IN OUR
nature
SUSTAINABILITY YEAR IN REVIEW 2014
ON THE COVER:

International Paper’s corrugated boxes, used here by Hunt Brothers Groves in Lake Wales, Florida. These boxes were produced at our box plant in Tampa, Florida—one of 130 box plants we operate in North America. Customers choose International Paper corrugated boxes for our strong commitment to having the best designed, high-quality, and sustainable products.
Contents

02  FOREWORD FROM OUR CEO
04  OUR EMPLOYEES
06  OUR SUSTAINABILITY STRATEGY

Our Six Strategic Focus Areas

08  WATER USE
12  FOREST STEWARDSHIP
16  SAFETY
20  STAKEHOLDER ENGAGEMENT
24  GHG EMISSIONS
27  ETHICS AND COMPLIANCE
30  COMMUNITY GIVING
32  PROGRESS TOWARD OUR 2020 GOALS

ABOUT THIS PUBLICATION

This publication covers International Paper’s sustainability progress highlights for calendar year 2014. We report against the Global Reporting Initiative (GRI) key performance indicators in the areas of economic, environmental, and social performance “In Accordance” with the G4 Sustainability Reporting Guidelines Core level.

The full 2014 GRI Report is available online at www.internationalpaper.com/sustainability.

These publications are supplemented by our Annual Report and additional sustainability information available at www.internationalpaper.com.

For questions or more information about this report, email sustainability@ipaper.com.
On behalf of International Paper’s 58,000 employees worldwide, I am proud to present our 2014 sustainability plans and results. For more than 117 years, International Paper’s commitment to the highest ethical and sustainable business standards is guided by a simple principle: do the right things for the right reasons. We strive to make the right decisions for our employees, customers, neighbors, and investors—which have allowed us to continuously improve our social, environmental, and economic performance. As Chairman and CEO, I have the pleasure of seeing our efforts firsthand and look forward to sharing these with you over the next few pages.

As a global manufacturer operating in more than 24 countries, natural resources are crucial to our supply chain. This is why we are continuously working to improve all aspects of our value chain, especially sourcing of wood fiber, water use, and energy efficiency. In 2012 we created 12 voluntary sustainability goals to measure our performance with specific targets set for 2020. We have already exceeded several of these goals and we’re committed and focused on achieving the others.

“International Paper is guided by a simple principle embedded in The IP Way: do the right things for the right reasons.”
Over the past few years, we have worked with internal and external stakeholders to identify key issues that are material to our global operations. The process led to the update of our sustainability strategy in 2014, which prioritizes six key sustainability areas. We believe a sharp focus on the following priority areas will help us continue to move in the right direction on some of the most critical issues for our company and the communities in which we operate.

- **Safety**: Eliminating fatalities and injuries in our workplace is our highest priority. Our Life-Changing Injury and Fatality Elimination (LIFE) safety program has reduced life-impacting injuries by 68 percent since its inception. In 2015, leaders at all levels of the company will receive IP Safety Leadership training.

- **Water Use**: Recognizing the growing importance of global water usage, we’ve mapped all 41 of our mills based on water-related risk to help identify water conservation opportunities. Looking forward, we will create site-specific plans for strategic watershed areas to reduce our water use in water-stressed locations.

- **Greenhouse Gas (GHG) Emissions**: In our primary mills we use renewable carbon neutral biomass to meet nearly 70 percent of our energy needs. Since 2010 we have reduced GHGs by 8.3 percent and improved energy efficiency by 6.1 percent.

- **Forest Stewardship**: Forests are the largest source of our raw materials. Our focus on forest stewardship essentially guarantees all our fiber comes from responsibly managed forests, and that ecological benefits will be available for generations to come. Since 2010 we have increased our certified fiber by almost 28 percent and will continue to strive toward our goal of a 35 percent increase by 2020.

- **Ethics and Compliance**: Ethical behavior and personal integrity are at the core of our culture. These values extend beyond our employees to our suppliers, who are required to maintain the same level of ethics and integrity in their dealings with us. In 2014 we expanded the number of suppliers trained in our Supplier Code of Conduct and obtained commitments of compliance from the vast majority of suppliers. Over the next few years we intend to enhance our processes and expand our ability to hold our suppliers accountable to the commitments into the future.

- **Stakeholder Engagement**: By engaging our stakeholders we are building trust and credibility to create advocates for our great company. As a company we’re committed to continuous improvement and transparency around our sustainability successes and challenges. The stories ahead represent IP’s diverse efforts around the world to move us closer to our goals. I hope you will see why we believe sustainability is simply *In Our Nature*.

Thank you.

Mark Sutton | Chairman and CEO, International Paper
We believe in providing opportunities for employee development and learning, fostering diversity in our workforce, and training our leaders. Through these efforts, we seek to not only create a positive, thriving work environment, but also continue uniting our global team around International Paper’s strategy and goals.
Leadership Training

Our goal is to continue building a leadership culture with high ethical standards.

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 initiatives including:

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

International Paper’s Leadership Institute provides interactive learning and growth opportunities for employees from around the world. The Institute offers programs and resources that align with our key business strategies and initiatives while promoting leadership development through assessment, feedback, and coaching.

Examples of programs offered through the Leadership Institute include:

**IP Leadership I:** This multi-month program aims to develop first- and second-level leaders early in their careers at International Paper and to teach how team member engagement plays an active role in achieving business results.

**IP Leadership II:** Piloted in the summer of 2014, IP Leadership II is designed for more experienced first- and second-level leaders. The program takes about eight months to complete and includes on-the-job demonstrations and learning opportunities. It will be rolled out globally in 2015.

Our Leadership Model is based on the three core elements of Character, Capability, and Catalyst. It serves as the foundation from which successful leadership emerges and is practiced every day by leaders at all levels of the company. Strong leadership enables us to sustain highly effective teams and teamwork in order to meet our strategic business objectives.

Diversity, Inclusion & Employee Engagement

“An inclusive work environment is not optional in our people-driven company,” says International Paper CEO Mark Sutton. “It is critical to our success.” Diversity matters at International Paper. We understand that when individuals with different viewpoints and backgrounds drive toward a common vision, it results in both productive teams and excellent business outcomes. Inclusion fosters full participation and helps us leverage the diversity of our employees, engaging them and encouraging collaboration.

We rely on our people to execute at every level. The best way to ensure peak performance is to seek full engagement and ensure everyone embraces the goals of their department, plant, and company. Each person brings his or her unique background, education, personal characteristics, experience, and skills. By engaging with and listening to one another, we elevate inclusion.

Many of our leaders, both staff group and manufacturing, participated in Diversity and Inclusion training. The training involved Inclusion Forums, Mentoring Boards, and team level courses, all designed to reinforce International Paper’s focus on creating an inclusive and engaging work environment.

At International Paper, it’s important that we are continuously engaging our employees, measuring our progress against these efforts, and identifying areas to improve.

Our Global Employee Engagement Survey measures how employees feel about their work environment, the people they work with, and their belief that their jobs are important to the company’s mission. The survey reaffirmed that employees are committed to IP’s mission of using renewable resources to make products people use every day. In 2014, we offered the survey in printed, online, and mobile versions, in 22 different languages.

International Paper reached record participation.

96% employee participation in our global engagement survey - teams develop “impact plans” to improve engagement and our culture

2,500+ employees participated in Diversity and Inclusion training

800+ leaders were a part of our IP Leadership programs in 2014 (including senior management and the Chairman)
defining our sustainability strategy

Our Six Strategic Focus Areas

PEOPLE
- Safety
- Stakeholder Engagement
- Ethics & Compliance

PLANET
- Forest Stewardship
- GHG Emissions
- Water Use
“We worked with a diverse set of internal and external stakeholders to further define a strategy that will accelerate progress on our sustainability objectives and goals.”

— David Kiser, VP, Environment, Health, Safety & Sustainability

In order to continue driving improvement, we have established sustainability goals that outline specific environmental and social targets we plan to achieve by 2020. In 2014, with progress toward those goals well underway, we updated our sustainability strategy. Our strategy focuses efforts in six key areas where we either have the most room for improvement or the potential to make the greatest impact. After establishing these key areas, we’ve benchmarked ourselves to see how our performance compares to other industrial manufacturers.

Based on this benchmarking, we have identified our ranking in these areas, both globally and among our peers. As we continue to work toward all the targets outlined in our 2020 Goals (see Page 32), we will continue to benchmark our progress in these strategic focus areas in order to ensure continuous improvement.

Our sustainability strategy is aligned with The IP Way: our vision of becoming one of the most respected and successful companies in the world.

2014 Awards & Recognition

The following awards acknowledge our continuous improvement and progress toward our vision.

- **FORTUNE Magazine World’s Most Admired Companies® 2015**
  - IP named for the 12th time in the last 13 years.

- **Ethisphere Institute’s World’s Most Ethical Companies® 2015**
  - IP made the list for the ninth year in a row.

- **Indian Paper Manufacturers Association (IPMA) Environment Award 2013-2014**

- **Guia Exame Você S.A. Best Companies to Work For 2014**
  - Named one of the 150 best companies to work for in Brazil for the ninth time, and the best company to work for in the pulp and paper industry.

- **Puls Biznesu Daily**
  - “Poland’s Ethical Companies 2014.” Kwidzyn Mill named for the first year of the initiative.

- **Corp Citizen CR Magazine 100 Best Corporate Citizens List 2014**
  - On the list for the second consecutive year.
Chuck Turner and Brooke Hoover inspect the mill’s combined well and ECUA reclaimed water tank.

REDUCING OUR WATER USE IN Pensacola
Water is essential to our manufacturing processes, so it is crucial that we actively seek ways to use water effectively and in harmony with community and ecosystem needs. International Paper’s Pensacola containerboard mill forged a relationship with the local water utility in Cantonment, Florida, to use treated municipal water for the mill’s manufacturing processes rather than using fresh water from the aquifer. Through this effort, the Pensacola mill reduces the amount of fresh water used by five million gallons per day, which amounts to 20 percent of the total water intake.

The Emerald Coast Utilities Authority (ECUA) oversees water and wastewater systems of Escambia County and the City of Pensacola. In 2010, ECUA and International Paper initiated a Water Quality Improvement project that is mutually beneficial for ECUA, International Paper, and the local environment. Benefits include:

- International Paper is able to reduce fresh water consumption through use of ECUA’s treated water
- ECUA is able to reduce the amount of treated wastewater that is pumped directly into the bay
- International Paper has helped restore native wetlands and improve the quality of water effluent from the mill
EXETER, CA, USA

California reservoirs and groundwater levels are at historic lows. At our Exeter bulk packaging plant in central California, we reduced our ground water withdrawals by 145,000 gallons in 2014 by installing a Mechanical Vapor Compression (MVC) unit that purifies our treated wastewater so it can be reused in the boiler and other areas of the plant. The MVC System not only improves International Paper’s environmental sustainability, but it also reduces our water use in the local community.

BIGLERVILLE, PA, USA

International Paper’s box plant in Biglerville, Pennsylvania, received the Gettysburg Adams Chamber of Commerce Environmental Stewardship Award, which honors businesses, industries, and organizations that have implemented projects that benefit the local environment. The Biglerville plant has been a “zero discharge” site since 1998 and recovers more than 1.6 million gallons of process water each year. The plant has also been recognized for reducing the amount of landfill waste through an effective recycling program for packaging trimmings and inks.

SAILLAT SUR VIENNE, FRANCE

In 2014, the Saillat Mill in west-central France began installation of an Oxygen Delignification system, a well-proven technology that will improve the manufacturing process and water quality to attain even higher sustainability standards. Also known as the “O2 Delign” project, the investment of roughly $22 million is supported by local and national French and European agencies. In addition to performance improvements, we anticipate that this project will improve water effluent quality by about 35 percent for the entire mill.

“...This unique public/private relationship now spans 15 years and has proven to be extremely beneficial. International Paper’s use of reclaimed water from our Central Water Reclamation Facility in their manufacturing process has a tremendously positive impact on the potable water supply for our community.”

— Don Palmer, ECUA’s Water Reclamation Director

ECUA’s treated water flows into the mill site and is then used in the mill’s industrial processes. The reclaimed water has worked well in the mill’s manufacturing processes, and it appears to be a sustainable solution to help conserve fresh water. As of 2014, this conservation effort totaled six billion gallons of fresh water saved since 2011.

After the water is used by International Paper, it flows from the mill’s water treatment plant over 3,000 acres of IP-owned wetlands north of Perdido Bay where natural processes provide further treatment to the water. In addition to improving the effluent quality, IP has contributed to the wildlife habitats and ecological value in these historic coastal wetlands by planting 160,000 trees. Today, these newly planted wetlands are home to hundreds of plants and animals. In 2014, we continued to watch the ecosystem mature and grow and are now focused on sustaining the area’s renewed ecology.
Also known as the “O2 Delign” project, the investment of roughly $22 million is supported by local and national French and European agencies.
Fostering a more sustainable future for

RUSSIAN FORESTRY

Q&A

Ksenia Sosnina
President, IP Russia

In 2014, International Paper focused on sustainable forestry education efforts in Russia. Why is this an important issue for IP?

Our focus is on formalizing sustainable forest management (SFM) practices, which take into account environmental issues like protecting biodiversity, forest health, and water quality, but also include social issues like whether forests are providing the community jobs and a good quality of life. In addition, SFM considers economics and the financial benefits provided by forestry, which support these social and environmental initiatives.
According to the U.N. Food and Agriculture Organization, Russia has a fifth of the world’s forests—more than any other country in the world. Russia has made progress over the years, but there is still opportunity to implement sustainable forest management (SFM), the globally recognized principles for managing forests. Over the last few years, International Paper has promoted the development of a new forest policy and associated rules to enable SFM in Russia.

Russia’s forests are currently operating under a federal regulation called the Forest Code, enacted in 2007. The Code outlines in broad terms how the forests are to be used. It includes several specific rules that guide harvesting, reforestation, management, and forest protection. In late 2013, Russia enacted its first-ever National Forest Policy. The new policy contains the guidelines and direction for future development of Russia’s forests and addresses the need to balance social, environmental, and economic interests.

In order for this new and progressive National Forest Policy to be put into action, a new set of rules will need to be developed to direct the policy’s implementation. The local language refers to these as “normatives” or “norms” that must be developed for each region of Russia’s diverse forest.

Forestry In Russia: PROGRESS AND CHALLENGES

According to the U.N. Food and Agriculture Organization, Russia has a fifth of the world’s forests—more than any other country in the world. Russia has made progress over the years, but there is still opportunity to implement sustainable forest management (SFM), the globally recognized principles for managing forests. Over the last few years, International Paper has promoted the development of a new forest policy and associated rules to enable SFM in Russia.

Russia’s forests are currently operating under a federal regulation called the Forest Code, enacted in 2007. The Code outlines in broad terms how the forests are to be used. It includes several specific rules that guide harvesting, reforestation, management, and forest protection. In late 2013, Russia enacted its first-ever National Forest Policy. The new policy contains the guidelines and direction for future development of Russia’s forests and addresses the need to balance social, environmental, and economic interests.

In order for this new and progressive National Forest Policy to be put into action, a new set of rules will need to be developed to direct the policy’s implementation. The local language refers to these as “normatives” or “norms” that must be developed for each region of Russia’s diverse forest.

The Russian Federal Forest Agency is responsible for leading the development of these new norms. In 2014, we took part in high-level working group discussions with other businesses and organizations to promote the development of regional rules and regulations.

We believe strong forest-based businesses are essential to sustainable development of Russia’s rich forest resources.

What needs to happen in order for SFM to be implemented?

Implementing SFM would be a major change for Russian forestry that requires active participation of the government to enact new rules and regulations, education systems to train a new generation of foresters and operators, and businesses to implement SFM and invest in the future.

How did you work toward these goals in 2014?

We focused on educating and engaging key stakeholders on the benefits of SFM and encouraged the development of rules and regulations that are necessary to implement SFM. We opened an exhibition at the Skolkovo business school in Moscow dedicated to SFM and its potential in Russia. We also held a class for key stakeholders, including World Wildlife Fund (WWF) Russia, which focused on the benefits of adopting these practices. The class facilitated an active dialogue between federal and local authorities, responsible businesses, the scientific community, and other interested stakeholders.

What was your biggest challenge?

A key challenge in 2014 was influencing diverse stakeholders to engage in an SFM dialogue and regulatory process over which we have no control. We’ve worked to help encourage the Federal Forest Agency to actively lead the process of developing regulations and rules to guide SFM. And at the same time, we have installed SFM demonstration areas in the forests we manage, hosted a multi-stakeholder workshop, spoken at international conferences, and maintained an active partnership with WWF Russia. Our combined efforts in 2014 culminated in an SFM Roadmap, which provides a framework for action in 2015. Overall, engaging these diverse stakeholders has been the greatest challenge.

Forestry In Russia:
PROGRESS AND CHALLENGES

According to the U.N. Food and Agriculture Organization, Russia has a fifth of the world’s forests—more than any other country in the world. Russia has made progress over the years, but there is still opportunity to implement sustainable forest management (SFM), the globally recognized principles for managing forests. Over the last few years, International Paper has promoted the development of a new forest policy and associated rules to enable SFM in Russia.

Russia’s forests are currently operating under a federal regulation called the Forest Code, enacted in 2007. The Code outlines in broad terms how the forests are to be used. It includes several specific rules that guide harvesting, reforestation, management, and forest protection. In late 2013, Russia enacted its first-ever National Forest Policy. The new policy contains the guidelines and direction for future development of Russia’s forests and addresses the need to balance social, environmental, and economic interests.

In order for this new and progressive National Forest Policy to be put into action, a new set of rules will need to be developed to direct the policy’s implementation. The local language refers to these as “normatives” or “norms” that must be developed for each region of Russia’s diverse forest.

The Russian Federal Forest Agency is responsible for leading the development of these new norms. In 2014, we took part in high-level working group discussions with other businesses and organizations to promote the development of regional rules and regulations.
**PROGRESS TOWARD OUR GLOBAL GOALS**

<table>
<thead>
<tr>
<th>33.3%</th>
<th>27.8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>total certified fiber globally*</td>
<td>increase in certified fiber volume over the 2010 baseline</td>
</tr>
</tbody>
</table>

*Remaining percentage from sources that meet IP’s Global Responsible Fiber Procurement Policy.

<table>
<thead>
<tr>
<th>23.4</th>
<th>27.8% increase in certified fiber volume over the 2010 baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>million tons of certified fiber purchased globally in 2014</td>
<td></td>
</tr>
</tbody>
</table>

In 2014, we facilitated a forest management class to encourage ongoing dialogue between IP and other stakeholders in order to keep the initiative moving forward. The class was held within the forest on demonstration sites where SFM methods were used with side-by-side comparisons to other forest management practices.

While we saw progress in 2014, we’ll continue to facilitate the adoption of sustainable forest management methods moving forward. Once adopted, these will allow for more efficient use of the forest resources, substantially increase yield, clarify delineation of conservation forests, and provide for greater recognition of social needs. The increase in timber yields will allow wood-using facilities to source wood closer to mills, reducing transportation costs and fuel use and improving utilization of forest resources.

“In SFM is a system for intensive forest management that should provide sustainable, low-cost wood supply with good transportation accessibility and conservation of primary forests and sensitive areas. I took part in the workshop to better understand motivating factors that will encourage forest users to implement intensive forestry.”

— Alexander Mariev, Roslesinforg’s Deputy General Director and leader of the working group on the implementation of the Federal Law 415-FZ

---

*A participant in India’s farm forestry program.*

*A 2014 demonstration in Russia showing the benefits of SFM.*
International Paper Latin America has established 1,960 acres in the state of São Paulo as a Private Reserve of Natural Heritage (RPPN), providing additional protection of the forests, river basin, and biodiversity in this area. The creation of RPPNs is vital to conservation, as it ensures that the land can only be used for scientific research, tourism, recreation, or education. Brazil has the second largest forest area in the world, yet according to the World Forest Institute it also has the world’s highest rate of deforestation. International Paper is the first to set up a RPPN in this region, the fifth largest in the state.

Over 1.5 billion saplings have been planted as part of India’s farm forestry program.

**2014 FORESTRY HIGHLIGHTS**

**LATIN AMERICA**

International Paper Latin America has established 1,960 acres in the state of São Paulo as a Private Reserve of Natural Heritage (RPPN), providing additional protection of the forests, river basin, and biodiversity in this area. The creation of RPPNs is vital to conservation, as it ensures that the land can only be used for scientific research, tourism, recreation, or education. Brazil has the second largest forest area in the world, yet according to the World Forest Institute it also has the world’s highest rate of deforestation. International Paper is the first to set up a RPPN in this region, the fifth largest in the state.

**INDIA**

Since 1989, International Paper’s predecessor in India has been at the forefront of farm forestry programs. IP-APPM’s initiative has grown to nearly 535,000 acres and now provides a means of economic survival for many rural farmers and their communities. As of the end of 2014, nearly 1.5 billion saplings have been planted. Currently, the program focuses on providing subsidized seedlings and technical assistance, which results in enhanced productivity and profitability for farmers. The program also seeks to involve women in many activities, from raising seedlings and propagating rooted cuttings to planting.

**NORTH AMERICA**

The Forestland Stewards Initiative, International Paper’s five-year partnership with the National Fish and Wildlife Foundation (NFWF), aims to conserve and restore southern forestlands, strengthen important fish and wildlife populations, and protect watersheds while promoting and supporting working forests in eight states across the southeastern United States. International Paper committed $7.5 million to the Initiative and we expect to secure an additional $22.5 million in matching funds from federal, state, and private organizations during the five-year initiative.
Ensuring Safety through Leadership

Safety is a core value, and International Paper’s highest priority. While we won’t be satisfied until we reach our goal of having an injury-free workplace, we are proud to report that in 2014, we saw a 39 percent reduction in serious injuries over the previous year.
Our safety improvements can be largely attributed to the implementation of our Life-Changing Injury and Fatality Elimination (LIFE) program, which aims to create a safe work environment by ensuring that employees are trained and educated, that facilities and equipment are designed safely, that proper processes are in place, and that equipment and tools used by employees meet the highest safety standards. Since the inception of the LIFE program, IP has reduced serious injuries by 68 percent (baseline adjusted for acquisitions).

In 2014, we expanded our efforts beyond education and equipment to focus on safety leadership. We worked with safety leadership experts to develop a training program aimed at providing safety training and certification for leaders. The Safety Leadership training program, which was piloted at U.S. facilities, serves to:

- establish standards for training and develop safety leadership and hazard recognition skills
- align with existing safety leadership efforts to minimize rework and leverage best practices that have been developed in many International Paper facilities
- customize training and development processes that integrate our vision and values, including the LIFE program, IP leadership model, and our existing HR systems
- establish the expectation that employees in leadership positions be certified in Safety Leadership

By year’s end, we trained more than 1,200 employees at our U.S. mills. We also delivered an executive version of the training, which was used to train a number of senior leadership teams.

Additional highlights for the year included:

- publishing a Safety Leadership whitepaper that aligns with IP’s leadership model and focusing LIFE Month in November on encouraging all IP employees to become Safety Leaders
- integrating the Safety Leadership program content into other communication efforts

We are pleased with our progress but know we have room to improve. Although we have seen a large reduction in the number of significant injuries, the number of fatalities has not declined. In order to meet our objectives, we must eliminate fatalities and will continue our efforts toward ensuring that equipment is safe, that we are consistently and effectively educating employees, and that leaders at all levels receive IP Safety Leadership training in 2015 and beyond.
Safety Leadership Training

Feedback from IP Senior Leadership

São Paulo, Brazil

“This training will help us reduce LIFE incidents by reinforcing the tools and processes we need to create a sustained culture of safety. Our focus has to be on keeping our employees, contractors, and visitors in our facilities safe, and this training has set us in the right direction.”

— Marcio Bertoldo, Manufacturing Director, Brasil

Hyderabad, India

“Ensuring leaders are well trained and educated on safety is vitally important. Our leaders must be strong, informed champions for safety in order to create a culture that enables the achievement of zero incidents.”

— Rampraveen Swaminathan, VP and President, IP-India

St. Petersburg, Russia

“The Safety Leadership training is helping to reinforce our belief that safety is the foundation for our business success. We have made a commitment as leaders of IP to become an injury-free workplace, but it will take a collective effort from every employee, across the globe. Nothing we do is as important as keeping all employees safe each and every day, and our role as safety leaders is critical to meeting this commitment”

— Pat Wilczynski, VP, Manufacturing EMEA

Memphis, USA

“Each and every member of the International Paper family has a common safety goal: lowering and eliminating risks. This requires a behavior-based commitment that says, ‘I can and will make a difference today!’ This training helped by supplying new ways to have conversations about jobs we do every day, on every shift. Engaging our employees in discussions about routine tasks gives us an opportunity to highlight safe practices and support our teams in working safely.”

— Mike Amick, SVP, N.A. Papers & Pulp and Consumer Packaging

Brussels, Belgium

“The leadership training we just went through is unique because it takes a very natural approach to safety through observations and engaging employees in conversations about their work. Safety shouldn’t just be a component of a task; it should be the overriding, undeniable priority. It’s the single most important thing we do each day, and this leadership training is critical to our continued improvement.”

— Eric Chartrain, VP, European Papers
Engaging

OUR MANY
STAKEHOLDERS

International Paper’s booth at the 2014 Pack Expo and Pharma Expo.
We believe it’s important to actively engage diverse groups of people including employees, customers, subject matter experts, nonprofit organizations, governments, and members of the community. It’s this type of dialogue that allows us to continuously improve as a business, environmental steward, and member of the community.

In order to understand what issues are most important to our stakeholders, we conduct surveys both internally and externally. Feedback from the surveys then informs our decisions and future engagement with our stakeholders. As part of this process, we’ve learned that issues related to the environment and our products consistently rank highest among external stakeholders. One of the things we did in 2014 was engage customers to better understand their perceptions of the benefits of using corrugated packaging. Based on that feedback, we worked with researchers and subject matter experts to evaluate our products. These experts helped guide our direction and ultimately became spokespeople who began a dialogue focused on educating key stakeholders, customers, and consumers.
To help explain the sustainability value of corrugated packaging, International Paper engaged experts to provide credible information. In particular, we requested input from the World Wildlife Fund (WWF) about its perspective on responsible forest management and how fiber-based packaging can positively influence forest management. The result of this dialogue was a WWF and International Paper produced video that specifically addresses the fact that avoiding fiber-based packaging doesn’t necessarily save trees, as long as the wood fiber used to make the packaging comes from credibly certified, responsibly managed forests.

Unfortunately, many myths still exist in the marketplace regarding packaging sustainability and food safety. For example, according to the U.S. Environmental Protection Agency, corrugated packaging has the highest recovery rate of any packaging material. Despite this fact, manufacturers of competing materials continue to spread misinformation about corrugated packaging. In particular, they claim that most corrugated boxes are not recycled but instead go to landfills. The truth is, the recovery rate for corrugated containers continues to climb and reached 91 percent in 2012. As a result of paper-based recycling efforts, plastics are now the largest waste material in landfills according to the U.S. EPA.

In addition to false sustainability claims, there are claims that plastic products are safer for food packaging than corrugated boxes. However, three independent, third-party studies, in three different regions identified unacceptable levels of contamination in plastic containers while all corrugated containers tested met acceptable sanitation standards. As a result, food safety researchers and experts are now meeting with retailers all over the U.S. and Canada about the advantages of single-use corrugated boxes for food packaging.

Through these stakeholder engagement efforts, we are able to improve and demonstrate the sustainability of our products and drive value for International Paper and our industry.
ENGAGING OTHER STAKEHOLDERS AROUND THE WORLD IN 2014

COMMUNITIES
Currently, Brazil is experiencing the worst drought in 150 years. Through the Guardians of Water program, IP Brazil worked in two cities with local schools to educate students and raise awareness about the rational use of water, and to encourage environmental conservation activities. These education efforts allow students to serve as multiplier agents for rational water use. They bring these messages home to their families, providing the knowledge needed to implement water-saving tactics and change their behaviors at home, which, in turn, benefits the community.

CUSTOMERS
During International Paper’s Customer Appreciation Week, our business divisions focus on giving back to our customers. This year, our North American Papers and Pulp’s Converting & Specialty team reached out to their customers to thank them, provide service updates, and gain a better understanding of customer operations and requirements. In total, they visited more than 25 customers in person and contacted numerous others throughout the week. It is important to keep an open dialogue with our customers and to address any needs or requests they may have regarding sustainability or environmental concerns.

GOVERNMENT
In 2014, International Paper partnered with the International Conservation Caucus Foundation (ICCF) to host a Forest Products Industry Day on Capitol Hill. The first of its kind for the industry, the event focused on educating policy makers and their staff on the sustainability, efficiency, and responsibility of the forest products industry. The event included panel discussions on domestic and international manufacturing issues in the forest products industry as well as the opportunity to engage in informal conversations with U.S. representatives and congressional staff.
International Paper is a leader in improving energy efficiency at its manufacturing facilities. Our record of sustained investment and results speaks to this. As a global manufacturing company, we monitor our energy use and greenhouse gas (GHG) emissions and find ways to reduce our environmental footprint through improved operation, processes and equipment where possible. We have combined the creativity and resourcefulness of our employees to invest capital to reduce our cost and footprint.

In 2014, in the latest in a series of efforts at our coated paperboard mill in Augusta, Georgia, the IP Technology team members and other personnel performed an energy audit which led to the implementation of the Evaporator Cooling Water (ECW)/Hot Water Optimization project. One area of the mill was consuming a large amount of steam in the winter due to the outside temperature, while another was operating a cooling tower to get rid of excess heat. The solution was a project to integrate the energy use and waste heat in the different areas and optimize energy use at the mill.

This project allows the mill to reuse heat captured in water after it is used to cool plant equipment. The conserved heat is used to generate more hot water needed elsewhere in the plant. The optimized system is one of a number of IP mill energy systems that complement each other to help recover energy in the form of heat. Recovering wasted heat reduces the amount of steam that is required to produce the same amount of pulp and paper. This steam reduction results in less fuel used by the plant’s boilers, which, in turn, reduces energy usage and GHG emissions.
### AUGUSTA PROJECT RESULTS

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value 1</th>
<th>Value 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>22,450 tonnes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>reduction in CO₂e emissions per year</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>reduction in the plant's total steam production</td>
<td></td>
<td>3.7%</td>
</tr>
<tr>
<td>reduction in energy use over 2010 baseline year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Vince Goodwin conducting an equipment care inspection route at IP’s coated paperboard mill in Augusta, GA.
### 2014 North America Greenhouse Gas Highlights

#### Eastover, South Carolina
With the nearest natural gas pipeline 25 miles away, the Eastover mill was historically constrained to burning expensive, high-carbon fuel oil. In 2014, the mill implemented a plan to switch to a cleaner fuel, natural gas, in order to eliminate the use of fuel oil in its #2 lime kiln. The mill opted for truck delivery of compressed natural gas (CNG)—the same fuel used in natural-gas-fired vehicles—which, by year’s end, had displaced nearly all of the fuel oil and reduced #2 lime kiln GHG emissions by 30 percent.

#### Franklin, Virginia
When the Franklin mill was restarted in 2012, it used only the most efficient elements of what was once a much larger facility. In 2014, the promise of the reborn mill was further realized as the team applied their creativity and a structured improvement process, called Manufacturing Excellence, to identify projects that have optimized energy use. Their efforts yielded 30 percent reduction in gas use and 30,000 ton reduction in fossil fuel GHG emissions. Additionally, the Franklin Power and Recovery team was able to support all of the mill’s steam requirements by burning only biomass residuals instead of gas for nearly half the summer.

#### Rome, Georgia
At the Rome containerboard mill, the team focused on utilizing best practices in efficiently burning biomass residuals. The Rome mill’s Recovery Boiler #5 air system project included upgrades to the system which improved the boiler’s efficiency, reduced chemical losses and fossil fuel consumption, and increased the amount of steam generated by biomass fuel, further reducing steam requirements from coal combustion. This project is anticipated to decrease GHG emissions by 23,000 tons per year.

#### Orange, Texas
The Orange containerboard mill was acquired in 2012, and since then we’ve been able to utilize best practices learned from other IP facilities to run the Orange mill more efficiently. Bark boiler combustion upgrades were completed in 2014, including more efficient burners, a new bark distribution fan, and a revamp of the boiler fuel and air controls, all of which allow the boiler to burn bark more efficiently. The upgrades resulted in a reduction of 35,000 tons of GHGs due to decreased natural gas consumption.

#### Bogalusa, Louisiana
International Paper’s energy audit program has been key in driving continuous improvements in energy efficiency. At the Bogalusa containerboard mill, the energy team recommended equipment upgrades that included a new slaker and filter for the lime system. These upgrades, accomplished by the mill’s engineering and operating teams, are reducing energy and other operating costs while improving reliability. Natural gas usage in the kiln has been reduced by 30 percent—which amounts to about 20,000 tons of greenhouse gases per year.

### Progress Toward Our Global Goals

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1% improvement in energy efficiency</td>
<td></td>
</tr>
<tr>
<td>18% reduction in air emissions (NOx, SOx, and PM)</td>
<td></td>
</tr>
<tr>
<td>8.3% decrease in GHG emissions</td>
<td></td>
</tr>
</tbody>
</table>
In 2014, IP India implemented the Supplier Code of Conduct. Why was it important for IP India to lead this effort?

Supplier Code of Conduct (SCOC) is a way for International Paper to clearly communicate our expectations to our vendors regarding how they do business, following the same ethical practices that IP is recognized for globally. Third-party relationships have risks, mainly because control over their activities is limited. By establishing common objectives and business practices, we are able to achieve sustainability in our business relationships and contain the risk for our organization.
What positive impacts did you see as a result of your efforts?

We were able to not only enhance the reputation of IP in the market but also provide our vendors with tools to ensure they’re doing business in an ethical way. We were able to communicate that the IP Way is the way that we do business—no compromises. Since nearly all of our vendors have accepted the SCOC, we feel that we are aligned on our ethical principles and are confident about our ability to manage those relationships effectively. Vendors are now more forthcoming with their challenges and look to us for guidance when they are dealing with compliance issues. Risk of fraud, kick-backs, bribes, and other unethical practices is significantly reduced.

What was one of the biggest challenges to implementing the SCOC in India?

Many of our suppliers had operated for years without monitoring or governance from their customers, so this was all completely new to them. Some vendors saw the SCOC as a threat and were highly concerned that it would lead to termination of their contract. But through education and engagement efforts, we were able to show them that the SCOC was a positive initiative for both International Paper and their business.

Where would you like to be in one year or five years from now?

Globally, IP is recognized as one of the most ethical companies in the world and although we are newer to the country, we are committed to solidifying that reputation in India as well. We’d also like to be a business partner of choice for our vendors. The SCOC is a great initiative to help us achieve these objectives.

Ethics and Compliance in India: PROGRESS AND CHALLENGES

In 2014, International Paper’s India team led the way in expanding ethics and compliance in our supply chain. Their effort brings us significantly closer to achieving our goal of assuring our business partners around the world share our corporate values and our commitment to conducting business in a legal and ethical manner.

We launched our SCOC in late 2012 and spent more than a year training U.S. employees, bringing U.S. suppliers into the program, and engaging IP’s global teams in developing rollout plans for all of our other regions.

India ranks 84th in the world on Transparency International’s Corruption Perception Index and is in the bottom 25 percent in World Bank Group’s Ease of Doing Business Index; therefore, ensuring that both employees and vendors adhere to ethical standards is vital.

IP India has successfully implemented IP’s Code of Conduct among its 4,500 employees and established the IP Helpline to raise concerns about violations of laws or IP policies in that region. They’ve also rolled out IP’s Conflict of Interest Policy, Gift Policy, Foreign Corrupt Practices Act training, and antitrust training.

Eager to continue the momentum, IP India’s compliance team and procurement organization became early leaders in fully implementing a SCOC roll out plan.
The plan included:
- a risk assessment and ranking of IP India’s suppliers
- a management-approved SCOC distribution plan
- detailed training for employees and suppliers
- clear communication of expectations

The risk assessment aimed to categorize suppliers according to their exposure to government agencies, other IP customers, or other suppliers who are critical to IP’s business and then determine each vendor’s risk of corruption or bribery. Vendors were also assessed for risk in terms of their type of business and volume of business with IP.

Team members distributed English, Hindi, and Telugu translations of our SCOC to all of our vendors, coupled with a cover letter that introduced our Supplier Code of Conduct and a Frequently Asked Questions.

Next, team members began integrating the SCOC into vendor contracts and conducted training, starting with high-risk suppliers. Vendors were required to sign acknowledgments agreeing to comply with the provisions of our SCOC and to require their suppliers to comply, thereby promoting compliance down the supply chain. With very limited exceptions, vendors who would not agree to comply were blocked from doing business with us.

The positive results from IP India’s 2014 efforts proved the value of implementing the Supplier Code of Conduct across all vendors. Their success laid the foundation to expand implementation to other regions and eventually across all vendors worldwide, with the ultimate goal of supporting long-term, mutually beneficial relationships among IP, our suppliers, and stakeholders.

2014 ETHICS AND COMPLIANCE HIGHLIGHTS

CHINA
IP Asia has been instrumental in aligning the IP - Sun joint venture (JV) with IP’s ethics and compliance standards by training the JV employees in the IP Code of Conduct. In 2014, the team helped the JV revise their existing code to ensure consistency with IP standards. IP Asia also assisted the JV in rolling out the SCOC to the JV’s sourcing team. Ultimately, the JV distributed our SCOC to approximately 400 of their suppliers and incorporated a SCOC clause into their new and renewal supply contracts.

TURKEY
When International Paper became majority shareholder of Olmuksan IP in Turkey, we did not simply bring a high-quality packaging manufacturer into our company. We brought in a business with impressive ethics and compliance practices already in place. Some of their measures mirrored IP’s. Some were even adopted by International Paper. One of our favorite best practices shared by Olmuksan IP is the pocketsize Code of Ethics that employees receive during ethics training. It is so easy to carry around and reference, we implemented this idea in our operations worldwide.
Giving Back is
IN OUR NATURE

2014 Projects from Around the World: The following are just a few of the many projects around the world IP supports either through donations or employee volunteering efforts.

**USA**

Donating to Deserving Causes with the United Way

Nearly 75 International Paper facilities across the U.S. participated in this year’s United Way campaign, rallying behind this year’s theme, “IP Generosity: Giving Is in Your Hands.” Donations from International Paper employees were collected during the annual campaign, which were matched by a generous 60 percent company donation. International Paper and its employees raised more than $3.5 million in 2014 to support deserving agencies and causes in areas where our employees live and work.

**Russia**

Repairing Schools in Svetogorsk

In the summer of 2014, IP Russia employees volunteered their time to make repairs at local schools. Volunteers replaced windows, reconstructed staircases, purchased new furniture, replaced electrical lighting, and purchased kitchen equipment and new chairs for a school auditorium. In addition, IP employees helped renovate a classroom at Svetogorsk Technical College, which will now function as a new chemistry lab. These investments in the Svetogorsk community make it possible for the local students to excel in learning while also advancing IP’s mission to create opportunities in their local community.

**China**

Volunteering at a Local Hospital

Shanghai Fudan Children’s Hospital celebrated Children’s Day 2014 with the help of International Paper Asia volunteers who set up a containerboard castle and furniture for the children to play in and color. Brad Yu, Business Director, Uncoated Paper, IPAD, shared the importance of protecting the environment and encouraged them in their road to recovery. The IP Asia Industrial Packaging Design Center team also designed and created containerboard rocking horses for kids who were unable to attend.

**India**

Volunteering in Local Communities

In 2014, International Paper India employees volunteered at a new check dam construction site in Tantikonda Village located near the company’s Rajamundry mill. Water from the check dam will help grow local Indian crops, which will benefit 60 farmers owning more than 30 acres of land. The IP India Foundation promotes farm forestry programs with an emphasis on conserving natural resources, creating a healthier environment, and helping to rebuild local farmlands.
Poland

Supporting our Community

International Paper’s Kwidzyn Mill Charity Foundation hosted its fifth annual Papermakers’ Run and IP Day in Poland to advocate active recreation and work-life balance. Employees, their families, and community members took part in a host of activities, including the mill’s recycling program, which has collected over 44,000 pounds of waste paper to date. During the event, the IP Kwidzyn Charity Foundation also held a fundraiser and organized a donor drive to recruit new bone marrow donors for those suffering from leukemia, lymphoma, and myeloma. The event attracted over 2,250 runners, over 100 IP Kwidzyn mill volunteers, and resulted in 121 new donor registrations.

Brazil

Empowering Low-Income Students

IP’s regional foundation in Brazil, promotes educational and professional development by empowering young students through the Formare School Project. Launched in 2010, the Project offers education for 11th grade students from low-income families. The program includes “Mire-se no Exemplo” (Follow the Example), a tutoring program lead by 50 IP volunteers. Upon completion, students receive a certificate recognized by Brazil’s Ministry of Education. In August 2014, the project was implemented in Tres Lagoas, Brazil, with 100 percent project participation from its local paper mills.

Global

Providing Meals to Children in Need

In 2004, International Paper launched Coins 4 Kids®, one of our signature giving programs. In 2014, International Paper themed its campaign, “A Decade of Dedication.” In conjunction with the World Food Program USA, Coins 4 Kids® helps provide in-school meals to some of the world’s most impoverished children in Nairobi, Kenya. Over the last 10 years, Coins 4 Kids® has raised more than $8.5 million to provide meals to children in nearly 100 schools. With current enrollment, about 70,000 kids receive a nutritious meal every day.

“International Paper takes great pride in being a responsible corporate citizen and supporting the communities where our employees live and work.”

— Deano Orr, Executive Director, IP Foundation & Global Giving Programs

In Our Nature | 31
2020 Goals

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 improvement. All goals are based on a 2010 baseline.

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

### 2020 GOAL SET IN 2012 | 2014 ACCOMPLISHMENTS

<table>
<thead>
<tr>
<th>SUSTAINABILITY AREA</th>
<th>2020 GOAL SET IN 2012</th>
<th>2014 ACCOMPLISHMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FIBER CERTIFICATION</strong></td>
<td>35% global increase in third-party-certified fiber volume.</td>
<td>Surpassed our original goal of 15%, with a 27.8% increase in certified fiber volume since 2010. 23.4 million tons of certified fiber were purchased.</td>
</tr>
<tr>
<td><strong>AIR EMISSIONS</strong></td>
<td>10% reduction in pollutant emissions (SO2, NOx, PM) from aligning with our energy efficiency initiatives.</td>
<td>18% reduction in pollutant emissions since 2010.</td>
</tr>
<tr>
<td><strong>WATER QUALITY</strong></td>
<td>15% reduction in mill wastewater discharges of oxygen-depleting substances (BOD) to receiving streams.</td>
<td>12% reduction in BOD levels since 2010.</td>
</tr>
<tr>
<td><strong>SUPPLY CHAIN</strong></td>
<td>Establish processes promoting transparency, managing risk by monitoring, and identifying opportunities to collaborate with suppliers.</td>
<td>Established baseline supply-chain performance.</td>
</tr>
<tr>
<td><strong>ENERGY EFFICIENCY</strong></td>
<td>15% improvement in efficiency in purchased energy use.</td>
<td>6.1% increase in efficiency since 2010.</td>
</tr>
<tr>
<td><strong>COMMUNITY INVOLVEMENT</strong></td>
<td>Measure and report on our charitable support for environmental education, literacy, and health and human services in the communities where we operate.</td>
<td>Donated approximately $10 million dollars to charitable organizations in 2014. Global Giving Center of Excellence Team is exploring options for an electronic volunteer tracking system.</td>
</tr>
</tbody>
</table>
“We have set aggressive, high-impact sustainability goals and our work in achieving them takes the commitment of every employee in IP. Making continuous and deliberate improvement toward these goals is vital to our many stakeholders, to the communities where we operate, and to IP’s long-term success.”

— Tommy Joseph, SVP Manufacturing, Technology, EHS&S and Global Sourcing

<table>
<thead>
<tr>
<th>SUSTAINABILITY AREA</th>
<th>2020 GOAL SET IN 2012</th>
<th>2014 ACCOMPLISHMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAFETY</td>
<td>Injury-free workplace.</td>
<td><strong>68% decrease</strong> in LIFE events since 2010.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. Baseline has been adjusted for acquisitions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>![Chart showing 68% decrease in LIFE events from 2010 to 2014]</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>
<td>Established global standards and data collection protocols. In the next two years, we intend to use our baseline data and rolling trend information to catalyze best practice sharing and capital investment to improve 4th quartile fiber efficiency performance.</td>
</tr>
<tr>
<td>WATER USE</td>
<td>Map water usage through our manufacturing locations by 2013; develop management system change objectives in 2015 to promote water use reduction in strategic watershed areas by 2020.</td>
<td>Mapped water use and risk by location, identified priority mills, and initiated management system changes to enhance reduction in water use.</td>
</tr>
<tr>
<td>SOLID WASTE</td>
<td>Reduce manufacturing waste to landfills 30%, and ultimately to zero.</td>
<td><strong>17% reduction</strong> in manufacturing waste to landfills since 2010.</td>
</tr>
<tr>
<td></td>
<td>![Chart showing total waste other beneficial use: 31%, total waste land applied: 19%, total waste landfilled: 43%, total waste burned: 7%]</td>
<td></td>
</tr>
<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>
<td><strong>8.2% decrease</strong> in OCC Recovery since 2010.</td>
</tr>
<tr>
<td>GHG EMISSIONS</td>
<td>20% absolute reduction in global GHG emissions (Scope 1 and 2) associated with the production of our products.</td>
<td><strong>8.3% reduction</strong> in absolute emissions since 2010.</td>
</tr>
</tbody>
</table>

1. Baseline has been adjusted for acquisitions.