INTERNATIONAL PAPER



Investor "Say on Pay" Discussion

March 2012

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2011 Strong Financial Results

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- Best Overall Financial Results in Nearly Two Decades
- 2011 EPS Increased 50% Year-over-Year; Highest Since 1995
- Delivered an 8% Return on Investment
- Improved Earnings Quality & Sustainability
- Sustaining Step-change Improvement in Free Cash Flow
- Repositioned and Well-Positioned for Earnings Growth

Proxy Advisor Outreach

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- **Engaged in discussions with Proxy Advisor Services**
  - Concentrated efforts on Glass Lewis; recommended “Against” IP in 2011
- **Reviewed 2011 Proxy Advisor Reports**
  - Discussed evaluation methodology used by Proxy Advisor Services
- **Highlighted issues such as:**
  - Concerns about their review of our disclosure on changes to performance metrics and how we set our target pay
  - Transparency of their peer group selection process
  - IP’s performance against IP’s selected peer groups in comparison to their selected peer groups

2012 Plan Design Changes

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Program Element	Design Change	Rationale
Peer Groups		
Compensation Comparator Group ("CCG")	• **Added:** PPG Industries • **Removed:** Occidental Petroleum • Added Market Cap as "modifier in selection process	• PPG Industries' compensation approach is more closely aligned with IP
ROI Peer Group	• **Added:** Boise, Inc., Fibria Celulose and Klabin • **Removed:** Temple-Inland Inc.	• Creates more robust peer groups of global companies and provides more stability in the rank-based payout • Temple-Inland Inc. was acquired by IP in 2012
TSR Peer Group	• **Added:** Fibria Celulose and Klabin • **Removed:** M-real Corp., Norske Skog, Resolute Forest Products (formerly AbitibiBowater), Svenska Cellulosa Aktiebolaget (SCA), and Temple-Inland Inc.	
Variable Compensation		
Management Incentive Plan ("MIP")	• For 2012, performance achievement based on: – 50% Cash Flow from Operations *(replacing Free Cash Flow)*, and – 50% Absolute ROI	• Using Cash Flow from Operations eliminates the concern that capital expenses might be delayed to achieve MIP payout to the long-term detriment of the business
Performance Share Plan ("PSP")	• For 2012, performance achievement measured over a single, three-year period instead of four segmented measurement periods • Number of units granted based on new methodology to ensure delivery of the intended LTI target value • Award scales adjusted to correlate with peer groups	• Enhances long-term nature of program • Reduces complexity of program • Better aligns with compensation best practices • Maximum payout consistent with market practice
***Both* MIP and PSP**	• ROI Stretch Goal, providing an additional payout percentage of 30% if 8% ROI is achieved, was eliminated. Maximum payout will be 200%.	• ROI Stretch Goal was achieved in 2011
Executive Benefits		
Change in Control Agreements	• Severance multiple, additional years of pension credit, and benefit continuation period reduced from 3X to 2X for future agreements with SVPs; 3X multiple will be retained for succeeding CEO(s)	• Reducing the multiple is consistent with compensation best practices
Unfunded Supplemental Retirement Plan for Senior Managers ("SERP")	• SERP closed to new participants, effective Jan 1, 2012	• Declining prevalence of SERP in the market
Other Governance Matters		
Officer Stock Ownership	• Stock ownership guidelines modified to replace four-year grace period with 50% stock retention requirement, effective January 1, 2013	• Ensures that executives are continually and steadily building a minimum level of equity ownership

Continued Emphasis on Pay for Performance

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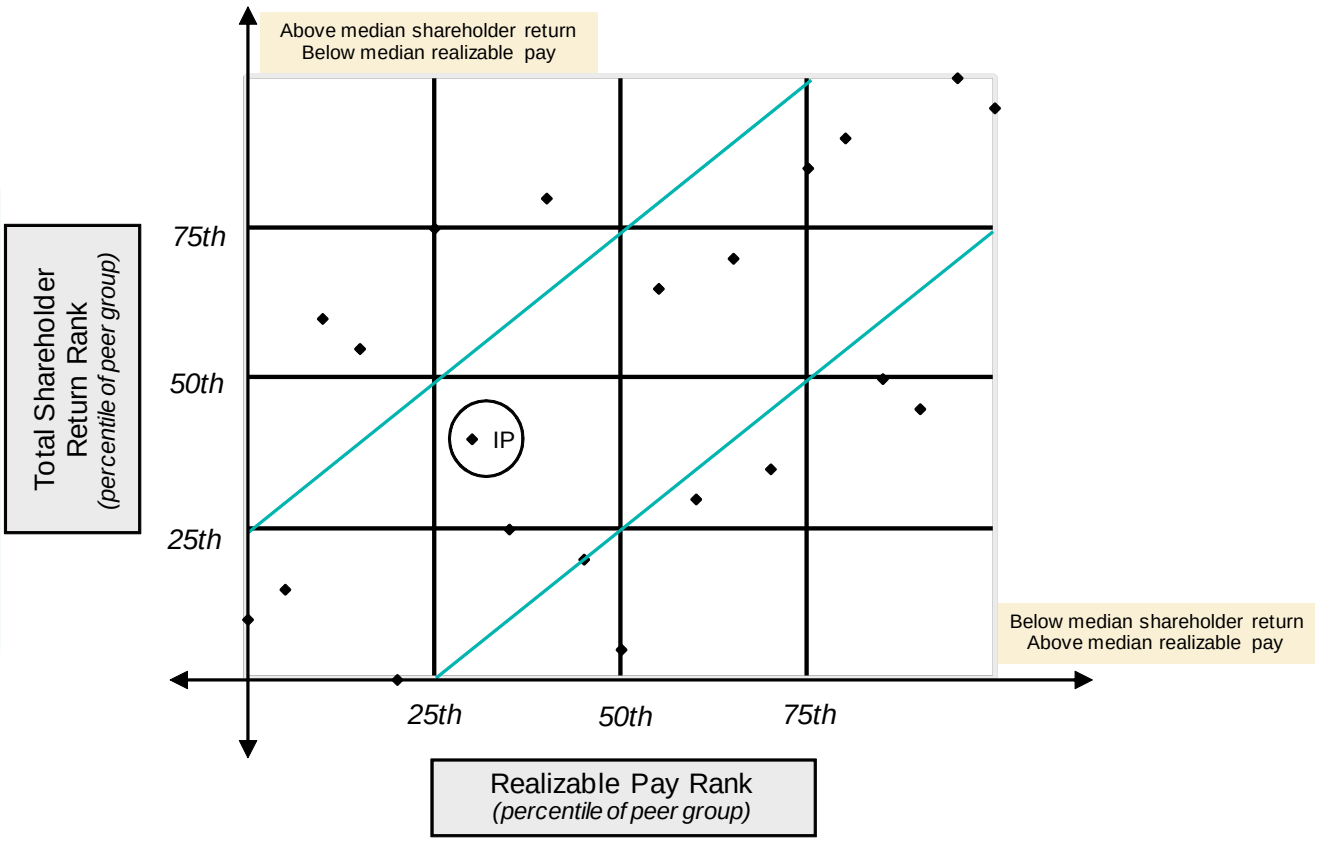
2011 Compensation Comparator Group

3M Company
Alcoa Inc.
Bunge Limited
Caterpillar Inc.
Dow Chemical Company
E.I. DuPont de Nemours
Eaton Corp.
Emerson Electric Company
FedEx Corp.
Goodyear Tire & Rubber Company
Hess Corp.
Honeywell International Inc.
Johnson Controls, Inc.
Kimberly-Clark Corp.
Lockheed Martin Corp.
+ Occidental Petroleum
Schlumberger Limited
United States Steel Corp.
Whirlpool Corp.
Xerox Corp.

+ Replaced with PPG Industries in 2012

IP's Pay for Performance Alignment

CEO Realizable Pay vs. TSR Performance (2008 - 2010)



IP compares well:
CEO pay at 30th percentile of CCG while TSR is at 40th percentile

Questions?

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