The LIFE program has five major focus areas:

- Driver safety;
- Exposure to harmful substances or environments;
- Falls;
- Machine safeguarding; and
- Motorized equipment.

While teams are focused on deliberate improvements in each of the five areas, 2012 data analysis revealed half of all LIFE incidents stemmed from interactions with moving or energized machines. In 2013, we focused our LIFE efforts extensively on Machine Safeguarding. Specific improvements achieved in 2013 in this area included:

- Strengthening safeguard inspection programs;
- Developing new guarding specifications for equipment with risk potential;
- Performing comprehensive machine guarding evaluations;
- Taking corrective action at all IP locations to ensure that no guards were damaged or missing; and
- Conducting inventories of safeguards on equipment with risk potential.
These actions covered more than 70,000 machine guards at our paper mills and 150,000 at our converting facilities.

Other LIFE initiatives launched in 2013 include our comprehensive driver safety program, which includes an enterprise-wide ban on cell phone use while driving; our fall prevention efforts, which began by targeting falls from heights during the tarping and un-tarping of chip delivery trucks; and a new emphasis on contractor safety. Training efforts related to motorized equipment, a 2011 and 2012 focus, continued in 2013 and involved a record number of participants.

In 2013, there were five LIFE events involving contractors. Each LIFE incident was thoroughly investigated and actions were taken to prevent future incidents from occurring (see Chairman’s message, page 2). Lessons learned from these incidents were shared with all employees using our “LIFE Lesson” one-page communication tool. We deeply regret the deaths of three employees as a result of work-related accidents in 2013.

**EDUCATION & OUTREACH**

International Paper makes good use of health and safety educational opportunities, including those associated with LIFE incidents and near-miss events. Information-sharing among employees occurs regularly, and often leads to tools, templates and corrective action plans.

An example of how we stay connected to the safety of our external stakeholders is our sponsorship of logger training programs at our mills. Our staff has developed and presented instructional material for landowners and state forestry program participants. We also provide safety orientation to fiber suppliers about fall-protection risks, proper recovered-fiber truck loading and unloading, and log truck load unbinding. Suppliers also are evaluated and ranked for safety performance before they are permitted to work within our mills.

**IP GLOBAL LIFE EVENTS**

Life-changing Injury & Fatality Elimination

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<th>Year</th>
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<td>Value</td>
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<td>56</td>
<td>45</td>
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- 21%

The strongest connection we have in our company is with each other, and we are committed to operating a safe and accident-free workplace for our employees.
PRODUCTS & DISTRIBUTION

Our core products are made from renewable, reusable and recyclable materials. From corrugated boxes to printing papers to the fluff pulp used in baby diapers, we are connected to people’s daily lives.
Connections That Matter

International Paper creates a wide range of products that make people’s lives easier. We connect customers with renewable, reusable and recyclable packaging, paper and pulp that improve their businesses while helping them meet sustainability goals. Our educational efforts connect citizens to knowledge about the environmental benefits of paper bags and all paper-based products.

RANGE OF INTERNATIONAL PAPER PRODUCTS

The connection we have through our products to customers and consumers is one we value and respect. Our core products are made from renewable, reusable and recyclable materials. This, combined with third-party forest certifications and internationally recognized standards, allows us to fulfill our sustainability and conservation commitments to our business partners and customers.

Our core businesses include industrial and consumer packaging, printing papers, pulp and recycling services.

PRINTING PAPERS

International Paper’s Printing and Communications Papers business offers nearly every form of uncoated paper used in home offices and businesses. Within this business, International Paper also produces fluff and market pulp for a variety of uses around the globe. Connecting our paper and fluff brands and products with responsible fiber certification is a core value of this business. We also offer our customers and consumers a range of recycled paper products.

HAMMERMILL® PAPER LAUNCHES PRINT APP & INVITES NORTH AMERICA TO “FEEL FREE TO PRINT”!

International Paper is leading the imaging papers industry into the smartphone and tablet space with its innovative, free Print Hammermill Application, now available on iTunes, Google Play® Store and the Amazon® App Store for iPhone® and Android® phones and tablets. The Print Hammermill™ app allows users to easily connect to a WiFi printer and print photos, documents and much more with the same simplicity as printing from a laptop or desktop. The app has a 4.5 out of 5-star rating in the app stores, evidence that there is demand for robust printing apps in the rapidly growing mobile market. The app encourages users to “Feel Free to Print” on various paper grades, from premium to recycled.
CONSUMER PACKAGING AND FOODSERVICE

International Paper’s Consumer Packaging business supplies our customers with successful retail point-of-purchase displays and specialized packaging engineered to protect valuable products. Our Foodservice Business is a leading global marketer and manufacturer of single-use packaging for the foodservice industry.

INDUSTRIAL PACKAGING

International Paper’s Industrial Packaging business has a global network of converting plants, containerboard mills, recycling centers and support facilities. Our Industrial Packaging custom-designed products are renewable, efficient and cost-effective, meeting virtually any marketing or distribution requirement and assuring a continuous flow of reliable packaging solutions to meet unique supply-chain needs.

In 2013, the business launched the Brown Box Green Globe® campaign, to create awareness and dispel myths about the use of paper-based packaging. Using paper-based packaging keeps trees growing, regenerates the forest and encourages long-term, responsible forest stewardship. Demand for paper-based packaging provides an economic incentive to tree farmers to keep their land forested, rather than sell it for development or clear it to grow other crops.

PAPER, PLEASE!® CAMPAIGN

Last year, International Paper’s International Packaging Group launched the Paper, Please!® grassroots campaign. It was developed to help educate International Paper employees and consumers about the environmental benefits of paper bags and all paper-based products. With more cities across the United States considering ordinances that ban or charge fees for paper bags, the campaign helps mobilize employees and consumers to advocate against such legislation.

International Paper is one of the leading producers of paper bags for grocery stores. The campaign began by asking International Paper employees to sign a pledge and spread the message about the importance of paper products to the environment, the economy and the company. We invite you to visit the Paper, Please!® website, www.paperbagsplease.com, and consider joining our pledge.

PRO DESIGN: PROFESSIONAL PAPER MEETS WORLD-CLASS SUSTAINABILITY

Our Pro Design® professional color laser printing paper meets the highest product-quality, environmental and safety standards. Made in our Saillat, France, Mill, Pro Design meets ISO 14001, 18001, 9001:2000 and 9706 certifications and is also certified to the EU Ecolabel and FSC standards. In the United Kingdom, the brand is offered as carbon-neutral by our distributors, who have a partnership for carbon credits with the U.K. Woodland Trust.
ITALIAN CORRUGATED PACKAGING TEAM DEVELOPS NEW WATERPROOFING SOLUTION

When a customer inquired about improved waterproof packaging, our team in southern Italy went to the drawing board. The challenge was to develop a new coating machine capable of producing packaging that satisfied regulations for the packaging of humid food products such as salads and cheese. The result was the MB-13 machine, which provides recyclable, individual product branding and waterproof capabilities while maintaining food-contact compliance.

Top to bottom:
Aaron Taylor, Western Region Sales Manager – Kraft Bag Division, with Buena Park Council members / Our SpaceKraft® packaging is ideal for a wide range of food and industrial chemical products
MANAGING OUR DISTRIBUTION

Moving our products around the globe requires an efficient and accurate global supply chain operations organization. We aim to deliver orders on time, complete, damage-free and at the lowest possible cost.

A major focus for this team is seeking out the most efficient mode of transportation for our shipments, while optimizing weight per vehicle. By applying manufacturing excellence practices, we have improved our distribution footprint, better managed customer expectations and minimized transportation costs. From 2008 to 2012, we reduced our emissions from transportation by over 80,000 tons of CO₂. We achieved these gains through improved weight utilization efforts and transportation mode shifting. This reduction in emissions is the equivalent of avoiding the CO₂ produced by 8,000 homes’ energy use for one year.4

Clockwise, from top left:
Foodservice customer Jamba Juice using our Cold & Go cups for their frozen smoothies / Employee with International Paper truck / Our Hammermill paper’s brand has been produced and sold in North America for over 100 years
To help assess and improve our transportation footprint, International Paper is a partner in the U.S. Environmental Protection Agency’s SmartWay Partner Program — an innovative program that brings the EPA, the freight industry and its customers together to push for improved fuel efficiency and environmental performance in the supply chain. In 2013, our supply chain operations established membership and gained certification as a shipper under the EPA SmartWay Shipper Program. This has allowed us to better understand our carbon footprint and set a baseline for outbound transportation across our U.S. facilities.

Our outbound shipments in 2012 created approximately 92 grams of CO₂ per ton-mile. The data also showed that 70 percent of our total freight expenditures in the United States and 50 percent of our carrier base are already SmartWay-certified.

We are working to further identify opportunities to improve operational efficiencies and reduce GHG emissions.

Looking ahead, International Paper will continue to focus on using different modes of transportation in its outbound transportation modal mix to improve efficiency and GHG emissions. Our use of rail has increased, while our share of truck shipments has decreased significantly. The share of intermodal, which involves the transportation of freight in an intermodal container or vehicle, using multiple modes of transportation without any handling of the freight itself, has steadily increased as well.

We are working to further identify opportunities to improve operational efficiencies and reduce GHG emissions.

HIGHLIGHT

INNOVATION MAKES JAMBA JUICE CUPS COLD AND RENEWABLE

International Paper’s Foodservice business is always looking for ways to make our products stand out and to collaborate on customer needs. One customer, Jamba Juice, a leading restaurant retailer with 850 locations globally, had spent years looking for an alternative to expanded polystyrene materials that was sturdy enough to support Jamba’s thick, rich smoothies. Jamba Juice teamed with International Paper’s Foodservice Business and Coated Paperboard team to create an innovative, double-walled cup made of renewable materials, called “Cold&Go™.” It reduces condensation while keeping beverages cold and resisting sogginess as the frozen smoothies thaw. Until the introduction of Cold&Go to the market, no suitable fiber-based cups with similar properties to expanded polystyrene existed. By the end of 2013, Jamba Juice was able to eliminate the use of expanded polystyrene cups throughout its entire system.

CUSTOMERS CHOOSE PAPER OVER PLASTIC

Demand for paper cups is increasing by five percent per year according to industry analysts cited in the April 10th, Wall Street Journal article titled “Hot Drink Debate: Paper or Plastic.” This increase is driven by customer demand as consumers choose paper.
OUR collaboration creates opportunities for sustainable recycling

Our relationships with partners and suppliers ensure we are adding to the global paper recycling rate of over 65 percent.
Connections That Matter

International Paper’s connection to wood fiber is clear — it’s our main raw material. What is less obvious is how we are connected to wood fiber in so many other ways. We touch wood fiber as it enters our paper-making process as new fiber. We also play a significant role in recovering wood fiber from the waste stream and in reusing the wood fiber in our products for up to as many as seven different purposes.

FIBER RECOVERY AND OVERALL TRENDS

Paper recovery is one of the best — and yet little-known — environmental success stories in the world. The market for recovered fiber is strong, and is expected to grow by 35 percent between 2008 and 2018. This market is driven not by government mandates, but by economics. Recovered fiber can serve as a low-cost alternative to new wood fiber in many products. Today well over half the fiber used for papermaking around the world is recovered fiber (see chart):

Because recovering paper makes economic sense, it happens at a high rate. Globally, about 55 percent of paper is recovered, and some countries have significantly higher recovery rates: Europe, 71 percent; Japan, 70 percent; and the United States, 64 percent. By contrast, the U.S. EPA reports that plastics are recovered in the United States at only a 9-percent rate and electronics at 25 percent.

Beyond economics, recovering wood fiber from the waste stream has three other important benefits. First, it supplies a key raw material to make useful, necessary products in regions of the world that do not have a readily available supply of sustainably managed wood, like many parts of Asia.

Second, it keeps the wood fiber from ending up in a landfill, extending the life of the landfill. It also means that the methane gas that would have been created if paper decomposed in a landfill (without oxygen) is avoided; methane is a potent greenhouse gas. (Paper decomposing in the presence of oxygen emits CO₂ but not methane).

Third, recovering the fiber means it gets reused; when this is done efficiently, under market-based conditions, it makes both environmental and economic sense.

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KWIDZYN WINS EUROPEAN RECYCLING COUNCIL PRAISE

International Paper’s Kwidzyn plant in Poland won commendation in the annual Confederation of European Paper Industry recycling awards hosted at the European Parliament in Brussels for its entry, “Seventh Heaven for Newspapers” — a project launched at over 60 schools in the Polish region of Pomerania that aims to educate and promote paper recycling among children. These educational efforts will ensure less waste goes to landfills and more fiber goes to produce new, fully recyclable and sustainable paper products. The program’s name arises from the fact that newspapers can be recycled between four and seven times. So far, 130,000 kilograms of wastepaper has been collected by International Paper Kwidzyn from the institutions in the project.

RECYCLING & OVERALL TRENDS

International Paper is the largest single user of wood fiber in the world. We rely on a healthy, ongoing supply of wood through the careful management practices of our wood suppliers, and we use fiber that has been recovered. In the United States, we recover, process, or facilitate the sale of more than 6 million tons of recovered fiber each year, making us one of the larger recyclers of paper in the country.

Our practice of recovering scrap trim from converting plants and recovering paper and paperboard from a large recycling network helps extend the life of the wood fiber and keep it out of the landfill, avoiding the corresponding GHGs emitted.

RECOVERY & REUSE STRATEGY

Meeting our 2020 goal to recover 15 percent more OCC requires robust planning and realignments in our recycling business. We began by establishing a baseline rate of recovery for this goal. Our initial results show a decrease in our recovery of OCC of approximately 18% after 2010. Competition and economic conditions can affect the volume that we recover. One example of this is if fewer goods are shipped in boxes, fewer boxes are available to recover, and vice versa. However, demand for fiber is expected to grow and create opportunities for economically viable projects and collaborations that will increase corrugated box recovery.
Our plan for meeting our 2020 recycling goal, developed in 2012, has three elements:

BUILD
We are working to expand our internal capacity to recover materials by building new facilities. We currently operate 18 recycling plants in the United States, two in Mexico, and three in Europe, the Middle East and Africa. We are scouting economically viable locations for constructing new material recovery facilities, as well as looking for ways to increase capability at our existing plants.

COLLABORATE
Engaging suppliers will allow us to increase recovery rates beyond the capabilities of our own systems. We provide incentives to suppliers to encourage building or expanding material recovery facilities. For example, we work closely with an independent recycler in a large Midwestern U.S. city to facilitate extraction of previously unrecovered OCC from commercial waste. We are also actively seeking opportunities to work with solid-waste management companies to provide recovery at their landfills and transfer stations.

ACQUIRE
We also seek to identify and acquire recovery facilities whose operations can be expanded to collect new sources of recovered fiber. These facilities may target small offices and retailers that do not currently collect OCC, allowing us to tap new sources of material and increase our recovered fiber volume.

INTERNATIONAL PAPER’S RECYCLING BUSINESS RECOGNIZED BY STAPLES FOR SUSTAINABILITY

In 2013, our Industrial Packaging Group received recognition from office supply company Staples. Our Papers and Industrial Packaging businesses were part of the reason Staples was recently named to the Global 100 Sustainability Index, recognizing Staples as one of the most sustainable companies in the world.

International Paper’s Recycling business currently serves 111 of Staples’ retail locations and five retail distribution centers, collecting approximately 16,200 tons of recyclable goods each year.

“Thank you for helping Staples to have another successful year ... It is this type of leadership and the commitment by you and all your employees that we value and appreciate. I personally want to thank you and the team for all your efforts.”

Bob Valair, Director, Energy & Environmental Management, Staples
Connections That Matter

International Paper has strong connections with our stakeholders around the world, and especially with our communities. A key principle of the IP Way is that our communities recognize us as good employers, neighbors and environmental stewards. We also enhance the communities where we work and live through our employee volunteering and global giving efforts. In turn, the local, national and regional nonprofits and foundations we support connect with those in need. We focus on literacy and environmental education outreach.

REGIONAL GIVING AROUND THE WORLD

Building on a strong 115-year legacy, we continue our mission to help maintain the vitality of our communities around the world. In 2013, we gave $11.9 million globally.

SIGNATURE GIVING PROGRAMS

International Paper is proud of the legacy of signature giving established through key partnerships. We have three signature giving programs: Coins 4 Kids®, the IP Employee Relief Fund and United Way®.

EMPLOYEES’ POCKET CHANGE CHANGES LIVES

Since 2004, International Paper has saved change and changed lives through Coins 4 Kids®, a school meals program and awareness campaign to help end world hunger. International Paper’s involvement with Coins 4 Kids has resulted in contributions of more than $8 million to the World Food Program USA and sponsorship of nearly 100 schools in impoverished Kenyan communities.

The model is simple: International Paper employees collect their spare change in small red cups — symbolic replicas of the cups in which students receive their meals at school each day in Kenya — and contribute their collections to Coins 4 Kids, which provides nutritious daily meals for children.

Beyond raising funds, the spouses of International Paper employees also dedicate themselves and annually play a critical volunteer role in the Coins 4 Kids effort. In 2013, International Paper employees and their spouses raised over $200,000 through our Spring 4 Kids Campaign. The International Paper Foundation complemented that giving with an additional $550,000 donation, resulting in more than $750,000 to the World Food Program USA in 2013.

The generosity, leadership and compassion behind Coins 4 Kids have helped International Paper remain one of the World Food Program’s largest private donors and long-term partners in Kenya.
GLOBAL GIVING

IP FOUNDATION, USA
Since its inception in 1952, the IP Foundation has supported non-profit organizations in the communities where International Paper has operations. More than 150 U.S. facilities provide local grants in support of our local focus areas, environmental education and literacy.

INSTITUTO INTERNATIONAL PAPER (IIP), BRAZIL
In November 2009, IIP was officially recognized as a public interest civil organization, allowing them to take donations and contributions on a tax-free basis. IIP’s focus is on environmental education, sustainability and education.

IP KWIDZYN CHARITY FOUNDATION, POLAND
IP-Kwidzyn Charity Foundation was established in 1994 based on the IP Foundation model in the United States. The foundation raises its funds from voluntary donations from employees and a fixed donation from the company. IP-Kwidzyn strives to improve health conditions and social welfare through the support of healthcare organizations.

IP INDIA FOUNDATION (IPIF), INDIA
IP India Foundation represents one of International Paper’s newest giving regions. Incorporated in 2013, IPIF undertakes corporate social responsibility efforts in the environment, education and community engagement.

IP ASIA & IP RUSSIA
International Paperworks with our group companies and local partners to support our philanthropic focus areas in the communities we touch. Although we do not have official foundations established in this region, our employees live the spirit of our mission through their volunteerism and donations.

$11.9 MILLION GIVEN AROUND THE GLOBE IN 2013
via foundation grants, business contributions & in-kind donations.
EMPLOYEE RELIEF FUND HELPS EMPLOYEES IN NEED

The International Paper Employee Relief Fund (ERF) is a unique public charity created by the company and driven by employee donations. Through the ERF, IP employees can pool their resources to provide cash grants to fellow employees facing hardships in the wake of a natural disaster or personal emergency, e.g., house fire or flood. Employee contributions to the ERF are matched dollar-for-dollar by International Paper. In 2013, approximately eight International Paper employees around the globe applied for disaster assistance and received $16,500 in ERF grants due to fire, flood and thunderstorm damage.

INTERNATIONAL PAPER EMPLOYEES LIVE UNITED: UNITED WAY CAMPAIGN

For decades, our employees have joined together to raise funds for local United Way chapters and partner agencies across the United States and Europe. Employee financial gifts to the United Way, along with the company’s 60 percent match, have raised significant funds for the organization, displaying our employees’ generosity and desire to make an impact in their community. In 2013, U.S. International Paper gave a record $1.2 million to United Way and its network of charities and services. Combined with employee donations, approximately $3 million was raised during our 2013 United Way campaign.

EMPLOYEE VOLUNTEERING

With 70,000 employees in more than 24 countries, International Paper embraces an important responsibility to the communities in which we operate. On nearly every continent each year, our employees donate time, effort, passion and leadership — the key pillars that support International Paper volunteer efforts around the globe.

In 2013, we formed a global team that is investigating potential ways to measure our employee volunteer hours around the world. While we know our impact is extensive, we do not yet have a data collection process to capture volunteer hours.

At International Paper, our employee volunteers dedicate their time and energy outside of the workplace to activities year-round.

In 2013, more than 110 employee involvement grants were awarded to non-profit agencies on behalf of International Paper employees. Such incentives reward community volunteering by our employees.
WOLF RIVER ECO-CHALLENGE

The Wolf River Conservancy’s Eco-Challenge near International Paper’s headquarters in Memphis, Tennessee, is a program about the river’s ecosystem that gives fifth-grade students the opportunity to experience local natural resources firsthand.

In addition to employee participation on the Wolf River Conservancy Board of Directors, several International Paper employees periodically join this river raft experience on the scenic paths of the upper Wolf River. The exhibition helps students learn where their drinking water comes from and how to protect it. This experiential education opportunity has the ultimate goal of inspiring students — especially those growing up in urban centers with little access to nature — to become stewards of their environment.

INTERNATIONAL PAPER BRAZIL EMPLOYEES UNITE TO HELP UNDERPRIVILEGED CHILDREN

Engagement with the Guardiões project in Brazil enabled our employees to protect and care for underprivileged children and adolescents. On Dec. 16 and 17, 2013, more than 90 employees from International Paper Brazil, including our new colleagues from ORSA — International Paper’s packaging business in Brazil — donated Christmas gifts and clothing, brightening the holidays for children in the region.
EDUCATIONAL OUTREACH

In addition to encouraging employees in their volunteer efforts, International Paper aligns its grant making with focus areas that support our goals as a company. Around the globe, we provide monetary support in two primary areas: environmental education and literacy. In 2013, more than 300 grants and donations were made to literacy projects. Over 200 grants and donations were given by International Paper to environmental education causes.

ENVIRONMENTAL EDUCATION

International Paper has been, and continues to be, one of the most environmentally responsible companies in the world. We support programs that help our society understand a sustainable approach that balances environmental, social and economic needs. Given the vastness of this subject area, the Foundation channels environmental education funding specifically to:

- National Geographic Explorer kids’ magazine subscriptions at schools in local communities;
- Earth’s Birthday project kits for children;
- Outdoor classrooms at schools or in communities;
- Outdoor science programs tied to forestry, air or water; and
- Education-based programs that promote recycling, tree planting and composting.

UNIVERSITY SPONSORSHIP PAYS BIG DIVIDENDS FOR CHINESE STUDENTS, INTERNATIONAL PAPER

In September 2013, Qilu University of Technology leaders and International Paper representatives celebrated the inauguration of the “IP Class” at the university. The class is a joint effort between International Paper and the school’s College of Light Chemical and Environmental Engineering. For 2013, 122 freshmen majoring in paper-making were enrolled.

In the same year, IP Scholarships went to 36 outstanding students at the university’s Business School and School of Light Chemical and Environmental Engineering who were selected as examples of The IP Way. The partnership also uses International Paper’s resources to help Qilu University students apply textbook knowledge in the workplace. In fact, 60 alumni of Qilu work at the International Paper joint venture in Yangzhou City, Shandong Province, China.
FISH GOTTA SWIM

Among its many philanthropic activities, International Paper also supported “Fish Gotta Swim,” in Savannah, Georgia, a U.S. community where we have key facilities. This program gives urban, economically disadvantaged middle-school students in Savannah and Chatham counties 21 hours of environmental education.

Meshing local field investigations with classroom experiments and language arts tasks, Fish Gotta Swim builds students’ capacity for discovery, curiosity and empathy with other living creatures and demonstrates the need to maintain water quality in our marshes and estuaries. With increased confidence and new means of expression, students are better prepared to make choices that support and protect the natural world.

LITERACY

International Paper has a strong belief in the value of education; improving literacy is one of our top philanthropic priorities. Our support of the National Geographic Explorer magazine, which helps develop literacy skills for children in grades 4 and 5, is an example of this commitment. Additionally, we fund programs that:

- Enhance availability of reading materials at school and community libraries;
- Enhance reading skills of children and adults; and
- Teach English as a Second Language (ESL).

In 2012, International Paper Asia in Shanghai, China, entered a partnership with a rural schoolbook donation project. As of late 2013, more than 25,000 books had been given to more than 40 schools across China. The partnership illustrates a simple and effective way in which International Paper supports the communities where our employees live and work.
All data are reported as of Dec. 31, 2013, unless otherwise stated. Data are included from all global operations, including International Paper Brazil, Asia, India, and Europe, the Middle East and Africa (EMEA). We do not collect data on joint ventures in which we do not have a controlling interest.

Our 2010 baseline data, as well as other historical data, has in some cases been restated to reflect acquisitions and joint ventures where International Paper has a controlling interest.

Where appropriate, we report historical data for comparative purposes, as well as data normalized to metric tons of production for a given year.

Our Safety, Philanthropy, Demographics and GHG statistics are inclusive of all International Paper manufacturing and non-manufacturing facilities. Our Wood Fiber, Energy Efficiency, Water, Solid Waste and Non-GHG Emissions are inclusive of our Manufacturing Mill system only.

In circumstances where our facilities are managed in partnership with others who provide many of the basic services for the complex, we have reported only our energy and GHG emissions. This includes our IP/Sun JV and Tres Lagos, Brazil. Conversely, where we are the complex owner and provide environmental services to others, we have included their data in our report (Augusta, Savannah, Kwidzyn and Svetogorsk Mills).

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**IP Employee Demographics**

- **By Gender**
  - 77% Male
  - 22% Female

- **By Age**
  - 51% 30 – 50 years old
  - 34% over 50 years old
  - 15% under 30 years old

**Phanthropic Distribution**

- 35% Literacy
- 25% Health & Human Services
- 23% Environmental Education
- 5% Signature Giving Programs
- 2% Employee Involvement

**2010 Solid Waste by Disposition**

- 47% Landfilled
- 23% Used for other beneficial means
- 18% Beneficially applied to land
- 12% Burned

**2013 Solid Waste by Disposition**

- 43% Landfilled
- 27% Used for other beneficial means
- 19% Beneficially applied to land
- 11% Burned

**Total Incident Rate**

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<th>2010</th>
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<th>2012</th>
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<td>Rate</td>
<td>0.83</td>
<td>0.93</td>
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**Lost Work Day Incident Rate**

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<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<td>Rate</td>
<td>0.24</td>
<td>0.27</td>
<td>0.24</td>
<td>0.23</td>
</tr>
</tbody>
</table>

**2010 Employee Life Incidents**

- Total: 57

**2013 Employee Life Incidents**

- Total: 45

**Philanthropic Distribution**

- IP Foundation’s focus area

- **Total Incident Rate**
  - 2011: 0.83
  - 2010: 0.93
  - 2012: 0.92
  - 2013: 0.91

- **Lost Work Day Incident Rate**
  - 2010: 0.24
  - 2011: 0.27
  - 2012: 0.24
  - 2013: 0.23
MEASUREMENT TECHNIQUES & EXTERNAL ASSURANCE

Company-wide environmental performance data and other key indicators are gathered by facility environmental teams, global financial services and other subject matter experts and entered into our global data collection system, METRIX. The data are then validated by corporate Environment, Health, Safety & Sustainability (EHS&S) staff and relevant subject matter experts. The METRIX system was implemented through a multiyear process and is expected to improve our process for data collection in years to come.

Data parameters and calculation methods are established according to a combination of international, government, industry and company standards and protocols. Every effort was made to ensure the information presented herein is accurate and complete. External assurance was not solicited for this report.