

Related Person Transactions Policy and Procedures

A. Background

The Board of Directors (the “Board”) of International Paper Company (the “Company”) has adopted a Conflicts of Interest Policy as an integral component of the Company’s *Code of Business Ethics* that applies to all directors, officers and employees of the Company. The Conflicts of Interest Policy provides that:

Any situation that creates, or appears to create, a conflict of interest between personal interests and the interests of the Company must be avoided or eliminated. These types of conflicts may arise when employees [including directors] or their family members own, directly or indirectly, a substantial interest in any entity that does, or seeks to do business with International Paper. An employee’s [or director’s] outside employment may also give rise to a conflict.

Pursuant to the Governance Committee Charter, the Governance Committee is charged with reviewing potential conflicts of interests with respect to directors, director candidates and Section 16 officers of the Company. The Governance Committee evaluates such potential conflicts based on the facts and circumstances to determine whether a transaction or other relationship presents a potential or actual conflict of interest.

The Company recognizes that related person transactions may involve potential or actual conflicts of interest and may be, or may be perceived to be based on considerations other than the Company’s best interests. The Company also recognizes that certain transactions between the Company and related persons may be permissible, routine transactions and not inconsistent with the Company’s best interests. The Board has adopted this Related Person Transaction Policy and Procedures (the “Policy”) to supplement the Company’s *Code of Business Ethics* to address the reporting, review and approval or ratification of certain transactions with related persons who are subject to this policy. This policy is not designed to prohibit related person transactions; rather it is to provide guidance to the Governance Committee of the Board in evaluating whether a related person transaction gives rise or may give rise to a conflict of interest, and to ensure appropriate public disclosure of the transaction.

B. Persons Covered by this Policy

This policy applies to the following persons (each a “Related Person” and collectively, “Related Persons”):

- Each director or executive officer of the Company (executive officer is defined to include all officers of the Company identified by the Board as subject to Section 16 of the Securities Exchange Act of 1934 (“Section 16 Officer”));
- Any nominee for election as a director of the Company;
- Any security holder who is known to the Company to own of record or beneficially more than five percent (5%) of any class of the Company’s voting securities; and
- Any immediate family member of the foregoing persons.

Any person who falls into any of the above categories at any time during the fiscal year of the Company shall be subject to the Policy, even if the person has ceased to have such status during the year.

Each executive officer of a wholly-owned operating subsidiary of the Company or of a joint venture in which the Company consolidates the joint venture’s results in its financial statements may be deemed subject to this Policy if such executive officer serves in a policy making role for said subsidiary or joint venture.

An “immediate family member” includes the spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in law, sons- and daughters-in-law, brothers- and sisters- in law, and any person sharing the household of a director, executive officer, director nominee or greater than five percent beneficial owner of voting securities (other than tenants and employees).

C. Definitions and Examples

For purposes of this Policy, the following terms shall be defined as follows:

1. “Related Person Transaction” shall mean a Transaction in which the Company was or is to be a participant and (i) the amount involved exceeds \$120,000, **and** (ii) in which a Related Person had or will have a direct or indirect interest that is material to said Related Person.
2. “Transaction” shall include, but not be limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships. A transaction in which the Company participates with another company or other entity that employs a Related Person, or is controlled by a Related Person, or in which a Related Person has an

ownership or financial interest material to such Related Person, shall be considered a Related Person Transaction for purposes of this Policy.¹

3. Examples of Related Person Transactions generally include sales, purchases or other transfers of real or personal property and equipment, by lease or otherwise, services received or furnished, and the borrowing or lending of funds, as well as guarantees of loans or other undertakings. Also the employment by the Company of an immediate family member of a Related Person, or a material change in the terms of said employment, may be deemed a Related Person Transaction if compensation paid to said immediate family member exceeds \$120,000 and is material to the director or executive officer.

D. Transactions and Arrangements Not Covered by this Policy

The following transactions or arrangements which exceed \$120,000 are **not** considered Related Person Transactions for purposes of this Policy:

- A charitable contribution or pledge by the Company to an organization that is considered a Related Person shall be considered a Related Person Transaction, unless it is made pursuant to an established policy for the Company to match contributions made by directors or executive officers.
- Use of property, equipment or other assets owned or provided by the Company, including aircraft, vehicles, housing and computer or electronic equipment, by a Related Person primarily for Company business purposes; provided that such use shall not be considered “primarily for Company business purposes” where the value of any personal use during the course of the year exceeds \$10,000 and such personal use has not been otherwise approved by the Management Development & Compensation Committee of the Board for executive officers, by the Board for the Chief Executive Officer, and by the Governance Committee for directors.
- Reimbursement of business expenses incurred by a director or executive officer of the Company in the performance of his or her duties and submitted in accordance with the Company’s customary policies and practices;
- Compensation arrangements for non-employee directors for their services as directors of the Company, provided such services have been approved by the Board or a committee thereof; and
- Compensation approved by the Management Development & Compensation Committee of the Board or the Board for executive

¹ This provision is somewhat broader than required by Item 404 of Regulation S-K, but is intended to identify for review those transactions in which a Related Person may have an indirect material interest requiring disclosure under Item 404. This is particularly important where it is necessary to analyze a complicated business relationship in order to determine the materiality of the transaction to the Related Person.

officers, provided that said compensation would be reported under Item 402 if said person were a named executive officer (as defined in Item 402((a)(3)).

E. Review Procedures

The Company and the Board shall adhere to the following review procedures with regard to Related Person Transactions. Failure to follow such procedures shall be disclosed in accordance with Section G hereof.

1. Procedures for Related Person Transactions Disclosed in Directors' and Officers' Questionnaire

Each Related Person is required to complete a Directors' & Officers' Questionnaire annually to provide information to the Company in connection with the Company's Annual Report on SEC Form 10-K, the Company's proxy statement in connection with its Annual Meeting of Shareholders, and any required filing on SEC Form 5. Directors' and Officers' Questionnaires are reviewed by the General Counsel. The following procedures shall apply to Related Person Transactions disclosed in the annual Directors' and Officers' Questionnaires.

Step 1: General Counsel reviews any actual or proposed Related Person Transactions disclosed in each Directors' and Officers' Questionnaires and reports on such transactions to the Governance Committee.

Step 2: Governance Committee reviews the facts and circumstances of such transactions and approves, rejects or ratifies such transaction based on the guidelines set forth in Section D hereof.

Step 3: In the event that a Related Person discloses in the Directors' & Officers' Questionnaire a completed Related Person Transaction that has not been previously approved during the course of the year, the Governance Committee must review such transaction and either (i) ratify the Related Person Transaction, or (ii) require the Related Person to terminate such transaction.

2. Procedures for Review of Related Person Transactions Disclosed During the Course of the Year

Ongoing oversight of proposed Related Person Transactions is critical to preventing violations of the Conflicts of Interest Policy that may arise during the course of the year. The following procedures shall apply to Related Person Transactions that are raised outside of the annual Directors' & Officers' Questionnaires during the course of the year.

Step 1: Prior to entering into a Related Person Transaction, the Related Person initiates review of such proposed transaction by notifying General Counsel of the facts and circumstances of such proposed transaction, which notice shall include the following information:

- a. the name of the Related Person and his or her relationship to the Company;
- b. the Related Person's interest in the proposed Related Person Transaction, including the Related Person's position(s) or relationship(s) with, or ownership in, a firm, corporation, or other entity that is a party to, or has an interest in, the transaction;
- c. the material facts of the proposed Related Person Transaction; and
- d. the approximate dollar value of the amount involved in the proposed Related Person Transaction.

Step 2: General Counsel determines if this Policy applies.

Step 3: If this Policy applies, the General Counsel notifies the Company's Chief Executive Officer and submits a description of the proposed Related Person Transaction to the Governance Committee for consideration at its next regularly scheduled meeting.

Step 4: Governance Committee reviews the facts and circumstances of such transactions and approves, rejects or ratifies such transaction based on the guidelines set forth in Section F hereof.

Step 5: If review of the proposed Related Person Transaction is required prior to the next regularly scheduled Governance Committee meeting, General Counsel shall submit such proposed transaction to the Chairman of the Governance Committee to determine whether a special telephonic meeting of the Governance Committee is required or to consider ratification at the next regularly scheduled meeting.

Step 6: If the proposed Related Person Transaction involves the Company's Chief Executive Officer, the Governance Committee and General Counsel shall make a recommendation to the independent members of the Board for a final determination on such transaction.

F. Standard for Approval of Related Person Transactions

The Governance Committee shall approve a Related Person Transaction only if the following criteria are satisfied:

1. The review procedures set forth in Section E hereof have been followed;
2. The Governance Committee makes a good faith determination that the Related Person Transaction is not detrimental to the Company and does not violate the Company's Conflicts of Interest Policy; and
3. No member of the Governance Committee participated in the review of any transaction with respect to which transaction such member is a Related Person.

G. Required Notification and Public Disclosure of Related Person Transactions

The Company shall comply with all required public disclosure requirements of Related Person Transactions, as well as internal notification of such transactions for good corporate governance, including, but not limited to the following:

1. The Governance Committee shall notify the Audit and Finance Committee of the Board at its next regularly scheduled meeting of all proposed Related Person Transactions that have been brought to the Governance Committee for review. The Governance Committee shall notify the full Board at its next regularly scheduled meeting of all Related Person Transactions that have been approved by the Governance Committee.
2. The Company shall disclose all Related Person Transactions in accordance with Item 404(a) of Regulation S-K of the Securities Exchange Act of 1934.
3. The Company shall provide a description of the material terms of this Policy in the Company's proxy statement in accordance with Item 404(b) of Regulation S-K of the Securities Exchange Act of 1934.
4. The Company shall identify any Related Person Transaction required to be disclosed under Item 404(a) where this Policy did not require review, approval or ratification, or where this Policy was not followed.
5. The Company shall make this Policy available on its website, including any updates or amendments, and shall provide a copy upon written request to the General Counsel.
6. Any waiver of the Company's Conflicts of Interest Policy with respect to the Company's Chief Executive Officer, Chief Financial Officer, or Controller shall be timely disclosed in accordance with Item 5.05 of SEC Form 8-K.
7. General Counsel shall be responsible for ensuring that, to the extent reasonable, all directors and executive officers, and their immediate families who may be Related Persons are made aware of this Policy.