

# California Transparency in Supply Chains Act

## Disclosure Statement 2018

International Paper Company (“International Paper”) is committed to conducting business with honesty and integrity wherever we operate around the world, treating all people with dignity and respect, and complying with all applicable laws, regulations and treaties.

We do not tolerate prohibited child labor, forced labor, or any use of force or other form of coercion, fraud, deception, abuse of power or other means to control people in order to exploit them.

We are also committed to protecting and promoting human rights globally. We do not tolerate prohibited child labor, forced labor, or any use of force or other form of coercion, fraud, deception, abuse of power or other means to control people in order to exploit them. We respect international principles of human rights including, but not limited to, those in the UN Declaration of Human Rights, the Trafficking Victims Protection Act as amended, the California Transparency in Supply Chains Act and the UK Modern Slavery Act. We embody these principles and commitments in our corporate policies, Code of Conduct and Supplier Code of Conduct (“Supplier Code”).

At International Paper, our vision is to be among the most successful, sustainable and responsible companies in the world. We do the right things, in the right ways, for the right reasons, all of the time – this is The IP Way. Together, The IP Way and our Core Values of safety, ethics and stewardship serve as our guideposts as we carry out our mission to improve people’s lives, the planet and our company’s performance by transforming renewable resources into products people depend on every day.

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In all the regions in which we operate, we comply with all applicable laws including laws prohibiting human rights violations. We publically state our commitment to operating with high ethical standards and promoting respect for human rights in our human rights statement, this disclosure statement and other declaration statements posted on our company website. International Paper's Code of Conduct and company policies set expectations and requirements for our employees, including expectations to value and promote human rights, treat each other with respect and dignity and take reasonable steps to watch out for signs of forced labor or trafficking. In our Supplier Code, we express these same expectations to partners in our supply chain. The International Paper Supplier Code makes it clear that we expect all those who provide us with goods or services to conduct their operations with high standards for safe and respectful workplaces, as well as ethical business practices and conduct. Such standards include, but are not limited to, safe and healthy working conditions, protection of human rights and dignity, responsible use of natural resources and compliance with applicable laws. Our Supplier Code is on our company website and available in all applicable languages.

This statement is in compliance with the California Transparency in Supply Chains Act of 2010 (the "Act") which requires retail sellers and manufacturers doing business in California with over \$100 million in worldwide gross receipts to disclose their efforts to eradicate slavery and human trafficking from their direct supply chains. It covers the period from our last declaration statement up to and including 2018. International Paper is a global producer of fiber-based packaging, pulp and paper, operating in many locations including the state of California. Accordingly, the Act requires International Paper to disclose, at a minimum, the following:

- **Verification.** International Paper conducts due diligence, risk analysis and ongoing monitoring of our suppliers. We have processes and procedures in place, and continuous improvement practices designed to detect, mitigate, protect and respond to various legal and ethical risks, including corruption, bribery, human trafficking and slavery in our supply chain. These practices require compliance with applicable laws, including those governing human trafficking, slavery and anti-corruption. International Paper engages its third parties through written agreements and purchase orders with standard terms and conditions. These standard terms require all third parties to comply with our Supplier Code or their own code of conduct, as long as it contains substantial similar standards. With every contract, suppliers must commit in writing that they will

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All International Paper contracts with suppliers require them to comply with all laws in addition to our Supplier Code.

require the same level of compliance from their own suppliers. If suppliers do not agree to these terms, we flag them, monitor them and review their activity until we can come to a business decision about their status – if we do not replace them immediately.

- **Auditing.** International Paper has verification and audit rights, within its supply contracts, that permit us to audit supplier compliance with certain contract terms, including the terms requiring compliance with our Supplier Code. The Supplier Code clearly outlines our expectations and prohibitions concerning human trafficking and forced labor. After an initial pre-contract risk assessment, we contract with a supplier requiring them to comply with all laws and our Supplier Code or their own code of conduct, if it covers the same principles. As of 2018, 90% of our contracted spend is covered with written agreements containing a commitment to comply with the principles of our Supplier Code. We conduct further risk analysis of these suppliers under written agreement, based on potential non-compliance with principles of the Supplier Code and other risk factors. After completing this assessment, we survey certain high-priority suppliers through an online survey tool managed by an external provider. After assessing survey results, we then use an external company to perform an onsite audit of certain suppliers. The survey and audit protocols include questions that address the risk of human trafficking and forced labor in our supply chain. In 2018, we surveyed 37% of our high-priority suppliers, achieving an 86% response rate. Over half the high-priority suppliers surveyed improved their survey scores from 2017 to 2018 based on scoring and feedback they received from International Paper.
- **Certification.** All International Paper contracts and purchase order terms and conditions with suppliers require them to comply with all laws in addition to our Supplier Code. While some of our regions have obtained written acknowledgement from suppliers verifying they have received and agree to comply with our Supplier Code, most regions, including the United States, secure their commitment through written contracts. For wood fiber products, we obtain certifications from third-party organizations, some of which include updated standards requiring compliance with slavery and trafficking laws. Other than these wood fiber certifications, along with our contractual obligations with suppliers and the reservation of our

right to investigate them, International Paper does not have a formal supplier certification process.

- **Internal Accountability.** We hold the entire International Paper business community accountable to conduct business with or for us in an ethical manner, whether employees, contractors, agents or suppliers. International Paper employees are, under the terms of their employment, required to follow all laws of the countries in which they operate and all company policies and procedures, including our Code of Conduct, employee manuals, various business rules, and standard operating procedures. Employees who violate laws or company policies are subject to disciplinary action, up to and including discharge. Likewise, suppliers must comply with our Supplier Code. If they fail to comply with the law or do not address contractual non-compliance in a timely manner, International Paper reserves its contractual rights to terminate relationship with them. A supplier's compliance with the Supplier Code is an essential factor in International Paper's decision whether to enter into a business relationship or to continue or extend their existing one. As part of our supply chain sustainability program, we will continue to reinforce and develop processes and procedures that hold suppliers accountable in all areas, including human trafficking, forced labor and child labor.

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International Paper's corporate policy on human rights describes to employees our expectations on valuing human rights, acting with dignity and respect, recognizing the signs of forced labor and the company's impact on human rights in regions in which we operate. International Paper and its employees do significant outreach and volunteer activities in our communities. Both directly and through our foundations, we promote activities that support the communities in which our employees live and work. Besides attempting to identify and respond to potential occurrences of forced labor, International Paper also believes it is important to address some of the social circumstances that allow disadvantaged persons to find themselves in exploitative situations. International Paper has aligned our Global Citizenship strategy to nine of the UN Sustainable Development Goals – Zero Hunger, Quality Education, Clean Water and Sanitation, Decent Work and Economic Growth, Responsible Consumption and Production, Climate Action, Life on Land, and Partnerships for the Goals. Focus on these goals allows us to directly support community needs such as education, food,

clean water and decent work, where lack of opportunity or support in these basic areas can contribute to persons finding themselves in exploitive situations in order to survive.

We provide employees with tools such as a supplier handbook, pamphlets and other resources to educate and train third parties across our regions.

- **Training and Awareness.** International Paper regularly trains our employees in standards of ethical behavior, policies, procedures and legal requirements that define the way we do business. As part of onboarding our global sourcing and supply chain operations employees globally, we train them on the potential indicators of forced labor and human trafficking and how to report potential risk situations. They also receive training on the Supplier Code and supplier site safety. We have developed a checklist for site visits, so employees can track their observations, which could include warning signs of forced labor. We also provide them with other tools, such as a supplier handbook, pamphlets and other resources to educate and train third parties, as appropriate, across our regions