INTERNATIONAL PAPER CO /NEW/
Form DEF 14A
April 10, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

International Paper Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(4) Date Filed:

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6400 Poplar Avenue

Memphis, Tennessee 38197

JOHN V. FARACI

Chairman and Chief Executive Officer

April 2014

Dear Shareowners:

It is my pleasure to invite you to attend this year s Annual Meeting of Shareowners, which will be held on May 12, 2014, in White Plains, New York. As in the past, we are coming together to consider important matters affecting the company. Whether or not you plan to attend the meeting, I encourage you to review the enclosed information and vote your shares.

In 2013, International Paper continued to generate strong free cash flow and reported the best operating earnings in the company s 115-year history. We returned more cash to our shareowners with a 17 percent increase in our annual dividend and implemented the first phase of a $1.5 billion, multi-year share buyback program. Our balanced portfolio is generating stronger, more sustainable profits, and we are confident in our ability to deliver value to shareowners despite a challenging global economic environment.

A large part of our success stems from the guidance and leadership of International Paper s Board of Directors. This year, we are pleased to welcome Admiral Jay L. Johnson to the Board. Jay brings a wealth of leadership experience, having served as Chairman and Chief Executive Officer of General Dynamics and as Chief Executive Officer of Dominion Virginia Power. He also served as the Chief of Naval Operations and as a member of the Joint Chiefs of Staff from 1996 until 2000, highlighting his more than 30 years of distinguished service in the U.S. military. His unique perspectives make Jay an asset to the Board and our company.

As always, we value your participation and support of International Paper. We remain committed to creating long-term value for you and to being the best packaging and paper company in the world.

Sincerely,

John Faraci

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NOTICE OF ANNUAL MEETING OF SHAREOWNERS

To the Owners of Common Stock of International Paper Company:

Date:	Monday, May 12, 2014
Time:	11:00 a.m. EDT
Place:	The Ritz-Carlton, Westchester Three Renaissance Square White Plains, New York 10601
Items of Business:	***Company Proposals:***
	¨ **Item One:** Elect the 11 nominees named in the attached proxy statement as directors for a one-year term.
	¨ **Item Two:** Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2014.
	¨ **Item Three:** Re-approve material terms of performance goals for qualified performance-based awards under the International Paper Company Amended and Restated 2009 Incentive Compensation Plan.
	¨ **Item Four:** Vote on a non-binding resolution to approve the compensation of our named executive officers, as discussed under the heading Compensation Discussion & Analysis.
	Shareowner Proposal:
	¨ **Item Five:** Vote on a shareowner proposal concerning an independent Board chairman, if properly presented at the meeting.
	Consider any other business properly brought before the meeting.
Record Date:	March 18, 2014. Holders of record of International Paper common stock, par value $1.00 per share, at the close of business on that date, are entitled to vote at the meeting.

By order of the Board of Directors,

SHARON R. RYAN

Senior Vice President, General Counsel and

Corporate Secretary

April 10, 2014

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PROXY STATEMENT

2014 Annual Meeting of Shareowners

Information About Our Annual Meeting

This proxy statement is furnished in connection with the solicitation of proxies by International Paper Company on behalf of the Board of Directors for the 2014 Annual Meeting of Shareowners. Distribution of this proxy statement and proxy form is scheduled to begin on or about April 10, 2014.

The 2014 annual meeting will be held on Monday, May 12, 2014, at 11:00 a.m. EDT at The Ritz-Carlton, Westchester, located at Three Renaissance Square in White Plains, New York, 10601.

At the 2014 annual meeting, shareowners will vote on the following matters, as well as any other business properly brought before the meeting:

Item One: Elect the 11 nominees named in this proxy statement as directors for a one-year term. The Board recommends a vote **FOR** each of the nominees.

Item Two: Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2014. The Board recommends a vote **FOR** this proposal.

Item Three: Re-approve material terms of performance goals for qualified performance-based awards under the International Paper Company Amended and Restated 2009 Incentive Compensation Plan. The Board recommends a vote **FOR** this proposal.

Item Four: Vote on a non-binding resolution to approve the compensation of our named executive officers, as disclosed under the heading Compensation Discussion & Analysis. The Board recommends a vote **FOR** this proposal.

Item Five: Vote on a shareowner proposal concerning an independent Board chairman, if properly presented at the meeting. The Board recommends a vote **AGAINST** this proposal.

Information about these items may be found beginning on page 7 of this proxy statement.

The Board has designated John V. Faraci, our Chairman and Chief Executive Officer (CEO), Carol L. Roberts, Senior Vice President and Chief Financial Officer (CFO), and Sharon R. Ryan, Senior Vice President, General Counsel and Corporate Secretary, as proxies in connection with the 2014 annual meeting. With respect to any other matter that properly comes before the annual meeting, these proxies will vote as recommended by the Board, or, if no recommendation is given, at their discretion.

Shareowners of record of International Paper common stock at the close of business on March 18, 2014, the record date, or their duly authorized proxy holders, are entitled to vote on each matter submitted to a vote at the 2014 annual meeting and at any adjournment or postponement of the annual meeting. There were 439,035,260 common shares outstanding on March 18, 2014. Each common share is entitled to one vote on each matter to be voted on at the 2014 annual meeting.

A list of shareowners as of the record date will be available for inspection and review upon request of any shareowner to the Corporate Secretary at the address on page 6 of this proxy statement. We will also make the list available at the annual meeting.

Important Notice Regarding the Availability of Proxy Materials for the Shareowner Meeting to be Held on May 12, 2014:

This proxy statement, a form of proxy and our annual report to shareowners is available for viewing and printing at the following Web site: materials.proxyvote.com/460146

Vote by telephone

If you choose to vote by telephone, you may call the toll-free number on your proxy card. You will need to have the 12-digit control number printed on your proxy card.

Vote on the Internet

If you choose to vote via the Internet, follow the instructions for accessing the Web site on your proxy card. You will need to have the 12-digit control number printed on your proxy card.

Vote by mail

If you choose to vote by mail, simply mark, sign and date your proxy card and return it in the postage prepaid envelope that was included with the proxy card.

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Voting Procedures and Annual Meeting Attendance

How many votes must be present to hold the annual meeting?

Holders of International Paper common stock, present in person or represented by proxy, representing one-third of the number of votes entitled to be cast upon any proposal to be considered at the meeting (at least 146,345,087 votes) are required to hold the 2014 annual meeting. If you properly vote on any proposal, your shares will be included in the number of shares to establish a quorum for the annual meeting. Shares held of record and represented by proxy cards marked *abstain*, or returned without voting instructions, will be counted as present for the purpose of determining whether the quorum for the annual meeting is satisfied. In addition, if you hold shares through a bank or brokerage account, your shares will be counted as present for the purpose of determining whether the quorum for the annual meeting is satisfied, even if you do not provide voting instructions to your bank or brokerage firm.

We urge you to vote by proxy even if you plan to attend the meeting. That will help us to know as soon as possible that we have enough votes to hold the meeting. Returning your proxy card will not affect your right to revoke your proxy or to attend the 2014 annual meeting and vote in person.

How many votes must be present to consider each of the proposals?

The presence, in person or by proxy, of holders of record of International Paper common stock representing one-third of the number of votes entitled to be cast on a specific proposal is required to consider that proposal at the annual meeting. Even if a quorum is established for the annual meeting, it is possible that a quorum may not be established for a specific proposal presented at the annual meeting.

How do I vote my shares?

You may vote at the annual meeting by proxy or in person.

If you are a *holder of record* (that is, if your shares are registered in your own name with our transfer agent), you have several options. You may vote by telephone, on the Internet or by attending the meeting and voting in person. In addition, you may vote by mail using the enclosed proxy card.

If you hold your shares in *street name* (that is, if you hold your shares through a broker, bank or other holder of record), you received this proxy statement and a voting instruction card from your broker, bank or other holder of record. This voting instruction card explains which voting options are available to you. As the beneficial owner of shares held in street name, you have the right to direct your bank or broker how to vote your shares, and it is required to vote your shares in accordance with your instructions. If you do not give instructions to your bank or brokerage firm, it will nevertheless be entitled to vote your shares with respect to routine items, but it will not be permitted to vote your shares with respect to non-routine items. In the case of a non-routine item, your shares will be considered broker non-votes on that proposal. If you want to vote in person at the annual meeting, you must obtain a power of attorney or proxy from your broker, bank or other holder of record authorizing you to vote. You must bring this power of attorney or proxy to the meeting.

How do I attend the annual meeting?

All shareowners as of the record date, March 18, 2014, or their duly authorized proxy holders, are welcome to attend the annual meeting. If you are voting by mail, by telephone or via the Internet, but still wish to attend the meeting, follow the instructions on your proxy card or via the Internet (www.proxyvote.com) to tell us that you plan to attend. When you arrive at the meeting, please look for the registration desk, where you will be asked for photo identification in order to be admitted.

If you hold your shares in street name and you decide to attend, you must bring to the annual meeting a copy of your bank or brokerage statement evidencing your ownership of International Paper common stock as of the record date. Please go to the registration desk and provide the bank or brokerage statement, as well as your photo identification, in order to be admitted.

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What happens if the annual meeting is postponed or adjourned?

Your proxy will still be valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

If I hold shares in an International Paper employee benefit plan, how do I vote my shares?

International Paper employees may hold shares of Company common stock in one of our employee benefit plans, including the:

- International Paper Company Savings Plan; or
- International Paper Company Amended and Restated 2009 Incentive Compensation Plan.

If you hold shares in the International Paper Company Savings Plan, you may instruct the trustee, State Street Bank and Trust Company, to vote your shares in the Company Stock Fund by returning the proxy/voting instruction card included with this mailing or by providing voting instructions by telephone or on the Internet as explained on the voting instruction card. If you do not return the proxy/voting instruction card or provide voting instructions, or if your instructions are unclear or incomplete, the trustee will vote your shares at its discretion.

If you hold a restricted stock grant pursuant to the Amended and Restated 2009 Incentive Compensation Plan, you may also vote these shares. The process is the same as voting shares of common stock, described above under the heading *How do I vote my shares?* However, if you do not vote your shares, they will not be counted as there is no trustee for the Amended and Restated 2009 Incentive Compensation Plan to vote the shares on your behalf.

Can I change or revoke my proxy?

Yes, you may change your vote or revoke your proxy at any time at or before the annual meeting. If you are a holder of record, you may change your vote or revoke your proxy through any of the following means:

- by casting a new vote by telephone or on the Internet prior to the annual meeting, or by properly completing and signing another proxy card with a later date and returning the proxy card prior to the annual meeting;
- giving written revocation to our Corporate Secretary prior to the annual meeting directed to the address on page 6 of this proxy statement, or at the meeting; or
- voting in person at the annual meeting.

Your presence at the annual meeting will not in itself revoke your proxy; you must obtain a ballot and vote at the annual meeting to revoke your proxy.

If you hold your shares in street name, you may change your voting instructions by contacting your broker, bank or other holder of record prior to the annual meeting or by voting in person at the annual meeting pursuant to a power of attorney or proxy from your bank or broker.

What if I do not indicate my vote for one or more of the matters on my proxy card?

If you are a registered shareowner and you return a proxy card without indicating your vote, your shares will be voted as follows:

for the Company s proposal to elect the 11 nominees named in this proxy statement to the Company s Board of Directors in Item 1;

for the Company s proposal to ratify the appointment of the Company s independent registered public accounting firm for 2014 in Item 2;

for the Company s proposal to re-approve material terms of performance goals for qualified performance-based awards under the International Paper Company Amended and Restated 2009 Incentive Compensation Plan in Item 3;

for the Company s proposal to approve the compensation of our named executive officers in Item 4; and

against the shareowner proposal concerning an independent Board chairman in Item 5.

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If you are a registered shareowner and you do not return a proxy card or vote at the annual meeting, your shares will not be voted and will not count toward the quorum requirement to hold the annual meeting. Your shares that are not voted will not affect the outcome of any of the proposals.

If your shares are held through the International Paper Company Savings Plan, and you do not provide instructions, the trustee for the plan will vote your shares at its discretion.

If your shares are held in street name and you do not give your bank or broker instructions on how to vote, your shares will be counted toward the quorum requirement for the annual meeting. The failure to instruct your bank or broker how to vote will have one of three effects on the proposals for consideration at the annual meeting, depending upon the type of proposal. For all items to be voted on, other than Item 2 to ratify our independent registered public accounting firm for 2014, absent instructions from you, the bank or broker may not vote your shares at all and your shares will be considered broker non-votes. For Item 2, however, the broker may vote your shares at its discretion. For Item 1, a broker non-vote will have no effect on the outcome of the election of directors. For Items 3, 4 and 5, a broker non-vote will have the same effect as a vote against the proposal.

Will my vote be confidential?

Yes. Your vote is confidential and will not be disclosed to our directors or employees.

Will the Company s independent registered public accounting firm be present at the annual meeting?

Yes, representatives of Deloitte & Touche LLP (Deloitte & Touche) will attend the meeting. They will be available during the meeting to answer your questions and they will have the opportunity to make a statement, if they desire to do so. The Audit and Finance Committee of our Board has approved the appointment of Deloitte & Touche as our independent registered public accounting firm for 2014, and this decision has been ratified by all members of our Board.

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For directions to the meeting, please see the map at the end of this proxy statement.

Need to change future proxy delivery options?

If you hold your shares in street name and wish to receive separate copies of future annual reports and proxy statements or if you currently receive multiple copies of our annual report and proxy statement and would like to receive a single copy, please send your written request to:

Broadridge Financial Solutions, Inc.

Householding Dept.

51 Mercedes Way

Edgewood, NY 11717

or call ***(800) 542-1061***

Will our directors attend the annual meeting?

Yes. The Company s *Corporate Governance Guidelines* state that directors are expected to attend our annual meeting.

Do any shareowners beneficially own more than 5 percent of our common stock?

Yes. According to public filings, there are five entities that beneficially own more than 5 percent of our common stock:

- BlackRock, Inc.;
- State Street Corporation, as trustee of various International Paper employee benefit plans and as trustee and discretionary adviser to third party trusts and employee benefit plan related accounts;
- T. Rowe Price Associates, Inc., as investment adviser to third parties;
- Wellington Management Company, LLP, as investment adviser to third parties; and
- The Vanguard Group, as investment adviser to third parties.

For further information about these shareowners, please see Ownership of Company Stock.

Who will be soliciting proxies on our behalf?

The Company pays the cost of preparing proxy materials and soliciting your vote. Proxies may be solicited on our behalf by our directors, officers or employees by telephone, electronic or facsimile transmission or in person. We have hired Alliance Advisors, LLC to solicit proxies for an estimated fee of approximately $25,000, plus expenses.

What is householding?

We have adopted householding, a procedure by which shareowners of record who have the same address and last name and do not receive proxy materials electronically will receive only one copy of our annual report and proxy statement unless one or more of these shareowners notifies us that they wish to continue receiving individual copies. This procedure saves us printing and mailing costs. Shareowners will continue to receive separate proxy cards.

We will deliver promptly, upon written or oral request, a separate copy of this proxy statement and our 2013 annual report to a shareowner at a shared address to which a single copy of the documents was delivered. To request separate copies of our proxy statements or annual reports, either now or in the future, please send your written request to **Investor Relations, International Paper, 6400 Poplar Avenue, Memphis, TN 38197, or call (800) 332-8146.** You may also submit your request on our Web site, www.internationalpaper.com, under the Investors tab at the top of the page and then under the Financial Requests link.

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Communicating With the Board

How do I communicate with the Board?

You may communicate with our entire Board, the independent directors as a group, the Presiding Director, or any one of the directors by writing to Ms. Sharon R. Ryan, Senior Vice President, General Counsel, and Corporate Secretary, at the address set forth to the right. Ms. Ryan will forward all communications relating to International Paper s interests, other than business solicitations, advertisements, job inquiries or similar communications, directly to the appropriate director(s).

In addition, as described in detail under Information About Our Corporate Governance, our Global Ethics and Compliance office has a ***HelpLine*** that is available 24 hours a day, seven days a week, to receive calls, e-mails, and letters to report a concern or complaint, anonymous or otherwise.

Direct all Board correspondence to:

Corporate Secretary

International Paper

6400 Poplar Avenue

Memphis, TN 38197

All contacts that raise concerns or allegations of impropriety relating to our accounting, internal controls or other financial or audit matters are immediately forwarded to the chair of our Audit and Finance Committee. All such matters are investigated and responded to in accordance with the procedures established by our Audit and Finance Committee.

How do I submit a shareowner proposal for possible inclusion in the proxy statement for the 2015 Annual Meeting?

If you wish to submit a proposal for possible inclusion in the 2015 proxy statement, you must submit your proposal so that we receive it by December 11, 2014. Proposals should be sent to the Corporate Secretary at the address listed above and must be in compliance with SEC rules, including Rule 14a-8.

How do I nominate a candidate for director or raise other business at the 2015 Annual Meeting?

Shareholder nominations for directors or proposals for other business that is not to be included in the proxy statement may be submitted to the Corporate Secretary at the address listed above. Our By-Laws require that the nomination and other proposals be received between January 12, 2015, and February 11, 2015, and require other information that must be provided.

Our By-Laws are available at www.internationalpaper.com, under the ***Company*** *tab at the top of the page and then under the* ***Governance*** *link. A paper copy is available at no cost by written request to the Corporate Secretary.*

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Matters to be Acted upon at the 2014 Annual Meeting

Item 1 Company Proposal to Elect 11 Directors

The Board of Directors currently consists of 11 members. Each of the 11 current directors has been nominated by the Board for reelection by shareowners at the annual meeting. Information about these nominees may be found on pages 14-16 of this proxy statement. All 11 nominees, if elected, will hold office until the earlier of:

(i) our 2015 annual meeting and the date a qualified successor has been elected, or
(ii) death, resignation or retirement.

There are no other nominees competing for their seats on the Board. This means we have a non-contested election. Shares may not be voted cumulatively and cannot be voted for a greater number of persons than the number of nominees named in this proxy statement.

Under our Restated Certificate of Incorporation, directors in non-contested elections are elected by an affirmative ***majority of votes cast***. You can vote *for* or *against* a nominee, or you may *abstain* from voting with respect to a nominee.

Abstentions will have no effect on the vote. If you hold your shares in street name, your failure to indicate voting instructions to your bank or broker will cause your shares to be considered broker non-votes not entitled to be cast with respect to Item 1 and will have no effect on the vote.

Majority vote for directors:

Each director must receive a majority of votes cast for his or her election.

If a director does not receive a majority of votes cast for his or her election, he or she must submit a letter of resignation, and the Board, through its Governance Committee, will decide whether to accept the resignation.

We do not know of any reason why any nominee would be unable to, or for good cause would not serve as a director if elected. If, prior to the election, a nominee is unable or unwilling to serve, the shares represented by all valid proxies will be voted for the election of such other person as the Board may nominate, except for proxies voted *abstain* with respect to the original nominee.

Our Board of Directors unanimously recommends that you vote FOR each of the following nominees:

David J. Bronczek
Ahmet C. Dorduncu
John V. Faraci

Ilene S. Gordon
Jay L. Johnson
Stacey J. Mobley
Joan E. Spero
John L. Townsend, III
John F. Turner
William G. Walter
J. Steven Whisler

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Item 2 Company Proposal to Ratify Deloitte & Touche LLP as the Company s Independent Registered Public Accounting Firm for 2014

Our Board of Directors has ratified the selection of Deloitte & Touche by our Audit and Finance Committee to serve as the Company s independent registered public accounting firm for 2014. We are asking shareowners to ratify the selection of Deloitte & Touche. To ratify the selection of our independent registered public accounting firm, the affirmative vote of a ***majority of a quorum at the annual meeting*** is required.

You may vote *for* or *against* the ratification of the selection of our independent registered public accounting firm, or you may *abstain* from voting. *Abstentions* will have the same effect as a vote against this proposal because they are considered votes present for purposes of a quorum on the vote.

There will be no broker non-votes associated with this proposal, as the ratification of our independent registered public accounting firm is a routine matter. As a result, if your shares are held in street name and you do not give your bank or broker instructions on how to vote, your shares will be voted by the broker in its discretion.

Although ratification is not required by our By-Laws or otherwise, the Board is submitting the selection of Deloitte & Touche to our shareowners for ratification because we value our shareowners views on the Company s independent registered public accounting firm. Our Audit and Finance Committee will consider the outcome of this vote in its decision to appoint an independent registered public accounting firm, but is not bound by the shareowners vote. Even if the selection of Deloitte & Touche is ratified, the Audit and Finance Committee may change the appointment at any time during the year if it determines that a change would be in the best interest of the Company and its shareowners.

Our Board of Directors unanimously recommends that you vote FOR the ratification of Deloitte & Touche as the Company s independent registered public accounting firm for 2014.

Item 3 Company Proposal to Re-Approve Material Terms of Performance Goals for Qualified Performance-Based Awards under the International Paper Company Amended and Restated 2009 Incentive Compensation Plan

The Company currently maintains the International Paper Company Amended and Restated 2009 Incentive Compensation Plan (the 2009 Plan), which was approved by the Company s shareowners in 2009.

In order to preserve the Company s ability to continue to grant fully tax-deductible performance-based awards under the 2009 Plan, the material terms of the performance goals, including the list of permissible business criteria for performance objectives, under the 2009 Plan must be approved by the shareowners no less often than every five years. We are asking for your re-approval of the material terms of the performance goals for qualified performance-based awards under the 2009 Plan. Shareowners are **not** being asked to approve an increase in the number of shares available for grant under the 2009 Plan or any other amendment to the 2009 Plan, nor are they being asked to re-approve the 2009 Plan itself.

To re-approve the material terms of the performance goals for qualified performance-based awards under the 2009 Plan, the affirmative vote of a ***majority of a quorum at the annual meeting*** is required. You may vote *for* or *against* this proposal, or you may *abstain* from voting. *Abstentions* will have the same effect as a vote against this proposal because they are considered votes present for purposes of a quorum on the vote.

If you hold your shares in street name, your failure to indicate voting instructions to your bank or broker will cause your shares to be considered broker non-votes not entitled to vote with respect to this Item 3. Broker non-votes will have the same effect as a vote against this proposal.

Section 162(m) of the Internal Revenue Code of 1986, as amended (Section 162(m)), prevents a publicly-held corporation from claiming income tax deductions for compensation in excess of $1 million paid to certain senior executives. Compensation is exempt from this limitation if it is qualified performance-based compensation.

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Market-priced stock options and stock appreciation rights are two examples of performance-based compensation. Other types of awards, such as restricted stock, restricted stock units, performance shares and other stock or cash-based awards that are granted pursuant to pre-established objective performance formulas, may also qualify as fully-deductible performance-based compensation, so long as certain requirements, such as shareowner approval of the material terms of the performance goals, are met. While the Company s shareowners previously approved the 2009 Plan and its material terms at the Company s 2009 Annual Meeting, that approval satisfies the Section 162(m) requirements only through the Company s 2014 Annual Meeting. Therefore, we are asking for your re-approval of the material terms of the performance goals under the 2009 Plan to enable qualified performance-based awards to be made after the 2014 Annual Meeting.

For purposes of Section 162(m), the material terms of the performance goals include (i) the employees eligible to receive compensation under the 2009 Plan, (ii) a description of the business criteria on which the performance goals may be based, and (iii) the maximum amount of compensation that can be paid to an employee under the performance goals. Each of these aspects of the 2009 Plan is discussed below. The full text of the 2009 Plan was filed as Exhibit 99.1 to the Company s Current Report on Form 8-K dated February 10, 2014.

Eligibility and Participation

Awards may be granted under the 2009 Plan to non-employee directors and designated employees of the Company and its affiliates. Currently, the company has 10 non-employee directors and approximately 70,000 employees.

Performance Objectives

The provisions of the 2009 Plan are intended to ensure that all stock options and stock appreciation rights granted thereunder will qualify for the Section 162(m) performance-based exemption from Section 162(m). When granting any other award, the Management Development and Compensation Committee (the Committee) may designate such award as a qualified performance-based award intended to qualify for the Section 162(m) exemption. If an award is so designated, the Committee must establish objectively determinable performance goals for such award within the time period prescribed by Section 162(m) based on one or more of the following business criteria, which may be expressed in terms of company-wide performance objectives or in terms of objectives that relate to the performance of a division, business unit, affiliate, department, or function within the Company or an affiliate:

(a) Revenue;
(b) Sales;
(c) Profit (net profit, gross profit, operating profit, economic profit, profit margins or other corporate profit measures);
(d) Earnings (EBIT, EBITDA, earnings per share, or other corporate earnings measures);
(e) Net income (before or after taxes, operating income or other income measures);
(f) Cash (cash flow, cash generation or other cash measures);
(g) Stock price or performance;
(h) Total shareholder return (stock price appreciation plus reinvested dividends divided by beginning share price);
(i) Economic value added;
(j) Return measures (including, but not limited to, return on assets, income, capital, equity, investments or sales, and cash flow return on assets, capital, equity, or sales);
(k) Market share;
(l) Improvements in capital structure;
(m) Expenses (expense management, expense ratio, expense efficiency ratios or other expense measures);
(n) Business expansion or consolidation (acquisitions and divestitures);

(o) Internal rate of return or increase in net present value;
(p) Working capital targets relating to inventory and/or accounts receivable;
(q) Safety standards;
(r) Productivity measures;
(s) Cost reduction measures; or
(t) Strategic plan development and implementation.

Each qualified performance-based award (other than a market-priced stock option or stock appreciation right) will be earned, vested and payable, as applicable, only upon the achievement of performance goals established by the Committee based upon one or more of the above-listed qualified business criteria, together with the satisfaction of any other conditions, such as continued employment, as the Committee may determine to be appropriate. However, the Committee may provide, either in connection with the grant of an award or by amendment, that achievement of such performance goals will be waived upon the death or disability of the grantee, or the occurrence of a change in control of the Company. Performance periods established by the Committee for any qualified performance-based award may be as short as three months and may be any longer period.

The Committee may provide in any qualified performance-based award that the evaluation of performance goals may include or exclude any of the following events that occur during a performance period: (i) asset write-downs or impairment charges; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results; (iv) accruals for reorganization and restructuring programs; (v) extraordinary nonrecurring items as described in then-current Accounting Principles; (vi) extraordinary nonrecurring items as described in management s discussion and analysis of financial condition and results of operations appearing in the Company s annual report to shareowners for the applicable year; (vii) acquisitions or divestitures; and (viii) foreign exchange gains and losses. To the extent such inclusions or exclusions affect awards to covered employees, they shall be prescribed in a form that meets the requirements of Section 162(m) for deductibility.

The Committee has the right to exercise negative discretion to determine that the portion of qualified performance-based awards actually earned, vested and/or payable (as applicable) will be less than the portion that would be earned, vested and/or payable based solely on achievement of applicable performance goals. Any payment of a qualified performance-based award will be conditioned on the written certification of the Committee that the performance goals and any other material conditions were satisfied.

Limitations and Maximum Grants Under the 2009 Plan

Subject to certain anti-dilution adjustments, the maximum number of shares of the Company s common stock that were originally reserved for issuance as awards under the 2009 Plan was 15,400,000, plus any shares that were subject to awards under the previous such plan (the International Paper Company Long-Term Incentive Compensation Plan, as amended and restated February 7, 2005) that thereafter terminate or expire unexercised, or are cancelled, forfeited or lapse for any reason. To the extent that an award under the 2009 Plan is cancelled, expires, is forfeited or lapses for any reason, any unissued shares subject to the award will again be available for issuance pursuant to awards under the 2009 Plan. Shares withheld from an award under the 2009 Plan to satisfy the exercise price or minimum tax withholding requirements will again be available for issuance pursuant to awards under the 2009 Plan, as will shares subject to awards settled in cash.

The following grant limits apply to qualified performance-based awards granted under the 2009 Plan:

- The maximum number of shares subject to options that may be granted to any one person during any 12-month period is 1,200,000.
- The maximum number of shares subject to stock appreciation rights that may be granted to any one person during any 12-month period is 1,200,000.
- The maximum number of shares that may be granted in the form of restricted stock or restricted stock units to any one person during any 12-month period is 660,000.

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The maximum number of shares with respect to performance awards payable in shares of stock that may be granted to any one person during any 12-month period is 660,000.

The maximum dollar value of any award payable in cash or property other than shares that may be paid to any one person during any 12-month period is $10,000,000.

These limits are subject to anti-dilution adjustments in the event of stock splits, mergers, consolidations, stock dividends, recapitalizations and similar transactions, but may not otherwise be amended without shareowner approval.

Our Board of Directors unanimously recommends that you vote FOR this proposal.

Item 4 Company Proposal to Vote on a Non-Binding Resolution to Approve the Compensation of Our Named Executive Officers

Our Board of Directors is seeking your approval of the compensation of our Named Executive Officers (NEOs), as disclosed pursuant to Item 402 of Regulation S-K under the Securities Exchange Act of 1934, as amended (the Exchange Act), including the Compensation Discussion & Analysis, related compensation tables and narrative disclosure. This vote is non-binding. To approve this proposal, the affirmative vote of a ***majority of a quorum at the annual meeting*** is required.

You may vote *for* or *against* this proposal, or you may *abstain* from voting. *Abstentions* will have the same effect as a vote against this proposa because they are considered votes present for purposes of a quorum on the vote.

If you hold your shares in street name, your failure to indicate voting instructions to your bank or broker will cause your shares to be considered broker non-votes not entitled to vote with respect to Item 4. Broker non-votes will have the same effect as a vote against this proposal.

Our Board seeks your approval of the compensation of our NEOs, who are listed in the Summary Compensation Table on page 68 of this proxy statement. Information describing the compensation of our NEOs is provided in the Compensation Discussion & Analysis section, the accompanying tables and narrative contained in this proxy statement beginning on page 34.

Our Board asks shareowners to approve the following (non-binding) advisory resolution:

Resolved, that the compensation paid to the Company s Named Executive Officers, disclosed pursuant to Item 402 of Regulation S-K under the Exchange Act, including the Compensation Discussion & Analysis, the related compensation tables and narrative disclosure, in this proxy statement is hereby approved.

Our Board of Directors unanimously recommends that you vote FOR the approval of the compensation of our Named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K under the Exchange Act.

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Item 5 Shareowner Proposal Concerning an Independent Board Chairman

We expect the following shareowner proposal to be presented at the annual meeting. Upon request, we will promptly provide any shareowner with the name, address and number of shares held by the shareowner making this proposal. The Company is not responsible for the contents of this shareowner proposal or any supporting statement.

The shareowner proposal will be approved if a ***majority of a quorum at the annual meeting*** is voted *for* the proposal. You may vote *for* or *against* the shareowner proposal, or you may *abstain* from voting. *Abstentions* will have the same effect as a vote against this shareowner proposal, because they are considered votes present for purposes of a quorum. If you hold your shares in street name, your failure to indicate voting instructions to your bank or broker will cause your shares to be considered broker non-votes not entitled to vote with respect to Item 5. Broker non-votes will have the same effect as a vote against this proposal.

Proposal 5 Independent Board Chairman

RESOLVED: Shareholders request that our Board of Directors to adopt a policy, and amend other governing documents as necessary to reflect this policy, to require the Chair of our Board of Directors to be an independent member of our Board. This independence requirement shall apply prospectively so as not to violate any contractual obligation at the time this resolution is adopted. Compliance with this policy is waived if no independent director is available and willing to serve as Chair. The policy should also specify how to select a new independent chairman if a current chairman ceases to be independent between annual shareholder meetings.

When our CEO is our board chairman, this arrangement can hinder our board s ability to monitor our CEO s performance. Many companies already have an independent Chairman. An independent Chairman is the prevailing practice in the United Kingdom and many international markets. This proposal topic won 50%-plus support at 5 major U.S. companies in 2013 including 73%-support at Netflix.

This topic is particularly important for our company because GMI Ratings, an independent investment research firm, rated our executive pay D - $16 million for John Faraci. And Steven Whisler is potentially a weak Lead Director because he also chaired our executive pay committee which is responsible for the $16 million for John Faraci.

This proposal should also be more favorably evaluated due to our Company s clearly improvable environmental, social and corporate governance performance as reported in 2013:

GMI Ratings, an independent investment research firm, said Mr. Faraci had $35 million in accumulated pension benefits and was entitled to a potential pre-tax benefit of about $68 million in the event of termination following a change in control. Our executive pay committee had the discretion to increase the executive bonus award pool by 25%. GMI said discretionary elements such as this can undermine the credibility and effectiveness of an executive incentive plan.

On October 1, 2013, it was reported that International Paper Co. and 10 current and former employees agreed to a $30 million settlement in a suit over the company s 401(k) plans. The company agreed to distribute the money among some 70,000 individual workers and former participants accounts as well as put the plan s administration out for bid.

GMI rated International Paper Company as having Very Aggressive Accounting & Governance Risk indicating higher accounting and governance risk than 99% of companies. Joan Spero was negatively flagged by GMI due to her involvement with Delta Air Lines board when it filed for bankruptcy.

Returning to the core topic of this proposal from the context of our clearly improvable corporate governance, please vote to protect shareholder value:

Independent Board Chairman Proposal 5.

[End of Shareowner Proposal]

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The Company s Board of Directors unanimously recommends that you vote against the Proposal because it is unnecessary and it is not in the best interests of the Company or its shareowners.

The Board has no policy with respect to the separation of the offices of Chairman and CEO and should not be constrained by a requirement that the positions of CEO and Chairman be separated. The Board of Directors believes that the Company and its shareowners are best served by having the flexibility to have the same individual serve as Chairman of the Board and Chief Executive Officer, and that adopting a policy to restrict the Board s discretion in selecting the Chairman of the Board (as well as restricting the ability to combine the positions of Chairman and CEO) would deprive the Board of the ability to select the most qualified and appropriate individual to lead the Board as Chairman. Such a restriction could also potentially adversely affect the Company s competitive position in future recruiting efforts. The Board believes it is important to retain its flexibility to allocate the responsibilities of Chairman of the Board and Chief Executive Officer in any way that is in the best interests of the Company at any future point in time. The Board also believes that Board independence and oversight of management are effectively maintained through the Board s current composition, committee system and the position of Presiding Director.

The Presiding Director is elected by the independent directors for a term of not less than one year. The Governance Committee oversees the process for selecting the Presiding Director. The Presiding Director has the authority to call meetings of independent directors and is available for consultation and direct communication if requested by major shareowners. The Presiding Director s other duties include:

- In consultation with the Governance Committee, determining a schedule and agenda for regular executive sessions and presiding over those sessions;
- Presiding at meetings of the Board of Directors where the Chairman is not present;
- Serving as liaison between the Chairman and independent directors;
- Approving agendas for the Board and information sent to the Board; and
- Approving meeting schedules to assure that there is sufficient time for discussion of all agenda items.

In addition, in consultation with the Management Development and Compensation Committee, the Presiding Director organizes the process pursuant to which the independent directors evaluate the performance of the Chief Executive Officer not less than annually.

Only one of the 11 members of the Company s Board of Directors is currently an employee of the Company and not independent, and each of our Audit and Finance Committee, Management Development and Compensation Committee, and Governance Committee is comprised solely of directors meeting the independence requirements of the New York Stock Exchange. Therefore, there are ample outside directors to offer critical oversight of management. Our directors, including the Chairman of the Board, are also bound by fiduciary duties under law to act in a manner that they believe to be in the best interests of the Company and its shareowners. Requiring that the Chairman of the Board not be a member of management would not serve to augment or diminish the fiduciary duties of any director or officer of the Company, and the Board does not believe that splitting the roles would enhance the Board s independence or performance.

International Paper is committed to excellent corporate governance practices. The uncontested election of directors is governed by majority voting for directors, and shareowners holding 20 percent or more of our stock have the ability to call special meetings of shareowners and act by written consent.

For these reasons, the Board does not believe that requiring that the Chairman of the Board be independent would enhance the Board s performance or be in the best interests of shareowners. An independent Chairman of the Board requirement is unnecessary and inappropriate, especially in light of the strong independent oversight led by the Presiding Director. The Board believes that consideration of this issue is part of the Company s succession planning. The Board will continue to evaluate this structure going forward in light of factors and considerations prevailing at the time to determine whether the Chief Executive Officer should also serve as Chairman. Therefore, it is in the best interests of the shareowners for the Board to be able to determine the selection of the Chairman of the Board without the constraints in the proposal.

Our Board of Directors unanimously recommends that you vote AGAINST this proposal.

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Our Board of Directors

Directors Standing for Election Term Expiring in 2015

The following 11 individuals are nominated for election at the 2014 annual meeting. Each of these nominees is standing for election to serve a term that will expire in 2015.

David J. Bronczek, 59, president and chief executive officer of FedEx Express, the world s largest express transportation company and a subsidiary of FedEx Corporation, since February 2000. Mr. Bronczek started with FedEx in 1976 and, prior to being named president, served as executive vice president and chief operating officer of FedEx Express. He also serves on the Strategic Management Committee of FedEx Corporation. A native of Cleveland, Ohio, Mr. Bronczek graduated from Kent State University. Mr. Bronczek was appointed by former President George W. Bush to the National Infrastructure Advisory Council. He is a member of the Board of Governors of the International Air Transport Association (IATA); a board member for Airlines for America; a member of the Board of Governors for National Safe Kids Campaign; and a board member for the Smithsonian s National Air and Space Museum. He is also a member of Memphis Tomorrow. Director since October 9, 2006.

Ahmet C. Dorduncu, 60, chief executive officer of Akkök Group, a financial and industrial conglomerate located in Turkey, since January 2013. Mr. Dorduncu served as chief executive officer of Sabanci Holding, another financial and industrial conglomerate located in Turkey, from 2005 to 2010. He also served from 2006 to 2010 as chairman of the board of Olmuksa, an industrial packaging business joint venture between Sabanci Holding and International Paper. Sabanci Holding is the parent company of the Sabanci Group, a leading Turkish financial and industrial company. Director since March 6, 2011.

John V. Faraci, 64, chairman and chief executive officer of International Paper, since November 2003. Earlier in 2003, he was elected president of International Paper, and he previously served as executive vice president and chief financial officer from 2000 to 2003. From 1999 to 2000, he was senior vice president finance and chief financial officer. From 1995 to 1999, he was chief executive officer and managing director of Carter Holt Harvey Ltd., a former majority-owned subsidiary of International Paper located in New Zealand. Mr. Faraci is a member of the Council on Foreign Relations and is a member of the board of directors of United Technologies Corporation, PPG Industries, Inc. and the National Fish and Wildlife Foundation. He also serves on the board of the Moscow School of Management and is a member of the U.S. - Brazil CEO Forum. He is a trustee of Denison University and The American Enterprise Institute. Director since February 11, 2003.

Ilene S. Gordon, 60, chairman, president and chief executive officer of Ingredion Incorporated (formerly Corn Products International, Inc.), a publicly traded global ingredient solutions company, since May 2009. Ms. Gordon is also a member of the board of directors of Ingredion Incorporated and World Business Chicago, a not-for-profit economic development organization. Ms. Gordon previously served as president and chief executive officer of Rio Tinto s Alcan Packaging, a multinational company engaged in the production of flexible and specialty packaging, from 2006 until 2009, and in various senior executive roles at Alcan Packaging and its affiliate and predecessor companies from 1999 until 2006. Prior to 1999, Ms. Gordon was employed for 17 years with Tenneco Inc., a conglomerate, in a variety of management positions, including vice president and general manager leading its folding carton business. Additionally, during the past five years, Ms. Gordon served on the board of directors of United Stationers, Inc., a publicly traded wholesale distributor of business products, and Arthur J. Gallagher & Co., a publicly traded international insurance brokerage and risk management business. Director since October 1, 2012.

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Jay L. Johnson, 67, retired as chairman and chief executive officer of General Dynamics Corporation, a publicly traded manufacturer of worldwide defense, aerospace, and other technology products, in December 2012. He served as its chairman from May 2010 and as its chief executive officer from July 2009. He served as its president from July 2009 to May 2010, and as its vice chairman from September 2008 to June 2009. He served on its board of directors from 2003 to December 2012. From 2000 to 2008, he served in various senior executive roles at Dominion Resources Inc., a publicly traded energy company, and its affiliated companies, including as chief executive officer of Dominion Virginia Power. Prior to 2000, he had a distinguished 32-year career as an officer in the U.S. Navy. He retired as an admiral in July 2000, after serving as chief of naval operations and as a member of the Joint Chiefs of Staff since 1996. Director since October 1, 2013.

Stacey J. Mobley, 68, retired in June 2008 as senior vice president, chief administrative officer and general counsel of DuPont, a global science company, and a member of DuPont s office of the chief executive. Mr. Mobley was with DuPont for 35 years and had senior management responsibility for legal and governmental affairs. Since November 2008, Mr. Mobley has served as senior counsel, Dickstein Shapiro LLP, a multi-service law firm. He is a director of Nuclear Electric Insurance Ltd. and serves on the board of trustees of Howard University. He previously served as a director of Hewitt Associates Inc. (through October 2010) and Wilmington Trust Company (through April 2010). Director since July 7, 2008.

Joan E. Spero, 69, an adjunct senior research scholar at Columbia University s School of International and Public Affairs, since November 2010. Ms. Spero is also a member of the board of directors of Citigroup and International Business Machines Corporation. Ms. Spero previously served as Undersecretary of State for Economic, Business and Agricultural Affairs of the U.S. Department of State from 1993 until 1996, and as Ambassador to the United Nations for Economic and Social Affairs of the U.S. Department of State from 1980 until 1981. Ms. Spero held various leadership positions at American Express Company from 1981 until 1993, served as president of the Doris Duke Charitable Foundation from 1997 to 2008, and was a visiting scholar at the Foundation Center from 2009 until 2010. Additionally, during the past five years, Ms. Spero served on the board of directors of ING Groep N.V. and First Data Corporation. Ms. Spero is a trustee of the International Center for Transitional Justice and the Wisconsin Alumni Research Foundation, and a trustee (emeritus) of Columbia University, Amherst College and the Council on Foreign Relations. Director since June 10, 2011.

John L. Townsend, III, 58, is a senior advisor to Tiger Management, LLC, an investment management business. From 2010 to 2012, Mr. Townsend served as managing partner and chief operating officer of Tiger Management, LLC. Mr. Townsend is also a member of the Riverstone Group, a private investment fund. Mr. Townsend was previously employed by Goldman Sachs & Co. from 1987 to 2002 and was a general partner from 1992 to 1999 and a managing director from 1999 to 2002. Mr. Townsend is a director of Belk, Inc., a department store retailer, and The Heritage Group, an industrial conglomerate. Director since March 13, 2006.

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John F. Turner, 72, former Assistant Secretary of State for Oceans and International and Scientific Affairs from November 11, 2001, to July 8, 2005. He received the Department of State s Distinguished Honor Award from Secretary of State Colin Powell in January 2005. Prior to serving in the Department of State, Mr. Turner was president and chief executive officer of The Conservation Fund. Between 1989 and 1993, he was director of the U.S. Fish and Wildlife Service. Mr. Turner also served in the Wyoming State Legislature for 19 years and is a past president of the Wyoming State Senate. Mr. Turner is a director of American Electrical Power, Inc., Peabody Energy Company, Ashland Inc., and The Bank of Jackson Hole. He was a visiting professor at the University of Wyoming in the School of Environment & Natural Resources in 2007 and 2008, and is a managing partner in a family business, The Triangle X Ranch, in Wyoming. Director since July 11, 2005.

William G. Walter, 68, retired chairman of FMC Corporation, an agriculture, specialty and industrial chemical company, a position he held from 2001 to September 2010. Mr. Walter also served as FMC s president and chief executive officer from 2001 until December 2009. Mr. Walter served as executive vice president of FMC Corporation from 2000 to 2001 and vice president and general manager of FMC s Specialty Chemicals Group from 1997 to 2000. Mr. Walter is a member of the board of the New York Life Insurance Company. Director since January 1, 2005.

J. Steven Whisler, 59, retired as chairman and chief executive officer of Phelps Dodge Corporation, an international mining company, upon its merger with Freeport Copper and Gold, Inc. in March 2007. Mr. Whisler served as chairman and chief executive officer of Phelps Dodge Corporation from May 2000 until March 2007, and served on the board of Phelps Dodge Corporation from 1995 through March 2007. Mr. Whisler is a director of CSX Corporation and the Brunswick Corporation. He is also a director of the C.M. Russell Museum. Director since December 11, 2007.

Information about Our Corporate Governance

Our Commitment to Sound Corporate Governance Principles

We believe that good corporate governance is critical to achieving business success. Our Board has adopted *Corporate Governance Guidelines* that reflect its commitment to sound governance practices. In addition, each of our Board committees has its own charter to assure that our Board fully discharges its responsibilities to our shareowners. Our Board regularly reviews its *Corporate Governance Guidelines* and committee charters and makes changes from time to time to reflect developments in the law and the corporate governance area. Our Restated Certificate of Incorporation permits the size of our Board to range from nine to 18 members. Currently, the size of our Board is 11 members. Our Board maintains four standing committees, each of which is described in detail below, as well as an Executive Committee, which is comprised of the chair of each of the standing committees.

Our *Corporate Governance Guidelines* and our Board committee charters are available at www.internationalpaper.com under the **Company** tab at the top of the page and then under the **Governance** link. A paper copy is available at no cost by written request to the Corporate Secretary at the address on page 6 of this proxy statement.

In each of the areas discussed below, we have embraced sound principles, policies and procedures to ensure that our Board and our management goals are aligned with our shareowners interests.

Code of Conduct

Our Board has adopted a *Code of Conduct* (Fourth Edition) that applies to our directors, officers and all employees to ensure that we conduct business in a legal and ethical manner. Our *Code of Conduct* is available at www.internationalpaper.com, under the **Company** tab at the top of the page and then under the **Ethics at IP** link. A paper copy is available at no cost by written request to the Corporate Secretary.

Our Global Ethics and Compliance office is located at our global headquarters in Memphis, Tennessee. If an employee, customer, vendor or shareowner has a concern about ethics or business practices of the Company or any of its employees or representatives, he or she may contact the Global Ethics and Compliance office in person, via mail, e-mail, facsimile or telephone. Our *Code of Conduct* explains that there are multiple other channels for an employee to report a concern, including to his or her manager, human resources professional or legal counsel, or to our internal audit department.

Our *HelpLine* is also available 24 hours a day, seven days a week, to receive calls from anyone wishing to report a concern or complaint, anonymous or otherwise. Our *HelpLine* contact information can be found at www.internationalpaper.com, under the **Company** tab at the top of the page, then under the **Ethics at IP** link, then under **How Can We Help You?** on the right side.

All *HelpLine* contacts are immediately provided to the Global Ethics and Compliance office for further action and for a response to the person making the contact. Any report to any one of our multiple channels for reporting concerns that raises a concern or allegation of impropriety relating to our accounting, internal controls or other financial or audit matters is immediately forwarded to the Global Ethics and Compliance office, which is then responsible for reporting such matters, unfiltered, to the chair of our Audit and Finance Committee. All such matters are investigated and responded to in accordance with the procedures established by the Audit and Finance Committee to ensure compliance with the Sarbanes-Oxley Act of 2002.

Risk Oversight

As set forth in the Company s *Corporate Governance Guidelines*, the Board exercises oversight of the Company s strategic, operational and financial matters, as well as compliance and legal risks. The Board is responsible for assuring appropriate alignment of its leadership structure and oversight of management with the interests of shareowners and the communities in which the Company operates. Pursuant to delegated authority as permitted by the Company s By-Laws, *Corporate Governance Guidelines*, and committee charters, the Board s four standing committees oversee certain risks, and the Audit and Finance Committee coordinates the risk oversight role exercised by various committees and management. The Company s *Corporate Governance Guidelines* provide the foundation upon which the Board oversees a working system of principled goal setting and effective decision making, with the objective of establishing a vital, agile, and ethical corporate entity that provides value to the shareowners who invest in the Company and to the communities in which it operates.

Board Leadership Structure

Our Board has no policy with respect to the separation of the offices of Chairman and CEO. We currently combine the role of Chairman and CEO, coupled with an independent Presiding Director whose authority and roles are set forth in the *Corporate Governance Guidelines*. The Board believes that combining the position of Chairman and CEO is appropriate to further strengthen the Company s governance structure by promoting unified leadership and direction for the Company, fostering accountability and allowing for a single, clear focus for management to execute the Company s strategy and business plans.

The Board believes that consideration of this issue is part of the Company s succession planning. The Board will continue to evaluate this structure going forward in light of factors and considerations prevailing at the time to determine whether the CEO should also serve as Chairman.

Director Independence Determination Process and Standards

Annually, our Board determines the independence of directors based on a review conducted by the Governance Committee and the General Counsel. The Governance Committee and the Board evaluate and determine each director s independence under the *NYSE Listed Company Manual s* independence standards and the Company s *Director Qualification Criteria and Independence Standards*, which are consistent with, but more rigorous than, the NYSE standards.

Under SEC rules, the Governance Committee is required to analyze and describe any transactions, relationships or arrangements not specifically disclosed in this proxy statement that were considered in determining our directors independence. To facilitate this process, the Governance Committee reviews directors responses to our annual Directors and Officers Questionnaire, which requires disclosure of each director s and his or her immediate family s relationships to the Company, as well as any potential conflicts of interest.

In this context, the Governance Committee considered the relationships described below. Based on its analysis of the relationships and our independence standards, the Governance Committee concluded and recommended to our Board that none of these relationships impaired the independence of any director, including:

- Non-profit and charitable organization affiliations of our directors. None of our directors serve as an executive officer of any organization to which we make charitable contributions.

- Service by several of our directors as an executive officer at a company with whom we may do business. The Governance Committee determined that the commercial relationships involving routine, arms-length purchases and sales transactions between International Paper and these companies were not material under our independence standards. These standards provide that payments to or payments from the Company to a company for which a director serves as an executive officer, for property or services that are less than the greater of $750,000 or 1.75 percent of such other company s consolidated gross revenues, are not considered a material relationship that would impair the director s independence. We provide additional details about these relationships below.

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Transactions Considered in Analysis of Director Independence

Director	Name of Employer	Business Relationship (including affiliated companies)	Dollar Amount of Routine Sales Transactions (approximate)	Amount exceeds greater of $750,000 or 1.75% of other company s gross revenues?
David J. Bronczek	FedEx Express, *a subsidiary of FedEx Corporation*	Routine sales to FedEx Corp.	$207,500,579 in total, representing 0.714% of International Paper s gross revenues in 2013	No
		Routine purchases from FedEx Corp.	$27,375,916 in total, representing less than 0.066% of FedEx s gross revenues in 2013	No
Ilene S. Gordon	Ingredion Incorporated	Routine purchases from Ingredion Incorporated	$38,695,424 in total, representing less than 0.611% of Ingredion s gross revenues in 2013	No

Director Qualification Criteria and Independence Standards

Our Board has adopted *Director Qualification Criteria and Independence Standards*, which it uses to evaluate incumbent directors being considered for reelection at each annual meeting, as well as to evaluate director-candidates. As noted in our *Director Qualification Criteria and Independence Standards*, neither the Governance Committee nor the Board has any specific minimum qualifications expected of qualified directors, although we do expect candidates to have ample experience and a proven record of professional success, leadership and the highest level of personal and professional ethics, integrity and values.

It is the policy of our Board that a majority of its members be independent from the Company, its management and its independent registered public accounting firm. Based on the Governance Committee s review of our current directors, our Board has determined that each of our non-employee directors is independent: David J. Bronczek; Ahmet C. Dorduncu; Ilene S. Gordon; Jay L. Johnson; Stacey J. Mobley; Joan E. Spero; John L. Townsend, III; John F. Turner; William G. Walter; and J. Steven Whisler. We have one employee-director, our Chairman, Mr. Faraci, who is not independent. Each committee of the Board is comprised entirely of independent directors.

Further, the Governance Committee concluded and recommended to our Board, and our Board determined, that each of our non-employee directors meets the independence requirements for service on our Audit and Finance Committee, the Management Development and Compensation Committee and the Governance Committee.

Diversity of Our Directors

Our Board and the Governance Committee have assembled a Board comprised of experienced directors who are currently, or have recently been, leaders of major companies or institutions, are independent thinkers and have a wide range of expertise and skills. The Board, through its Governance Committee, seeks directors with a mix of backgrounds and experiences that will enhance the quality of its deliberations and decisions. The criteria considered by the Board and the Governance Committee include a person s skills, current and previous occupations, other board memberships and professional experiences in the context of the needs of the Board. The Governance Committee Charter specifically directs the Committee to seek qualified candidates with diverse backgrounds, including but not limited to such factors as race, gender, and ethnicity. The satisfaction of these criteria is implemented and assessed through ongoing consideration of directors and nominees by the Governance Committee and the Board, as well as through the Board s annual self-evaluation process.

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Additionally, the Board believes that its membership should include individuals with a diverse background in the broadest sense, and is particularly interested in maintaining a mix that includes the following backgrounds:

- Accounting and finance;
- Environmental affairs and sustainability;
- International operations;
- Legal;
- Manufacturing;
- Marketing;
- Public policy;
- Public service;
- Senior management level leadership in a comparable company or organization;
- Strategic planning;
- Supply chain; and
- Technology.

Our Director Qualification Criteria and Independence Standards may be found at www.internationalpaper.com under the ***Company*** *tab at the top of the page and then under the* ***Governance*** *link.*

Specific Qualifications and Experience of Our Directors

We describe below for each director and nominee the specific experience, qualifications, attributes or skills that led our Board to conclude that such person should serve as a director of the Company in light of the Company s business.

Director	Significant Experience	Rationale
David J. Bronczek	Current CEO International Operations Environment, Public Policy, Public Service Strategic Planning Supply Chain Technology Marketing	As president and CEO of FedEx Express, a subsidiary of FedEx Corporation, Mr. Bronczek brings critical business insight to a large, diversified company with international operations. Mr. Bronczek has served in many capacities at FedEx Corporation, beginning his career in operations in 1976. His experience includes serving as senior vice president of Europe, the Middle East and Africa (EMEA), which is a region of strategic importance to International Paper s business as well.
Ahmet C. Dorduncu	Former CEO Manufacturing International Operations Finance, Accounting Strategic Planning	As chairman of Akkök Group and retired chairman and CEO of Sabanci Holding, two leading financial and industrial conglomerates, Mr. Dorduncu brings vast experience in international operations for a non-U.S. manufacturing company. He also has financial expertise that adds to the strength of our Board. His knowledge of regions of key importance to the Company brings even greater perspective to our Board.

	Supply Chain Technology Marketing	
John V. Faraci	Current CEO Manufacturing International Operations Environment, Public Policy, Public Service Finance, Accounting Strategic Planning Supply Chain Technology Marketing	Under Mr. Faraci s leadership, International Paper has successfully executed a major transformation plan, focusing the Company on our core global papers and packaging business, which resulted in record operating earnings and cash flow from operations in 2013. Mr. Faraci has developed a thorough understanding of all aspects of the Company s businesses, leading the strategic decisions that continue to strengthen the Company. He has served International Paper as its CEO since 2003, with previous experience as executive vice president and CFO. He also has experience in overseas operations, having served as CEO of Carter Holt Harvey, a former subsidiary located in New Zealand. He has been with International Paper for more than 39 years. His service on the boards of publicly traded United Technologies Corporation and PPG Industries, Inc. gives him additional experience upon which he can draw as Chairman of our Board.

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Director	Significant Experience	Rationale
Ilene S. Gordon	Current CEO Manufacturing International Operations Diversity Environment, Public Policy, Public Service Finance, Accounting Strategic Planning Supply Chain Technology Marketing	As chairman, CEO and president of Ingredion Incorporated (formerly Corn Products International, Inc.), Ms. Gordon brings senior management expertise and leadership capabilities, as well as broad understanding of the operational, financial and strategic issues facing public companies. Her previous experience at Rio Tinto s Alcan Packaging includes manufacturing, supply chain and marketing. She has experience with operations overseas, including South America, Asia Pacific and Europe. Ms. Gordon brings strong financial expertise to our Board and our Audit and Finance Committee.
Jay L. Johnson	Former CEO Manufacturing International Operations Environment, Public Policy, Public Service Finance, Accounting Strategic Planning Technology Marketing	Having served as Chairman and CEO of General Dynamics Corporation and CEO of Dominion Virginia Power, Admiral Johnson is an experienced business leader who brings strong financial expertise and business acumen to our Board. He also brings strong leadership and management skills as a result of his distinguished 32-year military career. In addition, Admiral Johnson s prior positions as a public company director provide him with a strong understanding of public company governance. He is a member of our Audit and Finance Committee and Governance Committee.
Stacey J. Mobley	Manufacturing Legal International Operations Environment, Public Policy, Public Service Diversity Strategic Planning	Having served with DuPont for 35 years, including senior management responsibility for legal and government affairs, Mr. Mobley brings a deep understanding of legal compliance and oversight of a diversified, publicly traded company. Mr. Mobley s service on other public company boards allows him to bring current insight into governance and other significant issues facing public companies. These experiences give Mr. Mobley a strong background upon which to draw as chairman of our Governance Committee.

	Supply Chain	
Joan E. Spero	Environment, Public Policy, Public Service Finance, Accounting Strategic Planning Diversity Marketing	Having served in various positions with the U.S. Department of State, Ms. Spero brings government relations depth and perspective to the Board which is critical as we work constructively with governments around the world. Ms. Spero also served in leadership positions at American Express and, as a result, brings business insight to a large, diversified company with international operations. Her service on other public company boards gives her experience with corporate governance issues and a broad range of strategic and tactical business matters.
John L. Townsend, III	Finance, Accounting Strategic Planning	Mr. Townsend brings strong financial acumen to our Board with his current experience working with private investment funds, as well as his previous experience as general partner and managing director for Goldman Sachs & Co. Mr. Townsend s financial background, experience with the investment community and knowledge of financial markets make him well qualified to serve as a member of our Audit and Finance Committee.

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Director	Significant Experience	Rationale
John F. Turner	Environment, Public Policy, Public Service International Operations Former CEO Finance, Accounting Strategic Planning Supply Chain Technology Marketing	Mr. Turner brings government relations depth and perspective to our Board, having served as Assistant Secretary of State for Oceans and International and Scientific Affairs. His experience in academia and as CEO of the Conservation Fund also gives him a broader perspective on current issues in sustainability and forest resources, which are critical issues to the Company. His service on other public company boards gives him experience and oversight of manufacturing, natural resource conservation and production as well as a broad range of strategic and tactical business matters. He actively supplements his financial background through director education courses with a focus on auditing, finance and budgeting responsibilities. These experiences give Mr. Turner a strong background upon which to draw as chairman of our Public Policy and Environment Committee.
William G. Walter	Former CEO Manufacturing International Operations Finance, Accounting Strategic Planning Technology Marketing	Mr. Walter is an experienced business leader, having served from 2001 to 2009 as chairman and CEO of FMC Corporation, a large, publicly traded, manufacturing company with international operations. Mr. Walter continued to serve as FMC s chairman through September 2010. Mr. Walter brings senior management experience, leadership capabilities, strong financial knowledge and business acumen to our Board, including as chairman of our Audit and Finance Committee and a member of our Management Development and Compensation Committee.
J. Steven Whisler	Former CEO Manufacturing International Operations Environment, Public Policy, Public Service Finance, Accounting Strategic Planning Supply Chain Legal	Mr. Whisler served as chairman and CEO of Phelps Dodge Corporation, a large, publicly traded, manufacturing company with international operations, prior to its acquisition in March 2007. He also served as General Counsel of Phelps Dodge and, as a result, has a deep understanding of the governance, compliance and regulatory issues facing public companies. His service on other public company boards further augments his range of knowledge and allows him to draw on various perspectives and viewpoints in his role as our Presiding Director and as chairman of our Management Development and Compensation Committee.

Director Nomination Procedures

Shareowners may submit recommendations for director candidates to the Governance Committee by writing to the Corporate Secretary. The candidates should meet the director qualifications criteria described above. The Governance Committee applies the same criteria in evaluating candidates recommended by shareowners as those from other sources. If a shareowner would like to nominate a director candidate, the shareowner must follow the procedures set forth in our By-Laws, including the deadline to make such nominations. See Communicating with the Board above.

Board of Directors Policies and Practices

Resignation Policies

We have two policies relating to director resignation. The first applies when a director has a substantial change in his or her principal occupation, and the second applies in relation to a director who does not receive a majority of shares voted in favor of his or her election. We describe each policy below.

First, if a director s principal occupation changes substantially, he or she is required to tender his or her resignation for consideration by the Governance Committee. The Governance Committee then recommends to the Board whether or not to accept the resignation using the *Director Qualification Criteria and Independence Standards*. In 2013, no director was required to tender a resignation under this policy.

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Second, our Restated Certificate of Incorporation was amended in 2008 to provide for majority voting of directors in non-contested elections. Pursuant to our By-Laws, any director nominee in a non-contested election who fails to receive the requisite majority of votes cast *for* his or her election must tender his or her resignation, and the Board, through its Governance Committee, will determine whether or not to accept the resignation. In 2013, no director was required to tender a resignation under this policy.

Mandatory Retirement Policies

Our Board revised its mandatory retirement policy for non-employee directors in 2010. Under the revised policy, a non-employee director is required to retire from our Board effective December 31 of the year in which he or she attains the age of 72. No director was required to retire under this policy during 2013. Mr. Turner, who has served on our Board since 2005, will retire under this policy in December 2014.

In addition, we have a mandatory retirement policy for CEOs, under which our CEO is required to retire as CEO effective on the first day after the month in which he or she attains the age of 65. Under this policy, Mr. Faraci is required to retire as CEO effective March 1, 2015.

Orientation and Continuing Education

Our new directors participate in a director orientation that includes written materials and presentations by Company employees who are subject matter experts, as well as meetings with senior management, our independent registered public accounting firm and both the Company s and the Management Development and Compensation Committee s compensation consultants. New directors visit several of our facilities and meet with employees. Continuing education occurs at Board and committee meetings, with specific topics of interest covered by management or outside experts. Directors are also offered the opportunity to attend director education programs provided by third parties. From time to time, directors visit a facility or significant operation, or attend meetings of Company officers, and at each Board meeting, they meet informally with senior leaders of the Company.

Board, Committee and Annual Meeting Attendance

The Board met nine times during 2013, with an average attendance rate of 96 percent. Each director attended 75 percent or more of the aggregate number of meetings of the Board and committees on which he or she served. As expected by our *Corporate Governance Guidelines*, all those who were directors at the time of the 2013 annual meeting were in attendance at the 2013 annual meeting.

Executive Sessions of Non-Management and Independent Directors

After regularly scheduled face-to-face meetings and, if needed, after telephonic meetings, non-management and independent directors of our Board meet in executive session without management present, chaired by the Presiding Director. If non-management directors are not independent, then the Presiding Director will also chair an executive session of independent directors at least once annually. In 2013, executive sessions were held at every regularly scheduled face-to-face Board meeting. Independent directors may engage, at the Company s expense, independent legal, financial, accounting and other advisors as they may deem appropriate, without obtaining management approval.

Role of the Presiding Director

The Presiding Director is elected by the independent directors for a term of not less than one year. The Presiding Director has authority to call meetings of independent directors. He may consult and directly communicate with certain shareowners if requested. The duties of the Presiding Director include:

- Determining a schedule and agenda for regular executive sessions in which independent directors meet without management present, and presiding over these sessions;
- Presiding over meetings of the Board in the event the Chairman is not present;
- Serving as liaison between the Chairman and independent directors;

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Approving agendas of the Board and meeting schedules to assure there is ample discussion time;

Approving information sent to the Board; and

Organizing the process for evaluating the performance of the Chairman and CEO not less than annually in consultation with the Management Development and Compensation Committee.

Annual Board and Committee Self-Assessment

In accordance with a procedure established by the Governance Committee, our Board conducts an annual self-assessment of its own and its committees performance. The assessment is based on confidential, individual interviews with each independent director, conducted by the General Counsel.

Separately, an assessment of individual Board members is conducted by the Governance Committee and the Chairman of the Board prior to their nomination for election by shareowners, in accordance with the *Director Qualification Criteria and Independence Standards* discussed above.

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Our Board Committees

As described above, in order to fulfill its responsibilities, the Board has delegated certain authority to its committees. The Board has four standing committees and one Executive Committee. Our four standing committees are: (i) Audit and Finance; (ii) Governance; (iii) Management Development and Compensation; and (iv) Public Policy and Environment. The Executive Committee meets only if a quorum of the full Board cannot be convened and there is an urgent need to meet.

Each committee has its own charter, and each charter is reviewed annually by each committee to assure ongoing compliance with applicable law and sound governance practices. The Governance Committee assesses the Executive Committee Charter. Committee charters are available at www.internationalpaper.com under the **Company** tab at the top of the page and then under the **Governance** link. A paper copy is available at no cost by written request to the Corporate Secretary.

Committee Assignments

Independent Board members are assigned to one or more committees. The Governance Committee recommends any changes in assignments to the entire Board. Committee chairs are rotated periodically, usually every three to five years.

Governance Committee

Meetings. Meeting agendas are developed by the Governance Committee chair in consultation with committee members and senior leaders, who regularly attend the meetings.

Responsibilities. The Governance Committee is responsible for assuring the Company abides by sound corporate governance principles, including compliance with the Company s Certificate of Incorporation, By-Laws, and *Corporate Governance Guidelines*, and reviewing conflicts of interest, including related person transactions under our *Related Person Transactions Policy and Procedures*. The committee also serves as the Board s nominating committee, responsible for identifying and recommending individuals qualified to become Board members and for evaluating directors being considered for re-election. The committee is also responsible for assuring that shareowner communications, including shareowner proposals, are addressed appropriately by the Board or Company management. The committee also recommends non-employee director compensation, and assists the Board in its annual self assessment.

Audit and Finance Committee

Meetings. Meeting agendas are developed by the Audit and Finance Committee chair in consultation with committee members and senior management, who regularly attend the meetings. On a regular basis, the committee holds an executive session without members of management, and it also meets privately with representatives from our independent registered public accounting firm, and separately with each of the Chief Financial Officer, General Counsel, Director of Internal Audit and Controller.

Responsibilities. The Audit and Finance Committee assists our Board in monitoring the integrity of our financial statements and financial reporting procedures, reviewing the independent registered public accounting firm s qualifications and independence, overseeing the performance of our internal audit function and independent registered public accounting firm, coordinating our compliance with legal and regulatory requirements relating to the use and development of our financial resources, and monitoring the risk of financial fraud involving management and ensuring that controls are in place to prevent, deter and detect fraud by management.

Governance Committee

Current Members

Stacey J. Mobley (Chairman)

Jay L. Johnson

Joan E. Spero

John F. Turner

J. Steven Whisler

Four Meetings in 2013

Attendance Rate

94 percent

All Members are Independent

Audit and Finance Committee

Current Members

William G. Walter (Chairman)

Ahmet C. Dorduncu

Ilene S. Gordon

Jay L. Johnson

John L. Townsend, III

10 Meetings in 2013

Attendance Rate

88 percent

All Members are Independent

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Audit and Finance Committee Report

The following is the report of the Audit and Finance Committee with respect to the Company s audited financial statements for the fiscal year ended December 31, 2013.

The Audit and Finance Committee assists the Board of Directors in its oversight of the Company s financial reporting process and implementation and maintenance of effective controls to prevent, deter and detect fraud by management. The Audit and Finance Committee s responsibilities are more fully described in its charter, which is accessible on the Company s Web site at www.internationalpaper.com under the Company tab at the top of the page and then under the Governance link and the Board of Directors section. Paper copies of the Audit and Finance Committee charter may be obtained, without cost, by written request to Ms. Sharon R. Ryan, Corporate Secretary, International Paper Company, 6400 Poplar Avenue, Memphis, TN 38197.

In fulfilling its oversight responsibilities, the Audit and Finance Committee has reviewed and discussed the Company s annual audited and quarterly consolidated financial statements for the 2013 fiscal year with management and Deloitte & Touche LLP (Deloitte & Touche), the Company s independent registered public accounting firm. The Audit and Finance Committee has discussed with Deloitte & Touche the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board (United States) in Rule 3200T. The Audit and Finance Committee has received the written disclosures and the letter from Deloitte & Touche required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence, and has discussed with Deloitte & Touche its independence from the Company and its management. The Audit and Finance Committee has also considered whether the provision of non-audit services by Deloitte & Touche is compatible with maintaining the firm s independence.

The Board has determined that the following members of the Audit and Finance Committee are audit committee financial experts as defined in Item 407(d)(5)(ii) of Regulation S-K: William G. Walter, Ilene S. Gordon, Jay L. Johnson, and John L. Townsend, III. The Board has determined that each member of the Audit and Finance Committee meets the independence and financial literacy requirements for audit committee members set forth under the listing standards of the NYSE and our independence standards.

Based on the review and discussions referred to above, the Audit and Finance Committee recommended to the Company s Board of Directors that the Company s audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

The Audit and Finance Committee has approved and selected, and the Board of Directors has ratified, Deloitte & Touche as the Company s independent registered public accounting firm for 2014.

Audit and Finance Committee

William G. Walter, Chairman	Jay L. Johnson
Ahmet C. Dorduncu	John L. Townsend, III
Ilene S. Gordon	

The Company s Independent Registered Public Accounting Firm

The Audit & Finance Committee is responsible for the appointment, compensation, retention and oversight of the independent external audit firm retained to audit the Company s financial statements. The committee has evaluated the qualifications, performance and independence of Deloitte & Touche LLP and appointed Deloitte & Touche LLP as the Company s independent external auditor for the fiscal year 2014. Deloitte & Touche LLP has served as International Paper s independent external auditor continuously since 2002. In order to assure continuing auditor independence, the Audit & Finance Committee periodically considers whether there should be a rotation of the independent external audit firm. Further, in conjunction with the mandated rotation of the audit firm s lead engagement partner for the period beginning with the 2014 reporting year, the Audit & Finance Committee and its chairperson were directly involved in the selection of Deloitte & Touche LLP s new lead

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engagement partner. The members of the Audit & Finance Committee and the Board believe that the continued retention of Deloitte & Touche LLP to serve as the Company s independent external auditor is in the best interests of International Paper and its shareowners.

Deloitte & Touche s reports on the consolidated financial statements for each of the three fiscal years in the period ended December 31, 2013, did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

Independent Auditor Fees

The Audit and Finance Committee engaged Deloitte & Touche to perform an annual integrated audit of the Company s financial statements, which includes an audit of the Company s internal controls over financial reporting, for the years ended December 31, 2012 and December 31, 2013. The total fees and expenses paid to Deloitte & Touche are as follows (in thousands):

	2012 ($)	2013 ($)
Audit Fees	14,752	16,852
Audit-Related Fees	5,914	8,614
Tax Fees	1,180	2,253
All Other Fees	28	
Total Fees	21,874	27,719

Services Provided by the Independent Auditors

All services rendered by Deloitte & Touche are permissible under applicable laws and regulations, and are pre-approved by the Audit and Finance Committee. For a complete copy of International Paper s Guidelines of International Paper Company Audit and Finance Committee for Pre-Approval of Independent Auditor Services, please write to the Corporate Secretary, or visit us on our Web site, www.internationalpaper.com, under the Company tab, then the Governance link.

Pursuant to rules adopted by the SEC, the fees paid to Deloitte & Touche for services provided are presented in the table above under the following categories:

1. **Audit Fees** These are fees for professional services performed by Deloitte & Touche for the audit and review of our annual financial statements that are normally provided in connection with statutory and regulatory filings or engagements, comfort letters, consents and other services related to SEC matters. Audit fees in both years include amounts related to the audit of the effectiveness of internal controls over financial reporting.

2. **Audit-Related Fees** These are fees for assurance and related services performed by Deloitte & Touche that are reasonably related to the performance of the audit or review of our financial statements. This includes employee benefit and compensation plan audits, accounting consultations on divestitures and acquisitions, attestations by Deloitte & Touche that are not required by statute or regulation, consulting on financial accounting and reporting standards, and consultations on internal controls and quality assurance audit procedures related to new or changed systems or work processes.

3. **Tax Fees** These are fees for professional services performed by Deloitte & Touche with respect to tax compliance, tax advice and tax planning. This includes consultations on preparation of original and amended tax returns for the Company and its consolidated subsidiaries, refund claims, payment planning, and tax audit assistance. Deloitte & Touche has not provided any services related to tax shelter transactions, nor has Deloitte & Touche provided any services under contingent fee arrangements.

4. **All Other Fees** These are fees for other permissible work performed by Deloitte & Touche that do not meet the above category descriptions. The services relate to various consultations that are permissible under applicable laws and regulations, which are primarily related to engagements to provide advice, observations, and recommendations regarding operations, infrastructure and distribution to be considered by the Company.

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Public Policy and Environment Committee

Current Members

John F. Turner (Chairman)

David J. Bronczek

Ahmet. C. Dorduncu

Stacey J. Mobley

Joan E. Spero

Four Meetings in 2013

Attendance Rate

100 percent

All Members are Independent

Executive Committee

Current Members

John V. Faraci (Chairman)

Stacey J. Mobley

John F. Turner

William G. Walter

J. Steven Whisler

No Meetings in 2013

Management Development and Compensation Committee

Current Members

J. Steven Whisler (Chairman)

David J. Bronczek

Ilene S. Gordon

John L. Townsend, III

William G. Walter

Five Meetings in 2013

Attendance Rate

92 percent

All Members are Independent

Public Policy and Environment Committee

Meetings. Meeting agendas are developed by the Public Policy and Environment Committee chair in consultation with committee members and senior leaders, who regularly attend the meetings.

Responsibilities. The Public Policy and Environment Committee has overall responsibility for the review of contemporary and emerging public policy issues, as well as technology issues pertaining to the Company. The committee reviews the Company s health and safety policies, as well as environmental policies, including the Office of Sustainability policies, to ensure continuous improvement and compliance. The committee also reviews the Company s policies and procedures for complying with its legal and regulatory obligations, including the *Code of Conduct,* and charitable and political contributions.

Executive Committee

The Executive Committee may act for our Board, to the extent permitted by law, if Board action is required and a quorum of our full Board cannot be convened on a timely basis in person or telephonically. The Chairman of our Board and the chair of each Board committee are members of the Executive Committee.

Management Development and Compensation Committee

The Management Development and Compensation Committee is responsible for overseeing our overall compensation programs and approving compensation of our senior management (other than the CEO). The committee is responsible for conducting performance evaluations of the Chairman and CEO not less than annually, in accordance with the process organized by the Presiding Director, and recommending compensation of the CEO to the independent directors based on such evaluations.

The committee is also responsible for discussing with Company management the required disclosure under Item 407(e)(5) of Regulation S-K, including the Compensation Discussion & Analysis that is prepared as part of this proxy statement, and for recommending that it be included in our proxy statement. The committee is responsible for ensuring that we have in place policies and programs for the development of senior leaders and succession planning. The committee acts as the oversight committee with respect to our retirement and benefit plans for senior officers and must approve significant changes to the retirement and benefit plans for our employees. With respect to those plans, the committee may delegate authority for both day-to-day administration and interpretation of the programs, except as it may impact our senior leaders or the CEO.

Meetings. Meeting agendas are developed by the Management Development and Compensation Committee chair in consultation with committee members and senior leaders, who regularly attend the meetings. An executive session without management present is held at each meeting.

The committee s independent compensation consultant is Frederic W. Cook & Co., Inc. (Cook). Cook regularly attends the committee s meetings.

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Role of Independent Consultant. The committee engaged Cook, commencing in mid-2011, to serve as its independent, external compensation consultant. The committee has sole authority for retaining and terminating Cook, as well as approving the terms of engagement, including fees. Cook works exclusively for the committee and provides no services to the Company. Cook is expected to achieve the following objectives:

- Attend meetings of the Management Development and Compensation Committee as requested;
- Acquire adequate knowledge and understanding of our compensation philosophy and incentive programs;
- Provide advice on the direction and design of our executive and director compensation programs;
- Provide insight into the general direction of executive compensation within *Fortune* 250 companies; and
- Facilitate open communication between our management and the Management Development and Compensation Committee, assuring that both parties are aware and knowledgeable of ongoing issues.

Assessment and Management of Compensation Related Risk. Beginning in 2009, the committee committed to completing an annual risk assessment to evaluate the Company s compensation programs. In 2013, at the committee s request, Cook conducted a risk assessment to determine if the Company s compensation plans and programs encourage: unnecessary or excessive enterprise-wide risks; manipulation of financial measures to impact compensation; or behavior that focuses on short-term results at the expense of long-term value creation. The results of this 2013 review proved that the Company s programs continue to be aligned with the interests of shareowners, appropriately reward pay for performance, and do not promote unnecessary or excessive risk. Based on this evaluation, the committee concluded that the Company s executive compensation program appropriately aligns compensation with long-term shareowner value creation and avoids short-term rewards for decisions that could pose long-term risks to the Company as a result of the following factors:

- Our compensation mix is appropriately balanced and incentive compensation is not overly weighted toward short-term performance at the expense of long-term value creation;
- Our short-term incentive compensation award pool is appropriately capped, thereby limiting payout potential;
- Our long-term incentive compensation is based entirely on performance shares, which are less leveraged than stock options and, unlike time-based restricted stock awards, reward both Company performance and stock price;
- Our performance is measured against absolute and relative metrics to ensure quality and sustainability of Company performance;
- We have adopted several programs that serve to mitigate potential risk, including officer stock ownership requirements, clawback policies in our incentive compensation programs, and non-compete and non-solicitation agreements to deter behavior that could be harmful to the Company either during or after employment; and
- The committee maintains strict controls over the Company s equity granting practices, and our incentive compensation plan prohibits option re-pricing.

Compensation Committee Interlocks and Insider Participation

The members of the Management Development and Compensation Committee during 2013 were Mr. J. Steven Whisler, Chairman, Mr. David J. Bronczek, Ms. Ilene S. Gordon, Mr. John L. Townsend, III, and Mr. William G. Walter. No member of the Management Development and Compensation Committee was, during the fiscal year, an officer or employee of the Company or was formerly an officer of the Company. Please refer to the discussion below related to Transactions with Related Persons, for additional information requiring disclosure by us under Item 404 of Regulation S-K under the Exchange Act for members of the Company s Management Development and Compensation Committee.

In addition, no executive officer of the Company served as a member of the compensation committee (or its equivalent) of another entity, or as a director of another entity, one of whose executive officers served on our Management Development and Compensation Committee. No executive officer of the Company served as a member of the compensation committee (or its equivalent) of another entity, one of whose executive officers served as one of our directors.

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Transactions with Related Persons

Transactions Covered. Our Board has adopted a written policy and procedures for review and approval or ratification of transactions involving the Company and related persons (directors and executive officers and their immediate family members or shareowners owning 5 percent or greater of our outstanding common stock and their immediate family members).

The policy covers any related person transaction that meets the minimum threshold for disclosure in the proxy statement under the SEC s rules (specifically, any transaction involving us in which:

(i) the amount involved exceeded $120,000, and

(ii) a related person had a direct or indirect material interest).

Related Person Transaction Review Procedures. Related person transactions are approved in advance by the Governance Committee whenever possible, or must be ratified as promptly as possible thereafter. We disclose in our proxy statement any transactions that are found to be directly or indirectly material to a related person.

Prior to entering into a transaction, a related person must provide the details of the transaction to the General Counsel, including the relationship of the person to the Company, the dollar amount involved, and whether the related person or his or her family member has or will have a direct or indirect interest in the transaction. The General Counsel evaluates the transaction to determine if the Company or the related person has a direct or indirect material interest in the transaction. If so, then the General Counsel notifies the CEO and submits the facts of the transaction to the Governance Committee for its review. The Governance Committee may approve a transaction only if these review procedures have been followed, and the Governance Committee determines that the transaction is not detrimental to the Company and does not violate the Company s *Conflict of Interest Policy*.

Related Person Transactions. Please see the table on page 19 of this proxy statement under the heading Transactions Considered in Analysis of Director Independence for a description of related person transactions during 2013.

Our Related Person Transaction procedures are available at www.internationalpaper.com under the ***Company*** *tab at the top of the page and then under the* ***Governance*** *link. A paper copy is available at no cost by written request to the Corporate Secretary.*

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and certain officers, as well as persons who own more than 10 percent of our common stock, to file with the SEC initial reports of beneficial ownership on Form 3, and reports of subsequent changes in beneficial ownership on Forms 4 or 5. Based solely on our review of these forms, and certifications from our executive officers and directors that no other reports were required for such persons, we believe that all directors and officers complied with the filing requirements applicable to them for the fiscal year ended December 31, 2013.

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Director Compensation

Compensation Philosophy

Our compensation program for non-employee directors is guided by the following principles. We believe our director compensation program should:

- Provide total compensation comprising both cash and equity that targets the median level of compensation paid by our Compensation Comparator Group (CCG) listed in the Compensation Discussion & Analysis section of this proxy statement;
- Align the interests of our directors with the interests of our shareowners;
- Attract and retain top director talent; and
- Be flexible to meet the needs of a diverse group of directors.

Each element of director compensation discussed below is recommended by the Governance Committee and approved by our Board.

Stock Ownership Requirements

Our director stock ownership policy was revised in May 2010 to require that our directors hold equity of the Company valued at two times (2X) the annual Board retainer (which, through April 30, 2014, requires ownership of Company stock equivalent to $460,000). Previously elected directors had until 2014 to meet this requirement, or, in the case of directors elected in 2010 or later, four years from the date of their election. We believe this helps align the interests of our directors with the interests of our shareowners. As of December 31, 2013, all directors who were required to meet the ownership levels held the requisite amount of equity.

Elements of Our Director Compensation Program

For the May 2013 April 2014 performance year, compensation for our non-employee directors consists of:

- An annual retainer fee that is a mix of cash and equity;
- Committee chair fees, a Presiding Director fee, and an Audit and Finance Committee member fee, as applicable; and
- Life insurance, business travel accident insurance, and liability insurance.

We evaluate the reasonableness and appropriateness of the total compensation paid to our directors in comparison to peer companies who comprise our CCG. We target our director compensation at the median of our CCG.

Annual Compensation

The annual retainer fees for the May 2013 April 2014 performance year are shown in the table below. A director s annual compensation is $230,000, approximately 41 percent of which is payable in cash and 59 percent of which is payable as equity. A director may elect to convert all or 50 percent of his or her cash retainer fee into shares of restricted stock. In order to encourage director stock ownership, a director who makes this election receives a 20 percent premium in additional shares of restricted stock. Five of the 10 non-employee directors who served during 2013 elected to receive stock in lieu of all or 50 percent of the cash retainer fee and received the applicable premium.

Directors may also elect to defer receipt of their equity retainer fee until January of the calendar year following retirement. Directors who make this election receive restricted stock units (RSUs) in lieu of restricted stock. Four of the 10 non-employee directors who served during 2013 elected to defer payment of all or a portion of their equity compensation until retirement. Elections with regard to form of payment and deferrals are made in December preceding each performance year.

We use the closing market price of the Company s common stock on the day preceding our annual meeting in May to award the equivalent number of shares for the $136,000 equity retainer and restricted stock elected by our directors in lieu of their cash retainer fee. RSUs are settled in cash based on the closing price of the Company s common stock as of December 31 of the year of the director s retirement.

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Directors earn dividends on their shares of stock and RSUs, which they may elect to receive either as cash or in the form of additional shares of restricted stock or RSUs. Dividends are paid to the director at the time the underlying award is vested or settled.

In addition, each committee chair receives a fee for his or her service in such role. For 2013, Messrs. Mobley, Turner, Walter and Whisler each received a committee chair fee. Members of our Audit and Finance Committee also receive an additional fee for their services on this committee. For 2013, Messrs. Dorduncu and Townsend, Ms. Gordon and Admiral Johnson each received all or some pro-rated portion of an Audit and Finance Committee member fee. As Presiding Director, Mr. Whisler also received a Presiding Director fee for 2013.

Type of Fee	2013-2014 Fee Amount ($)
Board Fees	
Cash Retainer	$ 94,000
Equity Retainer	$ 136,000
Committee Fees	
Audit and Finance Committee Chair	$ 25,000
Audit and Finance Committee Member	$ 10,000
Management Development and Compensation Committee Chair	$ 15,000
Governance Committee Chair	$ 15,000
Public Policy and Environment Chair	$ 15,000
Presiding Director Fee	$ 20,000

Directors Charitable Award Program

Directors who joined our Board on or before July 1, 2007, are eligible to participate in our charitable award program. Under this program, the Company will make a charitable donation in the aggregate amount of $1 million in the director s name in 10 equal annual installments following the director s death to the eligible colleges or universities selected by the director. This program was closed to new participants effective July 1, 2007.

Insurance and Indemnification Contracts

We provide life insurance in the amount of $10,500 to each of our non-employee directors, and travel accident insurance in the amount of $500,000 that covers a director if he or she dies or suffers certain injuries while traveling on Company business.

We provide liability insurance for our directors, officers and certain other employees at an annual cost of approximately $5 million. The primary underwriters of coverage, which was renewed in 2013 and extends to June 15, 2014, are XL Specialty Insurance Company and ACE American Insurance Company.

Our By-Laws provide for standard indemnification of our directors and officers in accordance with New York law. We also have contractual arrangements with our directors that indemnify them in certain circumstances for costs and liabilities incurred in actions brought against them while acting as our directors.

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Our Analysis

We believe our director compensation program appropriately compensates our directors for their time and commitment to the Company and is consistent with our compensation philosophy as shown below.

Our Director Pay Principles	Our 2013 Director Pay Policies and Practices
þ Target compensation at median of CCG	Maintained mix of cash and equity in line with CCG
þ Align the interests of our directors with the interests of our shareowners	Paid 59 percent of compensation in the form of equity to ensure that directors, like shareowners, have a personal stake in the Company s financial performance
þ Attract and retain top director talent	Compensated directors competitively, based on a cross-section of similar companies (CCG)
þ Maintain flexibility to meet the needs of a diverse group of directors	Continued to allow directors to choose between cash and equity and to elect to defer their fees until retirement

Non-Employee Director Compensation Table

The following table provides information on 2013 compensation for non-employee directors. This table shows fiscal year 2013 compensation based on the SEC s compensation disclosure requirements. Since we pay our directors on a May to April performance year, the amounts in the table below show differences among directors because (i) each director makes an individual election to receive his or her fees in cash and/or equity; (ii) certain directors receive committee chair fees, a Presiding Director fee, and/or member fees; and (iii) directors may join our Board on different dates, so their compensation is prorated for the year.

Name of Director	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
David J. Bronczek	46,333	192,417	19,432	258,182
Ahmet C. Dorduncu	103,590	136,013	-	239,603
Ilene S. Gordon	-	258,819	-	258,819
Jay L. Johnson (effective 10/1/13)	-	149,312	-	149,312
Stacey J. Mobley	107,667	136,013	-	243,680
Joan E. Spero	-	248,822	-	248,822
John L. Townsend, III	111,329	136,013	19,432	266,774
John F. Turner	107,667	136,013	19,432	263,112
William G. Walter	79,333	136,013	19,432	234,778
J. Steven Whisler	-	283,836	-	283,836

(1) As described above, certain directors elected to receive shares of restricted stock in lieu of cash and therefore had no cash compensation during 2013.

(2) The value of stock awards shown in the Stock Awards column is based on grant date fair value calculated under Financial Accounting Standards Board (FASB) ASC Topic 718. The grant date fair value of the equity awards shown in the Stock Awards column is based on the closing price of the Company s common stock on the last business day immediately preceding the date of grant.

Directors who elect to defer their equity retainer fee receive RSUs rather than restricted stock.

Restrictions on shares awarded to our directors under our current compensation plan lapse one year from the date of grant, and then the shares are freely transferable, subject to our director stock ownership requirement and

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securities regulations. RSUs are not transferable until a director s retirement from the Board, death or disability. The cash value of RSUs is paid in January following retirement, death or disability. The following table shows the aggregate number of unvested shares of restricted stock and RSUs outstanding as of December 31, 2013, for each non-employee director.

Name of Director	Aggregate Number of Shares Outstanding That Have Not Vested and RSUs (#)
David J. Bronczek	8,641
Ahmet C. Dorduncu	2,925
Ilene S. Gordon	5,566
Jay L. Johnson (effective 10/1/13)	3,234
Stacey J. Mobley	2,925
Joan E. Spero	20,506
John L. Townsend, III	2,925
John F. Turner	2,925
William G. Walter	84,437
J. Steven Whisler	67,883
Total	201,967

(3) Represents the annual expense of our charitable award program. We determine the total annual expense to the Company by using assumptions related to each current and retired director who participates in the program. We take into account each director s age, years of service on our Board, and mandatory retirement age. We make a standard mortality assumption for all directors and use a discount rate of 6 percent. For directors who served in 2013, the aggregate accrued liability increased by $77,730, which was allocated ratably to those directors eligible to participate in the program based on the number of months each served. Non-employee directors vest in the program upon the earliest of (i) serving on our Board for at least 10 years, (ii) retiring from our Board at the mandatory retirement age, or (iii) in the event of disability or death. Directors derive no financial benefit from our charitable award program. We finance the program in part through life insurance policies, of which we are the beneficiary. We expect to receive an income tax deduction when we make the designated charitable awards. The amounts shown do not include the cost for each director of a $10,500 life insurance policy and a $500,000 business travel accident policy, the cost of which is less than $10,000 for each director.

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Compensation Discussion & Analysis (CD&A)

Executive Summary

International Paper (IP or the Company) generated all-time record operating earnings, strong free cash flow and solid overall financial results in 2013 despite economic challenges in the markets where we operate. In 2013, we returned more cash to our shareowners as we initiated a $1.5 billion share buyback program and increased our dividend by 17 percent year-over-year. We continue to make strategic investments in long-term projects as part of our global strategy to position the Company for future growth. As a reflection of both our success and potential, IP s stock price increased 23 percent in 2013 and nearly 80 percent over the last three years.

In this CD&A, we discuss the compensation paid to our executive officers who are identified as Named Executive Officers (NEOs) in the 2013 Summary Compensation Table found on page 68 of this proxy statement. The executive compensation program discussed in this CD&A applies to all of our executive officers, including our Chief Executive Officer (CEO) and 11 Senior Vice Presidents, whom we refer to as our Senior Leadership Team (SLT).

We also describe our pay-for-performance philosophy, key design principles and the governance policies that reinforce these principles. Our objective is to design an executive compensation program that encourages all of our leaders to produce outstanding financial results and create sustainable long-term value for our shareowners.

We embrace three key design principles that reinforce our pay-for-performance philosophy:

We target our executives pay at the median level of our Compensation Comparator Group (CCG). In our long-term incentive plan *representing the greatest percentage of total targeted compensation for our NEOs* we require slightly above-median Company performance, relative to our peers, for executives to receive a target payout.

To assure that our executives are focused on producing outstanding financial results, our short-term incentive compensation (STI) and long-term incentive compensation (LTI) programs use a combination of the following three performance measures:

(1) Cash Flow from Operations;

(2) Return on Invested Capital (ROIC); and

(3) Total Shareholder Return (TSR).

The Management Development and Compensation Committee of the Board of Directors (the Committee) conducts an annual risk assessment to ensure our incentive plans do not motivate excessive risk taking, as described under the heading Assessment and Management of Compensation Related Risk on page 29.

Responsiveness to Shareowners Say-on-Pay Consideration

In May 2013, our Say-on-Pay proposal received overwhelming approval, with support from 97 percent of votes cast by our shareowners (similar to 98 percent in 2012, and up substantially from 73 percent in 2011). The Committee interpreted this continued strong level of support as affirmation of our responsiveness to shareowners through plan design changes made for 2012. While our executive compensation program was approved by nearly all of our voting shareowners in each of the past two years, the Committee and management remain firmly committed to addressing shareowner concerns and continuing to strengthen our pay-for-performance correlation, as well as the overall architecture of our executive compensation program.

As examples (and as summarized in the following chart):

In 2013, the Committee and the Board approved and required our officers to sign amended change-in-control agreements. The new agreements provide for double-trigger acceleration of equity-award vesting when the acquiring company provides replacement awards as substitution for outstanding equity awards upon the change in control. Previously, the agreements provided for single-trigger equity-award

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vesting exclusively. The double-trigger requirement calls for both a change in control and a qualifying termination of employment (*i.e.,* involuntary termination without cause or departure for good reason) in order for the vesting of equity awards to accelerate. This treatment is widely recognized as a good governance practice, as it prevents officers from receiving an automatic windfall in the event of a change in control. It also serves as an incentive for the officers to continue with the Company through and after a change in control in order to receive the benefit of their unvested equity awards.

Beginning with our 2013 incentive compensation plans, the return on investment metric used in the plans is now defined as Return on Invested Capital (ROIC), replacing the previously used metric of Return on Capital Employed. The Committee made this change to more closely align the plans with the interests of the investment community, as most investors and stock analysts use ROIC as the primary measure of our returns versus our cost of capital.

We continue to engage:

our investors to gain insight into their views on our executive compensation program; and

proxy advisory firms, as needed, regarding the analytics used to derive their voting recommendations.

The Committee and management will continue to use the annual Say-on-Pay vote as a guidepost for shareowner sentiment and will continue to respond to shareowner feedback.

Summary of 2013 Plan Design Changes

Program Element	Design Change	Rationale
Variable Compensation		
Both Management Incentive Plan (MIP) and Performance Share Plan (PSP)	Beginning with the 2013 MIP and PSP, the return on investment metric is now defined as Return on Invested Capital (ROIC), replacing the previously used return on investment calculation of Return on Capital Employed	More closely aligns with the interests of the investment community, as most investors and stock analysts use ROIC as the primary measure for our returns versus the cost of capital
	(NOTE: ROIC for the MIP is an absolute measure, while ROIC for the PSP is measured relative to a pre-established peer group)	
Executive Benefits		
Change-in-Control (CIC) Agreements	In 2013, all of our existing change-in-control agreements were amended to move from a single-trigger to a double-trigger approach[A] for acceleration of vesting of equity awards	The double-trigger requirement is widely recognized as a good governance practice
	[A] *This double-trigger approach requires both (1) a change in control, and (2) a qualifying termination of employment (i.e., involuntary termination without cause or departure for good reason) in order to receive the benefit of any unvested equity awards*	Prevents officers from receiving an automatic windfall in the event of a change in control

	(NOTE: Since 2008, CIC protection has been extended only to our SLT, except for those VPs that were grandfathered at the time of the program change)	Serves as an incentive for the officers to continue with the Company through and after a change in control
Other Governance Matters		
Officer Stock Ownership	Stock ownership guidelines were modified in 2012, and became effective January 1, 2013, to replace the four-year grace period with a 50% stock retention requirement until the ownership requirement is met	Ensures that executives are continually and steadily building a minimum level of equity ownership

NOTE: The above changes are discussed in detail throughout the remainder of this CD&A.

As shown in the table below, we have organized our CD&A to explain how the amounts paid to our NEOs are tied directly to our Company s performance.

Part I: How We Design Our Executive Compensation Program to Pay for Performance

Executive Compensation Philosophy

Our executive compensation program continues to be designed to attract, retain and motivate our SLT to deliver Company performance that builds long-term shareowner value. To achieve our objectives, our program is designed around two guiding principles:

Compensation Principles	Rationale
Pay for performance	We reward achievement of specific goals that improve our financial performance and drive strategic initiatives to ensure sustainable long-term profitability.
Pay at risk	We believe that a significant portion of an executive s compensation should be specifically tied to Company and individual performance.

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Pay for Performance CCG Analysis

The Committee reviews our CEO s pay in relation to the Company s performance to ensure alignment. While there are many companies to which we could compare ourselves based on industry, revenue or other criteria, we conduct our pay-for-performance review against our CCG because it is the group against which we benchmark our program design and targeted pay levels.

Each point on the chart below represents a CCG CEO s three-year ***realizable compensation*** (the cash compensation actually paid plus the economic value of equity-based grants) relative to his or her company s three-year performance in Total Shareholder Return (TSR) over the period 2010-2012.

Compared to our CCG, our CEO earned at the 85th percentile while the Company delivered TSR at the 80th percentile of our peer group. ***The Committee believes this graph clearly illustrates a strong pay-for-performance correlation, especially when compared year over year.*** The table shown below the graph demonstrates the close correlation between our CEO s pay and the Company s performance over the past four three-year performance periods. As the table makes clear, relative increases in the CEO s pay correspond with advancement in the Company s relative TSR, which benefits all of our shareowners.

This graph is based on the 2013 proxy filings of our CCG.
Total Shareholder Return reflects share price appreciation, adjusted for dividends and stock splits.
Realizable pay consists of:

1. actual base salary paid over the three-year period,
2. actual STI payouts over the three-year period, and
3. LTI determined as shown below, with equity awards based on December 31, 2012 market value for each company;
   a. in-the-money value of stock options granted over the three-year period;
   b. service-based restricted stock awards granted over the three-year period;
   c. performance share awards:
      i. actual shares earned using actual performance achievement for grant cycles beginning and ending between 2010 and 2012; and
      ii. target shares granted over the three-year period assuming target performance, for performance cycles that have not yet been completed.
   d. performance cash awards:
      i. actual cash paid using actual performance achievement for grant cycles beginning and ending between 2010 and 2012; and
      ii. target cash levels provided over the three-year period assuming target performance, for performance cycles that have not yet been completed

The graph reflects CEO compensation for each company regardless of who actually served in the CEO role. This allows us to compare CEO compensation for a full three-year period for each company and focuses on the CEO position rather than specific individuals. Three companies (Caterpillar, Goodyear Tire & Rubber, and Schlumberger) experienced a change in personnel in the CEO position during the time frame of 2010 - 2012).

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The following table demonstrates the close correlation between our CEO s pay and the Company s performance over the past four three-year performance periods.

Historical CEO Pay-for-Performance Alignment

as Compared to CCG

Three-Year Performance Period	Our CEO s Realizable Pay Rank	Our Company s TSR Rank
2010 - 2012	85th	80th
2009 - 2011	60th	100th
2008 - 2010	30th	40th
2007 - 2009	40th	40th

Pay at Risk 2013 Total Target Compensation Mix

The chart below demonstrates our commitment to pay at risk. For 2013, 88 percent of our CEO s target compensation and, on average, 77 percent of other NEOs target compensation was based on Company performance and was therefore at risk. Importantly, base salary comprises a relatively small portion of our NEOs compensation and is the only component of their Total Direct Compensation (defined below) that is not tied to Company performance.

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Peer Group Benchmarking

The Committee benchmarks our compensation program against our CCG to assure that our pay levels remain competitive. We strive for consistency by retaining as many of the same companies in this group as possible from year to year. Changes are made to assure sufficient or appropriate data on which to base compensation decisions.

Our CCG consists of 20 publicly traded companies selected by the Committee from the Towers Watson General Industry Executive Compensation Survey database. CCG companies are selected utilizing the following criteria:

- Competition for executive talent;
- Comparable annual revenue, with market capitalization used as a modifier, as appropriate;
- Global geographic presence; and
- Complexity of business operations.

We believe our approach produces a more appropriate comparison than an industry peer group, such as one based on Global Industry Classification Standard (GICS) codes, because our industry peer group does not provide a sufficient number of companies that are of a comparable size and complexity. Additionally, our executives are aggressively recruited by businesses outside our limited industry peer group and we recruit from outside this group as well.

The Committee reviews an analysis, prepared by its consultant, Frederic W. Cook & Co., Inc. (Cook) of the pay levels of each member of our SLT to comparable positions at the CCG companies. Towers Watson provides data to Cook in order to compare the three elements of Total Direct Compensation (TDC):

- Base salary;
- Short-term incentive compensation; and
- Long-term incentive compensation.

The Committee targets TDC at the median level (50th percentile) of our CCG. In our 2012 review, our SLT had target TDC levels that were 101% of the CCG survey median. Cook s proxy analysis indicated that the CEO and CFO had target TDC levels that were 97% and 98% of the median, respectively.

The Committee, in conjunction with its consultant, uses this analysis as a frame of reference when setting pay levels. Actual compensation paid to our SLT will vary from benchmark medians based on factors such as:

- Position scope and responsibilities;
- Individual performance; and

Internal comparisons.

IP s Targeted TDC = CCG Median

(50th percentile)
2013 Compensation Comparator Group (CCG)

(Revenues shown were used in late 2012 to benchmark pay for 2013)

	Revenues (in billions) (1)
3M Company	$29.6
Alcoa Inc.	$24.4
Bunge Limited	$60.6
Caterpillar Inc.	$66.3
Dow Chemical Company	$58.4
E.I. DuPont de Nemours	$40.3
Eaton Corp.	$16.2
Emerson Electric Company	$24.3
FedEx Corp.	$42.7
Goodyear Tire & Rubber Company	$22.4
Hess Corp.	$37.4
Honeywell International Inc.	$37.5
Johnson Controls, Inc.	$42.4
Kimberly-Clark Corp.	$21.1
Lockheed Martin Corp.	$47.5
PPG Industries, Inc.	$15.1
Schlumberger Limited	$41.6
United States Steel Corp.	$20.1
Whirlpool Corp.	$18.4
Xerox Corp.	$22.6
25th Percentile	***$22.1***
50th Percentile	***$33.5***
75th Percentile	***$42.4***
International Paper Company	**$27.7**
IP Percent Rank	***45.4%***
IP Rank	***12 of 21***

(1) Most recently reported four quarters as of August 31, 2012

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Role of the Management Development and Compensation Committee

The Committee is responsible for the Company s executive compensation program, including the design elements of our program. The Committee approves:

- Our compensation benchmarking process, as well as the companies used for comparison (our CCG) to ensure reasonableness and stability;
- Overall effectiveness of our executive compensation program to ensure the design achieves our objectives;
- Performance metrics and their respective weighting, as well as the companies against which we compare our relative performance;
- SLT compensation, based on recommendations from the CEO; and
- An annual evaluation of risk as it pertains to our Company-wide compensation plans and programs.

In addition, in a process directed by the Presiding Director, the Committee approves the CEO s annual objectives and performance achievement, and recommends CEO compensation to the independent directors. The Committee reviews CEO performance semi-annually. The Committee recommends the CEO s annual incentive award and base salary merit increase to the Board based on its assessment of his performance achievement. All elements of CEO pay are approved by the independent directors of the Board.

Role of Compensation Consultants

The Committee continued to engage Cook in 2013 to serve as its independent, external compensation consultant. The Committee relies on Cook to inform its decision-making process and has sole authority for retaining and terminating its consultant, as well as approving the terms of engagement, including fees. Cook works exclusively for the Committee and provides no services to the Company. Accordingly, the Committee has determined the firm to be independent from the Company. Separately, Cook has attested in writing as to its independence from the Company. The Company retains Towers Watson as its primary compensation consultant to advise on program design, provide and analyze benchmarking data, apprise management of evolving practices and trends, and perform other consulting services as needed. The Company engages other consultants, from time to time, for special projects as needed.

Role of Executive Officers in Compensation Decisions

The CEO makes recommendations to the Committee concerning the strategic direction of our executive compensation program. The Committee works closely with Mr. Paul Karre, Senior Vice President, Human Resources and Communications, who is responsible for making recommendations to the Committee concerning program design and administration, and with Ms. Sharon Ryan, Senior Vice President, General Counsel and Corporate Secretary, who provides legal advice to the Committee concerning disclosure obligations, governance and its oversight responsibilities.

Annually, the CEO reviews the performance of SLT members against their individual, pre-established performance objectives and discusses his assessment with the Committee. Each NEO s pre-established objectives incorporate both qualitative and quantitative measures. In this way, measurement of individual performance differs from measurement of Company performance, which is based exclusively on quantitative measures. Based on each NEO s year-end performance evaluation, the CEO, in consultation with Mr. Karre, recommends to the Committee any base salary increase and annual incentive award payment. Ultimately, the Committee takes into account the CEO s recommendation, as well as input from its compensation consultant, in approving each SLT member s compensation. The CEO does not participate in any Committee deliberations that involve his own compensation.

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Part II: Elements of Our Executive Compensation Program

Overview

The primary elements of our executive compensation program are base salary, short-term (annual) incentive compensation under our Management Incentive Plan (MIP), long-term incentive compensation under our Performance Share Plan (PSP), and benefits.

Total Direct Compensation (TDC)

TDC is the combination of fixed and variable compensation. Other compensation elements, such as benefits, are not part of TDC, but the Committee reviews these elements also.

Base Salary

Base salary is the only fixed element of TDC. The Committee considers base salary merit increases annually based on individual performance, while taking into account whether market-based adjustments are necessary. Annual merit increases are effective April 1. The following table shows for each NEO the annual base salary in effect during 2013 and currently, and the adjustments made in 2013 and 2014 (also described in Part III).

	Annual Base Salary (Jan. - Mar.)	April 2013 Increase	Annual Base Salary (Apr. - Dec.)	Salary as Shown in Parts III and V	April 2014 Increase	Current Annual Base Salary
Mr. Faraci (CEO)	$ 1,391,000	4.2%	$ 1,450,000	$ 1,435,250	0.0%	$ 1,450,000
Ms. Roberts (CFO)	$ 720,000	0.0%	$ 720,000	$ 720,000	4.2%	$ 750,000
Mr. Joseph	$ 540,000	8.7%	$ 587,000	$ 575,250	0.0%	$ 587,000
Mr. Nicholls	$ 710,000	0.0%	$ 710,000	$ 710,000	0.0%	$ 710,000
Mr. Sutton	$ 585,000	10.0%	$ 643,500	$ 628,875	15.6%	$ 744,000

Variable Compensation: Overview and How We Assess Performance

We do not have guaranteed bonuses. Variable compensation is pay at risk and it is tied directly to both Company and individual performance. Company performance is based on the achievement of specific financial goals described below. Individual performance is rewarded upon achievement of specific pre-established objectives or priorities.

Element	IP Incentive Plan / Program	2013 Performance Metrics
Short-term Incentive Plan	Management Incentive Plan or MIP	Cash Flow from Operations Absolute ROIC
Long-term Incentive Plan	Performance Share Plan or PSP	ROIC Relative to Peers TSR Relative to Peers

Other equity awards, including awards of stock and service-based restricted stock/units, may be granted from time to time under limited circumstances to address specific recruitment, retention or other recognition efforts. In addition, stock options granted in past years remain outstanding (though none of our NEOs have any options outstanding); this program has since been discontinued (see Discontinued Stock Option Program on page 48).