

INTERNATIONAL PAPER CO /NEW/  
Form DEF 14A  
April 08, 2011  
Table of Contents

**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 " 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))**
- 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):

(4) Proposed maximum aggregate value of the transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

**6400 Poplar Avenue  
Memphis, Tennessee 38197**

**JOHN V. FARACI**

**Chairman and Chief Executive Officer**

April 2011

Dear Shareowners,

It is my pleasure to invite you to attend this year's Annual Meeting of Shareowners, which will be held on May 9, 2011, 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.

2010 was an important year for International Paper. Despite a slowly recovering economy, we finished the second-half of the year earning our cost-of-capital for the first time in more than a decade. We attribute our success to our dedicated employees around the world, and our results set the stage for continued improvement in earnings, free cash flow and return on investment. As demand continues to improve in 2011, we expect our results to demonstrate that we have even more upside opportunity.

Our Board of Directors continues to provide leadership and vision that will shape our future success. This year we are pleased to welcome Mr. Ahmet Dorduncu to the Board. Previously, he served as Chief Executive Officer of Sabanci Holding, a publicly traded Turkish company, and as Chairman of the Board of an industrial packaging business joint venture between Sabanci Holding and International Paper. Mr. Dorduncu's broad international business experience and knowledge of our industry will make him an asset to the Board and our Company.

We value your ongoing participation and support of International Paper. We are well positioned for success in the future, and we remain committed to creating long-term value for you.

Sincerely,

John Faraci

**Table of Contents**

**NOTICE OF ANNUAL MEETING OF SHAREOWNERS**

To the Owners of Common Stock of International Paper Company:

Date: Monday, May 9, 2011  
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 directors nominated by the Board of Directors for a one-year term.

.. **Item Two:** Ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2011.

.. **Item Three:** Vote on a non-binding resolution to approve the compensation of our named executive officers, as discussed under the heading Compensation Discussion & Analysis.

.. **Item Four:** Cast a non-binding vote to approve the frequency with which shareowners will vote on the compensation of our named executive officers in future years.

Items of Business: ***Shareowner Proposal:***

.. **Item Five:** Consider a shareowner proposal on shareowner action by written consent.

***Consider any other business properly brought before the meeting.***

Record Date: March 15, 2011. 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,

MAURA A. SMITH

Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

*Senior Vice President, General Counsel,*

*Corporate Secretary and Global Government Relations*

April 8, 2011

Table of Contents**TABLE OF CONTENTS**

<u>Information About Our Annual Meeting</u>	1
<u>Voting Procedures and Annual Meeting Attendance</u>	2
<u>Communicating With the Board</u>	6
<u>Matters to be Acted Upon at the 2011 Annual Meeting</u>	7
<u>Item 1 Company Proposal to Elect 11 Directors Nominated by the Board</u>	7
<u>Item 2 Company Proposal to Ratify Deloitte &amp; Touche LLP as the Company's Independent Registered Public Accounting Firm for 2011</u>	8
<u>Item 3 Company Proposal to Vote on a Non-Binding Resolution to Approve the Compensation of Our Named Executive Officers</u>	8
<u>Item 4 Company Proposal on a Non-Binding Vote on the Frequency with which Shareowners Will Approve the Compensation of Our Named Executive Officers</u>	9
<u>Item 5 Shareowner Proposal Concerning Shareowner Action by Written Consent</u>	10
<u>Our Board of Directors</u>	12
<u>Directors Standing for Election (Term Expiring in 2012)</u>	12
<u>Information About Our Corporate Governance</u>	14
<u>Our Commitment to Sound Corporate Governance Principles</u>	14
<u>Our Board Committees</u>	22
<u>Transactions with Related Persons</u>	27
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	27
<u>Director Compensation</u>	28
<u>Compensation Discussion &amp; Analysis</u>	33
<u>Additional Information about Our Executive Compensation</u>	61
<u>Ownership of Company Stock</u>	77
<u>Index of Tables</u>	
<u>Non-Employee Director Compensation</u>	30
<u>Summary Compensation Table</u>	61
<u>Grants of Plan-Based Awards</u>	63
<u>Outstanding Equity Awards</u>	65
<u>Stock Vested</u>	67
<u>Pension Benefits</u>	67
<u>Non-Qualified Deferred Compensation</u>	71
<u>Potential Payments Upon Retirement</u>	73
<u>Potential Payments Upon Involuntary Termination Without Cause</u>	73
<u>Potential Payments Upon Involuntary Termination With Cause</u>	74
<u>Potential Payments Upon Change in Control</u>	75
<u>Security Ownership of Certain Beneficial Owners</u>	77
<u>Security Ownership of Management</u>	78
<u>Equity Compensation Plan Information</u>	79

**Table of Contents**

**PROXY STATEMENT**

**2011 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 2011 Annual Meeting of Shareowners. Distribution of this proxy statement and proxy form is scheduled to begin on or about April 8, 2011.

The 2011 annual meeting will be held on Monday, May 9, 2011, at 11:00 a.m. EDT at The Ritz-Carlton, Westchester, located at Three Renaissance Square in White Plains, New York 10601.

At the 2011 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 directors nominated by the Board of Directors for a one-year term. The Board recommends a vote **FOR** each of the nominees.

**Item Two:** Ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm for 2011. The Board recommends a vote **FOR** this proposal.

**Item Three:** 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 Four:** Cast a non-binding vote to approve the frequency with which shareowners will vote on the compensation of our named executive officers in future years. The Board recommends a vote to approve the compensation of our named executive officers **ANNUALLY**.

**Item Five:** Consider a shareowner proposal on shareowner action by written consent. 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 ) and Tim S. Nicholls, Senior Vice President and Chief Financial Officer ( CFO ) as proxies in connection with the 2011 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 15, 2011, the record date, or their duly authorized proxy holders, are entitled to vote on each matter submitted to a vote at the 2011 annual meeting and at any adjournment or postponement of the annual meeting. There were 437,255,390 common shares outstanding on March 15, 2011. Each common share is entitled to one vote on each matter to be voted on at the 2011 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 9, 2011:***

*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](http://materials.proxyvote.com/460146)

*Vote by telephone*



## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

*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.*

## **Table of Contents**

### 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 145,751,797 votes) are required to hold the 2011 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 *withhold* or *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 2011 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 15, 2011, 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](http://www.proxyvote.com)) to tell us that you plan to attend. When you arrive at the meeting, please look for the Shareowners Welcome 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 Shareowners Welcome Desk and provide the bank or brokerage statement, as well as your photo identification, in order to be admitted.

#### *What happens if the annual meeting is postponed or adjourned?*

Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

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.

## **Table of Contents**

### *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;

International Paper Company Long-Term Incentive Compensation Plan ( LTICP ); or

International Paper Company 2009 Incentive Compensation Plan ( 2009 ICP ).

If you hold shares in our 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 shares of restricted stock under our Performance Share Plan or a restricted stock grant pursuant to the LTICP or 2009 ICP, 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 LTICP or 2009 ICP 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, 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 directors nominated by the Board of Directors in Item 1;

## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

*for* the Company's proposal to ratify the selection of the Company's independent registered public accounting firm in Item 2;

*for* the Company's proposal to approve the compensation of our named executive officers in Item 3;

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

*against* the shareowner proposal on shareowner action by written consent in Item 5.

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 towards 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 our Savings Plan, and you do not provide instructions, the trustee for the plan will vote your shares at its discretion.

## **Table of Contents**

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 towards 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 2011, 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 2011, and this decision has been ratified by all members of our Board.

## **Table of Contents**

*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 and information provided to the Company, there are four entities that beneficially own more than 5 percent of our common stock:

BlackRock, Inc.;

Invesco Ltd., as investment adviser and parent holding company;

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; and

T. Rowe Price Associates, Inc., 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 Georgeson, Inc. to solicit proxies for an estimated fee of approximately \$25,000, plus expenses.

### ***What is householding?***

We have adopted *householding*, a procedure under 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.

## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

We will deliver promptly, upon written or oral request, a separate copy of this proxy statement and our 2010 annual report to a shareholder 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](http://www.internationalpaper.com), under the Investors tab at the top of the page and then under the Financial Requests link.



## **Table of Contents**

### 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 chair of the Governance Committee, who serves as our Presiding Director, or any one of the directors by writing to Ms. Maura A. Smith, Senior Vice President, General Counsel, and Corporate Secretary, at the address set forth to the right. Ms. Smith 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).

As previously reported on Form 8-K on March 25, 2011, Ms. Smith has resigned from the Company effective April 30, 2011. Correspondence received after that date can and will be directed to Ms. Sharon R. Ryan, Vice President, who will serve as Acting General Counsel and Corporate Secretary.

In addition, as described in detail under Information About Our Corporate Governance, our Office of Ethics and Business Practice 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 consideration at the 2012 Annual Meeting?*

Our 2012 annual meeting is currently scheduled for May 7, 2012. If you wish to submit a proposal to be included in the 2012 proxy statement, you must submit your proposal in writing so that we receive it by December 10, 2011. Proposals should be sent to the Corporate Secretary at the address listed above.

If you would like to present your proposal at the 2012 annual meeting, but you do not meet the deadline for inclusion in the proxy statement, our By-Laws require that you notify us of your proposal between January 8, 2012, and February 7, 2012. Your notice should be sent to the Corporate Secretary.

You must be a shareowner of record on the date you submit your proposal and on the record date for determining shareowners entitled to vote at the 2012 annual meeting. You must also meet the minimum share ownership requirements set forth by the Securities and Exchange Commission (SEC) in order to be eligible to submit a shareowner proposal. Your proposal must conform to the notice requirements in Article I, Section 7, of our By-Laws.

#### *How do I nominate a candidate for director at the 2012 Annual Meeting?*

## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

Shareowner nominations for directors may be submitted to the Corporate Secretary at the address listed above. Our By-Laws require that the director nomination be received between January 8, 2012, and February 7, 2012.

As in the case of submitting a shareowner proposal, you must be a shareowner of record on the date you submit your nomination and on the record date for determining shareowners entitled to vote at the 2012 annual meeting. You must also meet the minimum share ownership requirements set forth by the SEC in order to be eligible to nominate a director candidate. Your director nomination must conform to the notice requirements in Article II, Section 9, of our By-Laws.

*Our By-Laws are available at [www.internationalpaper.com](http://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.*

**Table of Contents**

**Matters to be Acted Upon at the 2011 Annual Meeting**

**Item 1 Company Proposal to Elect 11 Directors Nominated by the Board of Directors**

Eleven directors have been nominated by the Board for election by shareowners at the 2011 annual meeting. All 11 nominees, if elected, will hold office until the earlier of:

- (i) our 2012 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 *withhold* your vote for a nominee.

Shares that are *withheld* 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.*

In 2008, shareowners approved an amendment to our Restated Certificate of Incorporation to elect directors annually, phasing in annual elections over a three-year period beginning in 2009. Accordingly, at this 2011 annual meeting, all 11 director nominees will serve for a one-year term. Information about these nominees may be found on pages 12-13.

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 *withhold* 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  
Lynn Lavery Elsenhans  
John V. Faraci  
Samir G. Gibara  
Stacey J. Mobley  
John L. Townsend, III  
John F. Turner  
William G. Walter  
Alberto Weisser  
J. Steven Whisler

## Table of Contents

### Item 2 Company Proposal to Ratify Deloitte & Touche LLP as the Company's Independent Registered Public Accounting Firm for 2011

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 2011. 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 2011.***

### Item 3 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 of 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 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 Item 3. 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 61. 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 33.

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 of 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.*

**Table of Contents**

**Item 4 Company Proposal on a Non-Binding Vote on the Frequency with which Shareowners Will Approve the Compensation of Our Named Executive Officers**

Our Board of Directors is requesting that shareowners cast a non-binding vote as to whether an advisory vote on NEO compensation should occur every one, two or three calendar years. To approve the selection of one of these three frequencies, the affirmative vote of a **majority of a quorum at the annual meeting** is required. If this proposal does not receive the approval of a majority of a quorum at the meeting, the Board will consider as the non-binding selection of the shareowners the frequency (every one, two or three years) that receives the greatest number of votes.

You may vote *for* one of the three frequencies 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 Item 4. Broker non-votes will have the same effect as a vote against this proposal.

We are required by the Dodd-Frank Act to provide shareowners with a non-binding *say-on-pay* vote every one, two or three years. The Dodd-Frank Act also requires that our shareowners vote at least once every six years to express their preference as to the frequency of the *say-on-pay* vote. After careful consideration of the various arguments supporting each frequency level, the Board believes that submitting the advisory vote on executive compensation to shareowners on an annual basis is appropriate for the Company and its shareowners at this time and recommends that shareowners approve an annual vote. However, shareowners are not voting to approve or disapprove the Board's recommendation, and shareowners may vote that a *say-on-pay* vote should occur every one, two or three years or may abstain from voting.

Shareowner approval of a one, two, or three-year frequency vote will not require the Company to implement the frequency selected by the shareowners. The final decision on the frequency of the advisory vote on executive compensation remains with the Board or its committees. The Board values the opinions of the Company's shareowners as expressed through their votes and other communications. Although the resolution is non-binding, the Board or its committees will carefully consider the outcome of the frequency vote and other communications from shareowners when making future decisions regarding the frequency of *say-on-pay* votes.

***Our Board of Directors unanimously recommends that you vote FOR an annual vote to approve the compensation of our named executive officers.***

**Table of Contents**

**Item 5 Shareowner Proposal Concerning Shareowner Action by Written Consent**

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.

RESOLVED, Shareholders hereby request that our board of directors undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting (to the fullest extent permitted by law).

Taking action by written consent in lieu of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle. A study by Harvard professor Paul Gompers supports the concept that shareholder dis-empowering governance features, including restrictions on shareholder ability to act by written consent, are significantly related to reduced shareholder value.

The merit of this Shareholder Action by Written Consent proposal should also be considered in the context of the need for improvement in our company's 2010 reported corporate governance status.

Please encourage our board to respond positively to this proposal to enable shareholder action by written consent Yes on 5.

*[End of Shareowner Proposal]*

The Board of Directors and its Governance Committee have considered this proposal and concluded that it is not in the best interest of our shareowners for the following reasons.

***Matters that are sufficiently important and subject to a shareowner vote should be communicated to all shareowners and all shareowners should have the opportunity to vote on such action.***

The Company's By-Laws provide that shareowner action must be effected at a duly called annual or special meeting. This meeting requirement protects all shareowners by ensuring the following benefits:

notice of a request for a special meeting and the proposals to be considered;



## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

at the meeting, an opportunity to discuss and raise questions with our Board of Directors and senior management (who attend our meetings), as well as with other shareowners; and

most importantly, the right to vote on any proposals.

We urge you to vote against this proposal because it would allow a group of shareowners, who, for as little as a single day, hold a majority of the Company's outstanding shares, to impose their will on the minority without a meeting of the Company's shareowners. They could take significant action, such as electing new directors or

## **Table of Contents**

amending the Company's By-laws. These actions could become effective without your knowledge or consent. The Board believes this is contrary to sound corporate governance principles that the Company has adopted to protect shareowner rights and to ensure your voice is heard.

New York law currently permits shareowners to act by unanimous written consent; that is, all shareowners may act by executing a written consent. The requirement of unanimity safeguards the right of all shareowners to be informed and have an opportunity to be heard on a proposed action.

The Board believes that NY law which allows shareowners to act at an annual or special meeting and permits shareowners to act by unanimous written consent is fair to all shareowners and ensures the proper functioning of the Company's business and affairs.

***The Board believes this proposal, if implemented, would create confusion and disruption.***

Permitting a majority of shareowners to act by written consent could also create substantial confusion and disruption in a publicly held company with approximately 437 million shares outstanding. Multiple groups of shareowners could solicit written consents at any time and on any range of issues, some of which may be in part duplicative or potentially conflicting. This could lead to chaotic rather than an orderly conduct of corporate affairs and may frustrate shareowners leading to lesser overall participation in important Company matters.

***The Company has adopted sound corporate governance policies which ensure that the Board of Directors remains fully transparent and accountable as well as provide shareowners with access to the Board of Directors and ample opportunity to submit items for approval at annual meetings.***

Over the last several years, the Company has enhanced its corporate governance policies in order to achieve greater transparency and accountability by:

eliminating the classified structure of the Board of Directors to allow for annual election of all directors;

adopting a majority-voting standard in uncontested director elections and a resignation requirement for directors who fail to receive the required majority vote. The Board is prohibited from changing back to a plurality-voting standard without the approval of the shareowners; and

amending the Company's Certificate of Incorporation and By-Laws to eliminate all supermajority voting requirements. In addition, the Company's shareowners currently have the right to:

communicate directly with any member of the Board of Directors or a committee member;

propose director nominees to the Governance Committee;

submit proposals for presentation at an annual meeting of shareowners and inclusion in the Company's proxy statement, subject to certain rules of the Securities and Exchange Commission; and

submit proposals, including nominations of director candidates, directly at an annual meeting, subject to certain conditions in our By-Laws.

## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

The Board believes that the Company's existing corporate governance policies provide the appropriate balance between ensuring transparency and accountability, as well as meaningful access to the Board, and ample opportunities to raise matters before the shareowners on an annual basis.

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

11

---

**Table of Contents****Our Board of Directors****Directors Standing for Election Term Expiring in 2012**

The following 11 directors are nominated for election at the 2011 annual meeting. Each of these directors is standing for election to serve a term that will expire in 2012.

**David J. Bronczek**, 56, president and chief executive officer of FedEx Express, a subsidiary of FedEx Corporation, since February 2000. Mr. Bronczek started with FedEx in 1976 and has served as executive vice president and chief operating officer of FedEx Express. Mr. Bronczek was recently appointed by the President of the United States to the National Infrastructure Advisory Council. He is a board member for the Air Transport Association and a member of the Board of Governors of the International Air Transport Association. He is vice chairman for the Board of Visitors of the University of Memphis, a member of the Board of Governors for National Safe Kids Campaign, and a member of Memphis Tomorrow. Director since October 9, 2006.

**Ahmet C. Dorduncu**, 57, retired chief executive officer of Sabanci Holding, a financial and industrial conglomerate located in Turkey. From 2005 until his retirement in 2010, Mr. Dorduncu served as chief executive officer of Sabanci Holding. 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.

**Lynn Laverty Elsenhans**, 54, chairman, chief executive officer and president, Sunoco, Inc., manufacturer and marketer of petroleum and petrochemical products since August 2008. Ms. Elsenhans is also chief executive officer and chairman of the board of Sunoco Partners, LLC, the general partner of Sunoco Logistics Partners, LP. Sunoco Logistics engages in the transport, terminalling and storage of refined products and crude oil. Ms. Elsenhans previously served as executive vice president, global manufacturing, Shell Downstream Inc., a subsidiary of Royal Dutch Shell plc, from January 2005 until July 2008. She served concurrently as president of Shell Oil Company and chief executive officer of Shell Oil Products U.S. from 2003 until 2005. Ms. Elsenhans is an overseer for the Jones Graduate School of Management at Rice University and serves on the boards of the Texas Medical Center, the United Way of Southeastern Pennsylvania and the Business Committee for the Arts Advisory Council. Director since March 15, 2007.

**John V. Faraci**, 61, 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 board of directors of United Technologies Corporation. He also serves on the board of the Moscow School of Management and is chairman of the Brazil US Business Council. He is a trustee of Denison University and the American Enterprise Institute, and a member of the Citigroup International Advisory Board. Director since February 11, 2003.

**Samir G. Gibara**, 71, retired chairman of the board and chief executive officer of The Goodyear Tire & Rubber Company. Mr. Gibara served as chairman and chief executive officer from 1996 to his retirement in 2002 and remained as non-executive chairman until June 30, 2003. Prior to 1996, Mr. Gibara served that company in various managerial posts before being elected president and chief operating officer in 1995. Mr. Gibara served as a director of Dana Corporation through early 2008, and was elected to the board of W&T Offshore Inc. in May 2008. He serves on the Board of Dean's Advisors of the Harvard Business School and as a trustee of the University of Akron Foundation. Director since March 9, 1999.

---

**Table of Contents**

**Stacey J. Mobley**, 65, 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, and as a director of Hewitt Associates Inc. (through October 2010), Wilmington Trust Company (through April 2010), and Nuclear Electric Insurance Ltd. Mr. Mobley also serves on the board of trustees of Howard University. Director since July 7, 2008.

**John L. Townsend, III**, 55, managing partner and chief operating officer of Tiger Management, LLC, an investment management business since July 2010. 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. Director since March 13, 2006.

**John F. Turner**, 69, 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**, 65, retired chairman of FMC Corporation, an agriculture, specialty and industrial chemical company. Mr. Walter served as chairman of FMC Corporation from 2001 to September 2010, and also served as FMC's president and chief executive officer from 2001 until December 31, 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 directors of New York Life Insurance Company. Director since January 1, 2005.

**Alberto Weisser**, 55, chairman and chief executive officer of Bunge Limited, a global food, commodity and agribusiness company, since 1999. Mr. Weisser served as Bunge's chief financial officer from 1993 to 1999. Mr. Weisser is a member of the North American Agribusiness Advisory Board sponsored by Rabobank Nederland. Director since January 1, 2006.

**J. Steven Whisler**, 56, 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 the U.S. Airways Group, Inc., and the Brunswick Corporation. He is standing for election to the board of CSX Corporation in May 2011. He is also a director of the C.M. Russell Museum. Director since December 11, 2007.

## **Table of Contents**

### **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](http://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.

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 Business Ethics***

Our Board has adopted a *Code of Business Ethics* that applies to our directors, officers and all employees to ensure that we conduct business in a legal and ethical manner. Our revised *Code of Business Ethics (Third Edition)* was updated in January 2008 to reflect the increasingly global nature of our business and addresses many global compliance issues. Our *Code of Business Ethics* is available at [www.internationalpaper.com](http://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 Office of Ethics and Business Practice 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 Office of Ethics and Business Practice in person, via mail, e-mail, facsimile or telephone. Our *Code of Business Ethics* explains that there are multiple other channels for an employee to report a concern, including to his or her manager, assigned human resource 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](http://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 provided to the Office of Ethics and Business Practice for further action and, if possible, 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 Office of Ethics and Business Practice, 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



## **Table of Contents**

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, duties and responsibilities 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 any of our director's independence.

The service by Mr. Walter as Chairman of the Board of FMC Corporation through September 2010 and the commercial relationship involving routine, arms-length purchases and sales transactions between International Paper and FMC Corporation during this period.

The service by Mr. Weisser on the North American Agribusiness Advisory Board sponsored by Rabobank Nederland. Rabobank Nederland is an entity to which International Paper is indebted. Mr. Weisser does not serve as an executive officer of Rabobank Nederland, nor did he receive compensation from Rabobank Nederland.

The service by Mr. Dorduncu as Chief Executive Officer of Sabanci Holding and the Chairman of the Board of an industrial packaging business joint venture between Sabanci Holding and International Paper through 2010.

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.



## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

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.

**Table of Contents***Transactions Considered in Analysis of Director Independence*

<b>Director</b>	<b>Name of Employer</b>	<b>Business Relationship (including affiliated companies)</b>	<b>Dollar Amount of Routine Sales Transactions (approximate)</b>	<b>Amount exceeds greater of \$750,000 or 1.75% of other company's gross revenue?</b>
David J. Bronczek	FedEx Express, a subsidiary of FedEx Corporation	Routine sales to FedEx Corp.	\$202,093,960 in total, representing .803% of International Paper's annual net sales in 2010	No
		Routine purchases from FedEx Corp.	\$8,930,843 in total, representing less than .026% of FedEx Corp.'s annual gross revenue in 2010	No
Lynn Laverty Elsenhans	Sunoco, Inc.	Routine sales to Sunoco, Inc.	None	No
		Routine purchases from Sunoco, Inc.	\$48,210,539 in total, representing less than .124% of Sunoco's annual gross revenue in 2010	No
Alberto Weisser	Bunge Ltd.	Routine sales to Bunge Ltd.	\$7,832,023 in total, representing .031% of International Paper's annual net sales in 2010	No
		Purchases from Bunge Ltd.	\$255,367 in total, representing less than .0005% of Bunge's annual gross revenue in 2010	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 election 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 all of our non-employee directors are independent. We have one employee-director, our Chairman, Mr. Faraci, who is not independent. All committees of the Board are comprised entirely of independent directors. Further, the Governance Committee concluded and recommended to our Board, and our Board determined, that all of our non-employee directors meet the independence requirements for service on our Audit and Finance Committee, the Management Development and Compensation Committee and the Governance Committee.

## **Table of Contents**

### *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.

Additionally, the Board believes that its membership should reflect diversity in the broadest sense, and is particularly interested in maintaining a mix that includes the following backgrounds:

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

*Our Director Qualification Criteria and Independence Standards may be found at [www.internationalpaper.com](http://www.internationalpaper.com) under the **Company** tab at the top of the page and then under the **Governance** link.*

**Table of Contents***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.

<b>Director</b>	<b>Significant Experience</b>	<b>Rationale</b>
David J. Bronczek	International Operations Environment, Public Policy, Public Service Strategic Planning Supply Chain Technology Marketing	As president and CEO of FedEx Express, a subsidiary of FedEx Corp., 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 Supply Chain Marketing	As retired CEO of Sabanci Holding, a leading financial and industrial conglomerate, Mr. Dorduncu brings vast experience in international operations for a large 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.
Lynn Laverty Elsenhans	Current CEO Manufacturing International Operations Environment, Public Policy, Public Service Finance, Accounting Strategic Planning Supply Chain Technology	As chairman, CEO and president of Sunoco, Ms. Elsenhans brings management expertise and leadership capabilities, as well as a broad understanding of the operational, financial and strategic issues facing public companies. Her previous experience at Royal Dutch Shell includes global manufacturing, supply chain and marketing. She has experience with operations overseas, including Brazil, Europe, the Middle East, and Asia Pacific, which are regions of strategic importance to International Paper. Ms. Elsenhans also brings financial expertise to our Board and our Audit and Finance Committee, and has served on the audit committees of several not-for-profit boards.

Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

	Marketing	
John V. Faraci	Current CEO	Under Mr. Faraci's leadership, International Paper has successfully executed a major transformation plan, focusing and repositioning the Company on our core global papers and packaging business, which resulted in record free cash flow in 2008 and 2009. 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 35 years. His service on the board of publicly traded United Technologies Corporation gives him additional experience on which he can draw as Chairman of our Board.
	Manufacturing	
	International Operations	
	Environment, Public Policy, Public Service	
	Finance, Accounting	
	Strategic Planning	
	Supply Chain	
	Technology	
	Marketing	
Samir G. Gibara	Former CEO	
	Manufacturing	
	International Operations	
	Environment, Public Policy, Public Service	
	Finance, Accounting	
	Strategic Planning	
	Marketing	

**Table of Contents**

<b>Director</b>	<b>Significant Experience</b>	<b>Rationale</b>
Stacey J. Mobley	Manufacturing	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.
	International Operations	
	Environment, Public Policy, Public Service	
	Strategic Planning	
	Supply Chain	
	Marketing	
	Legal	
John L. Townsend, III	International Operations	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 makes him well qualified to serve as the chair of our Audit and Finance Committee.
	Finance, Accounting	
	Strategic Planning	
John F. Turner	International Operations	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 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 over manufacturing, natural resource conversion 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 on which to draw as chairman of our Public Policy and Environment committee.
	Environment, Public Policy, Public Service	
	Finance, Accounting	
	Strategic Planning	
	Marketing	
William G. Walter	Former CEO	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 management experience, leadership capabilities, financial knowledge and business acumen to our Board, including as a member of our Audit and Finance Committee and as chairman of our Management Development and Compensation Committee.
	Manufacturing	
	International Operations	
	Finance, Accounting	
	Strategic Planning	
	Technology	
	Marketing	
Alberto Weisser	Current CEO	Mr. Weisser has served as chairman and CEO of Bunge Ltd. since 1999. This gives him a strong background in the strategic, financial and compliance issues facing a large, diversified, publicly traded, manufacturing company. Mr. Weisser's six years' previous experience as Bunge's CFO further augments
	Manufacturing	

## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

International Operations the financial expertise he brings to our Board and our Audit and Finance Committee.

Finance, Accounting

Strategic Planning

Supply Chain

Marketing

J. Steven Whisler

Former CEO

Manufacturing

International Operations

Environment, Public Policy,  
Public Service

Finance, Accounting

Strategic Planning

Supply Chain

Legal

Prior to its acquisition in March 2007, Mr. Whisler served as chairman and CEO of Phelps Dodge Corporation, a large, publicly traded, manufacturing company with international operations. He 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 Governance Committee.

## **Table of Contents**

### *Director Nomination Procedures*

During 2010, there have been no changes to the procedures by which shareowners may recommend Board nominees. The Governance Committee did not receive any recommended nominees from a shareowner or group of shareowners that beneficially own more than 5 percent of our common stock.

Our Board applies the same criteria in evaluating candidates nominated by shareowners as those recommended by other sources, including the Governance Committee. The Governance Committee historically has engaged Egon Zehnder International, a business leadership recruiting firm, to identify potential director-candidates to the Board.

### *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 2010, Mr. John Townsend, III, tendered his resignation for consideration by the Governance Committee in accordance with this policy. The Board determined not to accept the resignation.

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, working through the Governance Committee, will determine whether or not to accept the resignation. In 2010, no director was required to tender a resignation under this policy.

#### *Mandatory Retirement Policy*

Our Board revised its mandatory retirement policy in 2010. Under the revised policy, a 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 directors retired under this policy during 2010. Mr. Gibara, who has served on our Board since 1999, will retire under this policy in December 2011.

#### *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 10 times during 2010, with an average attendance rate of 92 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 2010 annual meeting were in attendance at the 2010 annual meeting.



## **Table of Contents**

### *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 2010, executive sessions were held at every regularly scheduled 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 chair of the Governance Committee is the Presiding Director, who 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;
- 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.

## **Table of Contents**

### **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](http://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 of the Company, who regularly attend the meetings. The Governance Committee chair also serves as the Presiding Director, as described above.

*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 leaders, 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 Mr. Nicholls, Ms. Smith, and our Director of Internal Audit, Ms. Tanya K. Robbins.

*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*

*J. Steven Whisler (Chairman)*

*David J. Bronczek*

*Stacey J. Mobley*

*John L. Townsend, III*

*John F. Turner*

***Five Meetings in 2010***

***Attendance Rate***

*100 percent*

***All Members are Independent***

***Audit and Finance Committee***

***Current Members***

*John L. Townsend, III (Chairman)*

*Lynn Laverty Eisenhans*

*Samir G. Gibara*

*William G. Walter*

*Alberto Weisser*

***12 Meetings in 2010***

***Attendance Rate***

*88 percent*

***Each Member is an Audit Committee Financial Expert under the SEC's Definition***

***All Members are Independent***

**Table of Contents**

***Audit and Finance Committee Report***

***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, 2010.

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](http://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. Maura A. Smith, 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 2010 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 auditors' independence.

The Board has determined that the following members of our Audit and Finance Committee are audit committee financial experts as defined in Item 407(d)(5)(ii) of Regulation S-K: Lynn Laverty Elsenhans, Samir G. Gibara, John L. Townsend, III, William G. Walter, and Alberto Weisser. The Board has determined that each of these audit committee financial experts meets the independence 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, 2010.

The Audit and Finance Committee has selected, and the Board of Directors has ratified the appointment of the Company's independent auditors.

**Audit and Finance Committee**

John L. Townsend, III, Chairman  
Lynn Laverty Elsenhans  
Samir G. Gibara

William G. Walter  
Alberto Weisser

**Table of Contents***The Company's Independent Registered Public Accounting Firm*

The Audit and Finance Committee is responsible for engaging the Company's independent registered public accounting firm, and has evaluated the qualifications, performance and independence of Deloitte & Touche, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates. Based on this evaluation, the Audit and Finance Committee has approved and selected, and the Board has ratified, Deloitte & Touche as the Company's independent registered public accounting firm for 2011.

Deloitte & Touche's reports on the consolidated financial statements for each of the three fiscal years in the period ended December 31, 2010, 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, 2009 and December 31, 2010. The total fees and expenses paid to Deloitte & Touche are as follows (in thousands):

	2009	2010
	(\$)	(\$)
Audit Fees	12,935	13,359
Audit-Related Fees	1,498	1,614
Tax Fees	1,401	1,604
All Other Fees		5,605
<b>Total Fees</b>	<b>15,834</b>	<b>22,182</b>

*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 Ms. Maura A. Smith, or visit us on our Web site, [www.internationalpaper.com](http://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:

- 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.
- 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.
- 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.

**Table of Contents**

***Public Policy and***

***Environment Committee***

***Current Members***

*John F. Turner (Chairman)*

*David J. Bronczek*

*Lynn Laverty Elsenhans*

*Stacey J. Mobley*

***Three Meetings in 2010***

***Attendance Rate***

*100 percent*

***All Members are Independent***

***Executive Committee***

***Current Members***

*John V. Faraci (Chairman)*

*John L. Townsend, III*

*John F. Turner*

*William G. Walter*

*J. Steven Whisler*

***No Meetings in 2010***

***Management Development and Compensation Committee***

***Current Members***

*William G. Walter (Chairman)*

*Samir G. Gibara*

*Alberto Weisser*

*J. Steven Whisler*

***Five Meetings in 2010***

***Attendance Rate***

100 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 Business Ethics*, 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 James F. Reda of James F. Reda & Associates (formerly James F. Reda & Associates, LLC), a division of Gallagher Benefit Services, Inc., which is a wholly owned subsidiary of Arthur J. Gallagher & Co. Mr. Reda regularly attends the committee's meetings. A representative of the Company's compensation consultant, Towers Watson & Co. (Towers Watson), also attends meetings from time to time.



## **Table of Contents**

*Role of Independent Consultant.* The committee has retained Mr. Reda as its independent compensation consultant since early 2004. Mr. Reda 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 rewards programs;
- Provide advice on the direction and design of our executive compensation programs;
- Provide insight into the general direction of executive compensation within *Fortune* 100 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.

The committee has sole authority for retaining and terminating Mr. Reda, as well as approving the terms of engagement, including fees. Mr. Reda works exclusively for the committee and provides no services to the Company.

*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 2010, the committee, in consultation with Mr. Reda, completed this annual risk assessment. The committee evaluated a series of analytical questions, including those recommended by the Center On Executive Compensation. The questions were designed to assess programmatic risk, including compensation mix, plan design, performance metrics, relationship between performance and plan payout, officer stock ownership requirements, severance and change-in-control provisions. Based on this evaluation, the committee concluded that the Company's executive compensation program appropriately aligns compensation with long-term shareholder 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 2010 were Mr. William G. Walter, Chairman, Mr. Samir G. Gibara, Mr. Alberto Weisser and Mr. J. Steven Whisler. 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 of 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.

## **Table of Contents**

### 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 16 under the heading Transactions Considered in Analysis of Director Independence for a description of related person transactions during 2010.

*Our Related Person Transaction procedures are available at [www.internationalpaper.com](http://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

## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

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, 2010, except the Form 4 for Mr. Maximo Pacheco, Senior Vice President, to reflect the sale on February 4, 2010, of shares held beneficially by Mr. Pacheco, which was filed one day late on February 9, 2010.

## **Table of Contents**

### **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 on page 34;
- Align the interests of our directors with the interests of our executives and shareowners;
- Attract and retain top director talent;
- Focus on stewardship; 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, for May 1, 2010, through April 30, 2011, requires ownership of Company stock equivalent to \$400,000). Directors have 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 aligns the interests of our directors with the interests of our shareowners. As of December 31, 2010, all directors who were required to meet the ownership levels held the requisite number of shares.

#### *Elements of Our Director Compensation Program*

For the May 2010 – April 2011 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.

We did not increase the annual retainer fee paid to our directors in 2010. However, in May 2010, we increased the Public Policy and Environment Committee Chair fee so that it was consistent with other chair fees, and, consistent with the practices of our CCG, we added a Presiding Director fee in recognition of the additional responsibilities of that role.

#### *Annual Compensation*

The annual retainer fees for the May 2010 – April 2011 performance year are shown below. A director's annual compensation is \$200,000, 40 percent of which is payable in cash and 60 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. For 2010, four of our directors 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. For 2010, two of our directors elected to defer payment of all or a portion of their equity compensation until retirement.

**Table of Contents**

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 \$120,000 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.

In addition, each committee chair receives a fee for his or her service in such role. For 2010, Messers. Townsend, 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 2010, Ms. Elsenhans and Messers. Gibara, Walter and Weisser each received an Audit and Finance Committee member fee. As Presiding Director, Mr. Whisler also received a Presiding Director fee for 2010.

Type of Fee	2010 - 2011 Fee Amount (\$)	
<b>Board Fees</b>		
Cash Retainer	\$	80,000
Equity Retainer	\$	120,000
<b>Committee Fees</b>		
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
<b>Presiding Director Fee</b>	\$	15,000
<i>Directors' Charitable Award Program</i>		

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 2010 and extends to June 15, 2011, are XL Specialty Insurance Company and U.S. Specialty 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.

**Table of Contents***Our Analysis*

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

<b>Our Director Pay</b>	<b>Our 2010 Director Pay</b>
<b>Principles</b>	<b>Policies and Practices</b>
• Target compensation at median of CCG	Compensation for 2010-2011 remained in line with CCG market practice
• Align the interests of our directors with the interests of our executives and shareowners	Maintained mix of cash and equity that is in line with CCG Paid 60 percent of compensation in the form of equity so that directors, like shareowners, have a personal stake in the Company's financial performance
• Attract and retain top director talent	Compensated directors competitively, based on a cross-section of similar companies (CCG)
• Focus on stewardship	Continued to pay annual retainer rather than per-meeting fees
• 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 2010 compensation for non-employee directors. This table shows fiscal year 2010 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) each director makes an individual election to defer compensation; (iii) certain directors receive committee chair fees, a Presiding Director fee, and/or member fees; and (iv) directors may join our Board on different dates, so their compensation is prorated for the year.

<b>Name of Director</b>	<b>Fees Earned or Paid in Cash (\$)(1)</b>	<b>Stock Awards (\$)(2)</b>	<b>All Other Compensation (\$)(3)</b>	<b>Total (\$)</b>
David J. Bronczek	40,000	168,003	22,842	230,845
Lynn Laverty Elsenhans	89,697	119,992	29,599	239,288
Samir G. Gibara	90,530	119,992	29,390	239,912
Stacey J. Mobley	40,000	168,003	11,146	291,149
John L. Townsend, III	106,326	119,992	18,247	244,565
John F. Turner	93,712	119,992	19,316	233,020
William G. Walter	-	240,990	41,075	282,065
Alberto Weisser	60,606	119,992	34,933	215,531
J. Steven Whisler	-	245,990	16,680	262,670

(1) As described above, certain directors elected to receive shares of restricted stock in lieu of cash and therefore had no cash compensation during 2010.

(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 day prior to grant of the equity award.

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

**Table of Contents**

Restrictions on shares awarded to our directors under our current compensation plan lapse one year from the date of grant, and then are freely transferable, subject to our director stock ownership requirement and securities regulations. As of December 31, 2010, only Mr. Gibara holds shares of Company stock that were awarded under our previous compensation plan. He may not sell these shares until retirement, disability or death. 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, 2010, for each non-employee director.

Name of Director	Aggregate Number of Shares Outstanding That Have Not Vested (#)
David J. Bronczek	11,353
Lynn Lavery Elsenhans	22,914
Samir G. Gibara	39,231
Stacey J. Mobley	7,254
John L. Townsend, III	5,181
John F. Turner	5,181
William G. Walter	59,108
Alberto Weisser	35,926
J. Steven Whisler	39,872
Total	226,021

(3) A breakdown of the amounts shown in the All Other Compensation column for 2010 for each non-employee director is set forth in the following table:

Name of Director	Annual Expense of Charitable Award		TOTAL (\$ (c))
	Program (closed ) (\$ (a))	Dividends Earned (\$ (b))	
David J. Bronczek	16,095	6,747	22,842
Lynn Lavery Elsenhans	16,095	13,504	29,599
Samir G. Gibara	16,095	13,295	29,390
Stacey J. Mobley	-	11,146	11,146
John L. Townsend, III	16,095	2,152	18,247
John F. Turner	16,095	3,221	19,316
William G. Walter	16,095	24,980	41,075
Alberto Weisser	16,095	18,838	34,933
J. Steven Whisler	-	16,680	16,680

(a) With regard to 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 2010, the aggregate accrued liability increased by \$128,762, 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.



**Table of Contents**

(b) Directors earn dividends on their shares of restricted 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. The amount shown represents the value of dividends earned, whether in cash or in stock. Directors who have accumulated a greater number of shares or RSUs will earn a greater number of dividends.

(c) The total column represents the sum of columns (a) through (c), and is shown in column (3) of the 2010 Non-Employee Director Compensation Table, above. The amount shown does not include the *de minimis* cost for each director of a \$10,500 life insurance policy and a \$500,000 business travel accident policy.

**Table of Contents**

Compensation Discussion & Analysis ( CD&A )

*Overview*

In this CD&A, we discuss the compensation paid to our executive officers who are identified as Named Executive Officers ( NEOs ) in the 2010 Summary Compensation Table found on page 61 of this proxy statement. The executive compensation program discussed in this CD&A applies to our NEOs, as well as to our other Senior Vice Presidents. We refer to the Chief Executive Officer ( CEO ) and 11 Senior Vice Presidents 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 long-term value for our shareowners.

We have embraced 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 ), and in our incentive plans *representing the greatest percentage of total targeted compensation for our NEOs* we require above-median Company performance for executives to receive a target payout.

To assure that our executives are focused on producing outstanding financial results, our short- and long-term incentive pay is based on three financial measures:

- Free Cash Flow;
- Return on Investment ( ROI ); and
- Total Shareholder Return ( TSR ).

The Management Development and Compensation Committee (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 26.

During 2010, International Paper delivered strong results and record earnings in a number of businesses. In our capital-intensive business, a focus by our leaders on efficient use of capital and solid return on investment are key elements for creating long-term shareowner value. The Company's return on investment was the highest since 1995, and with strong cash flow, we contributed nearly \$1.2 billion to our pension plan and repaid \$300 million of balance sheet debt. As the global economy emerged from the worst recession since the Great Depression, the Company was well-positioned to capture the benefits of earlier investments, capacity rationalization, and efficiency improvements. Our executives were rewarded for these results with above-target payouts in the short-term and long-term incentive plans.

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

**How We Design Our Executive Compensation Program**

<b>Part I:</b>	<i>Explains how the Committee uses benchmarking to guide its decision making, and how the Committee, consultants and executive officers participate in the development of our program</i>	Page 34
	<b>Pay for Performance Analysis</b>	
<b>Part II:</b>	<i>Demonstrates that our CEO's pay is appropriately tied to Company performance</i>	Page 37
<b>Part III:</b>	<b>Elements of Our Executive Compensation Program</b>	Page 38

## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

*Describes each element of our program and explains how our incentive compensation plans are designed*

### **NEO Compensation**

<b>Part IV:</b>	<i>Details the rationale for the Committee's compensation decisions in 2010 related to the NEOs, describes each NEO's individual, pre-established performance objectives, and compares the actual amounts paid to his or her targeted compensation</i>	Page 47
	<b>Other Governance and Compensation Related Matters</b>	
<b>Part V:</b>	<i>Discusses the governance policies that reinforce our pay-for-performance philosophy and limit executive benefits, including, among others, our stock ownership requirements and clawback features of our incentive plans</i>	Page 58
	<b>Additional Information about Our Executive Compensation</b>	
<b>Part VI:</b>	<i>Provides detailed information about our NEO compensation for 2008, 2009 and 2010 in the Summary Compensation Table and other tables</i>	Page 61

**Table of Contents**

**Part I: How We Design Our Executive Compensation Program**

*Executive Compensation Philosophy*

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

<b>Compensation Principles</b>	<b>Rationale</b>
Pay for performance	We reward achievement of specific goals that improve our financial performance and drive strategic initiatives to ensure 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.

*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 only to assure sufficient data on which to base compensation decisions.

Our CCG generally consists of 20 publicly traded companies with which we are likely to compete for executive talent. CCG companies are selected based on the following business characteristics:

Comparable annual revenue;

Global geographic presence; and

Complexity of business operations.

Annually, the Committee reviews an analysis of the pay levels of each member of our SLT to comparable positions at CCG companies.

Towers Watson provides data to the Committee in order to compare the three elements of total direct compensation ( TDC ):

Base salary;

Short-term incentive compensation ( STI ); and

Long-term incentive compensation ( LTI ).

The Committee targets TDC at the median level (50<sup>th</sup> percentile) of our CCG.

**IP's Targeted TDC = CCG Median TDC  
2010 Compensation Comparator Group**

	Fiscal Year End	Revenues (in billions)
Lockheed Martin Corp.	Dec-09	\$45.2
Dow Chemical Company	Dec-09	\$44.9
Bunge Limited	Dec-09	\$41.9
FedEx Corp.	May-10	\$34.7
Johnson Controls, Inc.	Sep-10	\$34.3
Caterpillar Inc.	Dec-09	\$32.4
Honeywell International Inc.	Dec-09	\$30.9
Hess Corp.	Dec-09	\$29.6
E.I. DuPont de Nemours	Dec-09	\$27.3
3M Company	Dec-09	\$23.1
Schlumberger Limited	Dec-09	\$22.7
Emerson Electric Company	Sep-10	\$21.0
Kimberly-Clark Corp.	Dec-09	\$19.1
Alcoa Inc.	Dec-09	\$18.4
Whirlpool Corp.	Dec-09	\$17.1
Goodyear Tire & Rubber Company	Dec-09	\$16.3
Occidental Petroleum	Dec-09	\$15.5
Xerox Corp.	Dec-09	\$15.2
Eaton Corp.	Dec-09	\$11.9
United States Steel Corp.	Dec-09	\$11.0
<i>25th Percentile</i>		\$16.9
<i>50th Percentile</i>		\$22.9
<i>75th Percentile</i>		\$32.9
<i>90th Percentile</i>		\$42.2
<b>International Paper Company</b>	<b>Dec-09</b>	<b>\$23.4</b>
<i>IP Percent Rank</i>		<i>52.9%</i>
<i>IP Rank</i>		<i>10 out of 21</i>

## **Table of Contents**

The Committee 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 equity.

### ***2010 Total Target Compensation Mix***

The chart below demonstrates our commitment to pay for performance. For 2010, 87 percent of our CEO's target compensation and, on average, 73 percent for other NEOs, including the CFO, was based on Company performance and was therefore at-risk. Importantly, base salary comprises a relatively small portion of our NEOs' compensation.

### ***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 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 organized 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 in July and in December. 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.

## **Table of Contents**

### *Role of Compensation Consultants*

The Committee relies on its independent, external compensation consultant, Mr. James F. Reda, to inform its decision-making process. The Committee has sole authority for retaining and terminating its consultant, as well as approving the terms of engagement, including fees. Mr. Reda works exclusively for the Committee and provides no services to the Company. The Company retains Towers Watson to advise on program design, provide and analyze benchmarking data, apprise management of evolving practices and trends, and perform other consulting services 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 the General Counsel, 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 meetings or deliberations that involve his own compensation.

## Table of Contents

### Part II: Pay for Performance Analysis

In addition to the benchmarking process described in Part I, the Committee reviews our CEO's actual pay in relation to the Company's performance to ensure alignment.

While there are many companies that we could compare ourselves to 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 compensation actually paid including 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 2007-2009.

Compared to our CCG, we paid our CEO at the 40<sup>th</sup> percentile while the Company delivered TSR at the 40<sup>th</sup> percentile. The Committee believes this graph clearly illustrates an appropriate correlation between our CEO's pay and the Company's performance.

About this graph:

This graph is based on the 2010 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) the 12/31/09 market value of equity grants as listed:

- ü in-the-money value of stock options granted over the three-year period
  - ü service-based restricted stock awards granted over the three-year period; and
  - ü performance-based incentives: i) *as paid*, for grant cycles beginning and ending between 2007 and 2009; and ii) *as granted*, for performance cycles that have not yet been completed, assuming target performance.
- The CEOs at three CCG companies served fewer than three years; therefore, the data reflects awards for their respective years of service.



**Table of Contents****Part III: Elements of Our Executive Compensation Program***Overview*

The primary elements of our executive compensation program are base salary, 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 and perquisites, are not part of TDC, but the Committee reviews these elements also.

*Base Salary*

Base salaries represent the only fixed element of TDC. Annually, the Committee evaluates whether or not to award merit increases based on individual performance and also determines whether market-based adjustments are necessary. In 2010, all SLT members, with the exception of Mr. Pacheco, received base salary merit increases and/or market-based adjustments. The 2010 base salary adjustments for each NEO are described in Part IV.

In February 2011, the Committee awarded base salary increases effective April 1, 2011, to our NEOs, as follows: Mr. Faraci, 5 percent increase to \$1,391,000; Mr. Nicholls, 9.2 percent increase to \$710,000; Ms. Roberts, 3.1 percent increase to \$700,000; and Mr. Kadien, 3.0 percent increase to \$587,100. No base salary increase was recommended for Mr. Pacheco for 2011.

*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. Other equity awards may be granted from time to time under very limited circumstances to address specific recruitment, retention or other recognition efforts.

Plan type	IP Incentive Plan	Performance Metrics
		Free Cash Flow
Short-term Incentive Plan	Management Incentive Plan or MIP	Absolute ROI
		ROI to Peers
Long-term Incentive Plan	Performance Share Plan or PSP	ROI to Peers
		TSR to Peers
Other Equity Award Programs	Service-based Restricted and Unrestricted Stock/Units	Not applicable
	Discontinued Programs:	

Stock Options

Executive Continuity Awards

**Table of Contents**

*How and Why We Chose Our Performance Metrics and Peer Groups*

Our incentive compensation plans are designed around achievement of pre-established performance objectives that will drive improved financial performance of the Company. The Committee evaluates the appropriateness of the performance metrics, and makes adjustments based on the financial objectives most critical to the Company's success. For example, in 2010, the Committee added a third performance metric to our annual cash incentive plan *absolute return on investment* in order to drive focus in this key area. We explain below why the Committee chose the performance metrics we use for our incentive compensation plans.

**2010 ROI PEER GROUP**

*Domtar Inc.*

*MeadWestvaco Corp.*

*M-real Corp.*

*Mondi Group*

*Packaging Corporation of America*

*Smurfit Kappa Group*

*Smurfit-Stone Container Corp.*

*Stora Enso Corp.*

*Temple-Inland, Inc.*

*UPM-Kymmene Corp.*

**2010 TSR PEER GROUP**

*Alcoa Inc.*

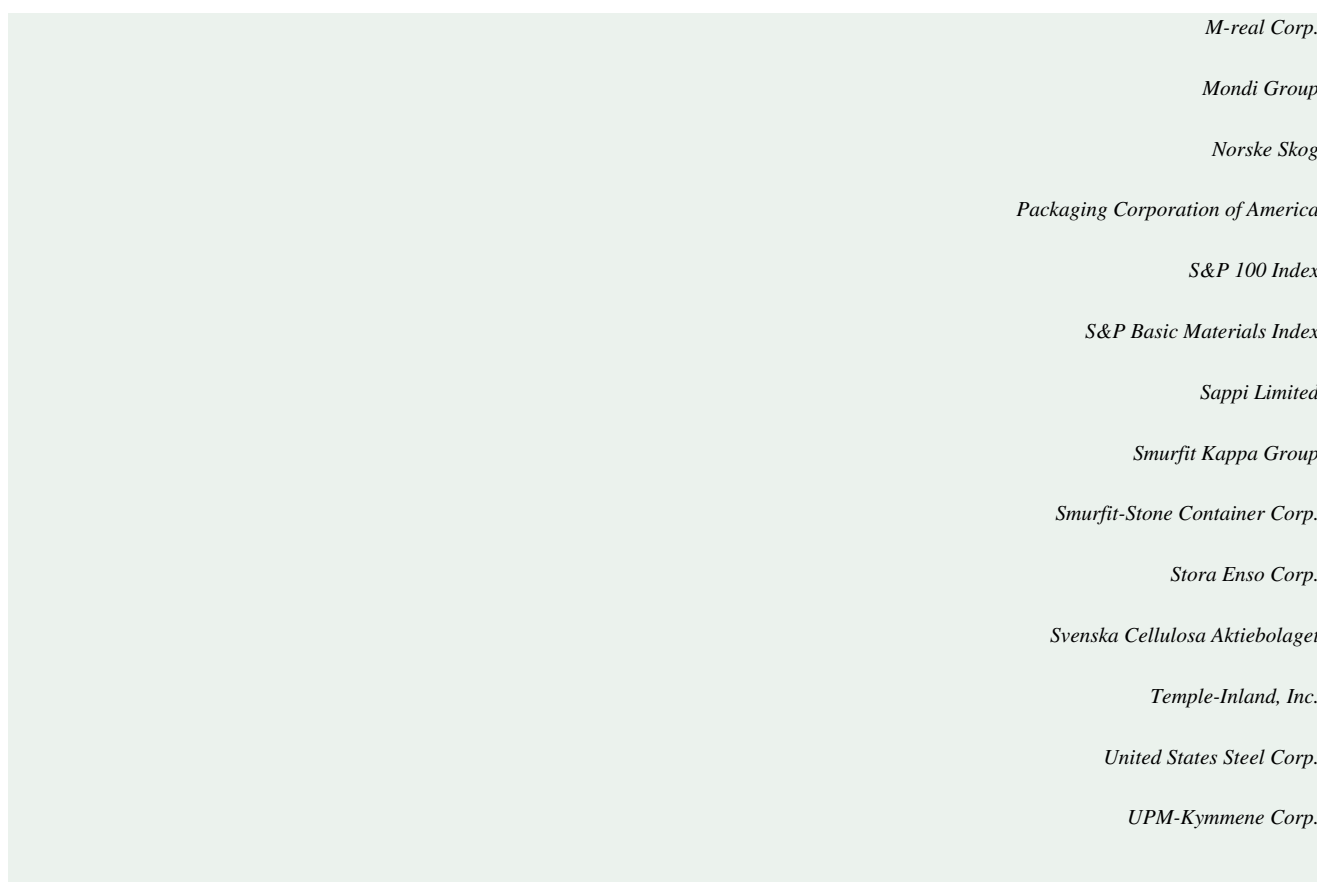
*AbitibiBowater Incorporated*

*Domtar Inc.*

*Dow Chemical Company*

*E.I. DuPont de Nemours & Co.*

*MeadWestvaco Corp.*



**Free Cash Flow**<sup>1</sup> is a measure of a company's ability to generate cash and is an important indicator of its stock value. Focusing our leaders on generating Free Cash Flow is important to maintain a strong balance sheet, pay dividends, repay debt, maintain our assets and make investments for future growth.

**Return on Investment (ROI)**<sup>2</sup> measures a company's profitability and is an indicator of a company's ability to use its assets and resources to generate returns on invested capital. Earning an ROI target that is at least equal to or greater than our cost of capital is necessary for the Company to create long-term value for our shareowners.

**Total Shareholder Return (TSR)**<sup>3</sup> reflects share price appreciation and dividends paid. TSR can be used to compare the performance of companies' stocks over time, and we measure our relative TSR position over a three-year period against our TSR Peer Group. This is a key financial measure that aligns our long-term incentive pay with creating value for our shareowners.

*Why We Use Different Peer Groups*

In the chart below, we explain below why we use different peer groups for compensation benchmarking and measuring Company performance in our incentive plans.

Peer Group	Composition	Rationale
CCG	Includes 20 companies from many industries	These are the companies against which we are likely to compete for executive talent

*Companies range in size from approximately 50 to 200 percent of our revenue, which puts us in the mid-range*

## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

ROI Peers	Includes global industry competitors	These are the companies against which we compete for customer business
TSR Peers	Broader cross-section of basic materials companies engaged in global manufacturing and capital-intensive businesses	These are the companies against which we compete for investment dollars, and two indices: the S&P 100 and the S&P Basic Materials Index

<sup>1</sup> For purposes of the incentive compensation plans discussed here, Free Cash Flow is calculated as Cash Flow before Dividends (but including special items and discontinued operations) as shown in the Company's Statement of Cash Flow as Cash provided by operations less Invested in capital projects. Cash received from the Alternative Fuel Mixture Tax Credits and cash benefits from Cellulosic Biofuel Tax Credits are excluded from the calculation of Free Cash Flow for purposes of determining achievement of the Free Cash Flow metric.

<sup>2</sup> For purposes of the incentive compensation plans discussed here, ROI is calculated as after-tax operating earnings (including both earnings from continuing and discontinued operations up through the date of sale) before the impact of special items, divided by average capital employed. Capital employed is total assets, less short-term, non-interest-bearing liabilities. The ROI metric excludes the impact of special items, such as gains or losses associated with asset sales, asset impairments, restructuring costs, changes in pension funding, significant out-of-period or one-off items. Income received due to Alternative Fuel Mixture Tax Credits and from Cellulosic Biofuel Tax Credits is excluded from the calculation of ROI for purposes of determining achievement of the ROI metric because we have classified it as a special item. We calculate International Paper's ROI and our peer companies' ROI using the same methodology.

<sup>3</sup> For purposes of the incentive compensation plans discussed here, TSR is calculated as the change in the Company's common stock price during the performance period plus the impact of any dividends paid and reinvested during the performance period. For all companies in our TSR Peer Group, both the beginning and ending common stock prices used are the average closing price of the 20 trading days immediately preceding the beginning and ending of the performance period. We calculate International Paper's TSR and our peer companies' TSR using the same methodology.

**Table of Contents****Management Incentive Plan ( MIP )***Overview*

The MIP is an annual, cash-based incentive plan designed to motivate employees to achieve our most critical short-term financial goals. In 2010, the MIP award pool, described below, was distributed among approximately 2,900 employees.

*2010 Company Performance Metrics and Performance Achievement*

The Company continued its focus on ROI in the 2010 MIP, incorporating both absolute and relative ROI into the plan design, along with an absolute Free Cash Flow metric. The Committee believed that the combination of these metrics would continue to focus our leaders on improving the Company's ROI as well as its cash generation capabilities, which were critical during the economic recovery in 2010. The chart below describes the specific design elements.

2010 MIP Performance Metrics	Metric Weight	Threshold Performance	Target Performance	Maximum Performance
		Payout %	Payout %	Payout %
Free Cash Flow	33.3%	Achieve \$1.1B 50%	Achieve \$1.5B 100%	Achieve \$2.0B 185%
Absolute ROI	33.3%	3.8% ROI 50%	4.4% ROI 100%	7.0% 185%
ROI to Peers ( <i>performance rank</i> )	33.3%	Rank 6 of 11 50%	Rank 5 of 11 100%	Rank 1 of 11 185%
ROI Stretch Goal	30%	Achieve 8% ROI – adds 30% to total award pool		

For 2010, the possible MIP award pool ranged from 0 to 185 percent of the aggregate target award, up to a maximum of 215 percent if the Company achieved ROI equal to or greater than 8 percent. This Stretch Goal of 8 percent ROI was designed to achieve an ROI equivalent to the Company's cost of capital, which is a key business goal for the Company.

At its February 2011 meeting, the Committee evaluated the Company's 2010 financial performance achievement and approved the overall Company performance of 129.4 percent, as illustrated below.

2010 MIP Performance Metrics	Metric Weight	Actual Performance	Target Award Earned	Weighted Target Award Earned
		Attainment		
Free Cash Flow <sup>(1)</sup>	33.3%	\$1.6B	117.0%	39.0%
Absolute ROI <sup>(2)</sup>	33.3%	5.96%	151.1%	50.4%

ROI to Peers ( <i>performance rank</i> )	33.3%	3 of 11	120.0%	40.0%
--	-------	---------	--------	-------

**Overall Company Performance** <sup>(3)</sup>

**129.4%**

1 *The Committee excluded the following sources and uses of cash for purposes of calculating performance achievement under the Free Cash Flow metric:*

(i) *\$1.0 billion paid in contributions to the Retirement Plan in 2010 (net of tax benefit);*

(ii) *\$0.1 billion in cash received by the Company from the U.S. federal government for the Alternative Fuel Mixture Tax Credits and Cellulosic Biofuel Tax Credits; and*

(iii) *\$0.2 billion of cash received from sales of real property.*

2 *The Committee also excluded earnings received from sales of real property in calculating performance achievement under the Absolute ROI metric.*

3 *8% ROI Stretch Goal was not achieved*

*2010 Award Pool Calculation*

The Company's MIP target award pool is equal to the sum of each MIP-eligible employee's target award based on his or her position level in the Company. To calculate the final award pool, the target award pool is multiplied

## **Table of Contents**

by the Company's 2010 performance achievement of 129.4 percent, resulting in a final award pool of \$112,500,000. Under our 2010 MIP, the Committee has the discretion to decrease but not to increase the final award pool. In 2010, the Committee did not exercise any negative discretion.

### *Individual MIP Awards*

For all 2,900 MIP-eligible employees, their respective awards are based on Company and individual performance. For all vice presidents and above, Company performance achievement determines 70 percent of their individual awards and achievement of individual, pre-established performance objectives determines the other 30 percent. The CEO has discretion to recommend an award above the calculated award in recognition of exceptional individual performance. The MIP award paid to each of our NEOs is described in Part IV.

### *2011 MIP Plan Design*

Under the 2011 MIP, the award pool will be determined by assessing the Company's financial performance against two metrics: (i) absolute ROI and (ii) Free Cash Flow. The Committee decided to no longer use relative ROI in the MIP. The Committee also added a provision that enables it to exercise limited discretion to increase the award pool by no more than 25 percent, provided that the total award pool does not exceed the maximum amount permitted under the 2011 MIP.

### *Performance Share Plan ( PSP )*

#### *Overview*

The PSP is a long-term, equity-based incentive plan designed to motivate employees to create long-term shareowner value. PSP awards are granted annually to approximately 1,000 management-level employees based on position level in the Company and satisfactory performance evaluations. PSP awards are earned over three years based on the Company's performance achievement in relative ROI and relative TSR. Awards are paid in shares of Company stock and, if any, earned dividends.

The actual number of shares paid to each employee is based solely on Company performance achievement that is measured in four separate segments: three one-year segments, and one three-year segment. The Committee approves the Company's performance achievement at the end of each segment, and the resulting award is banked for each employee. The Committee does not have discretion to adjust the performance achievement upward for any segment, but may adjust it downward in the event the Company experiences negative ROI or negative TSR.

The Committee believes that using a segmented approach focuses leaders on long-term shareowner value creation, and requires the Company to outperform against our peers in all four segments to achieve a maximum payout. This segmented approach is shown graphically below.



**Table of Contents***Company Performance Metrics and Objectives*

In 2010, the PSP continued to focus on relative performance in ROI and TSR as shown below. Our officers' awards are more heavily weighted to TSR compared to other employees' awards. We believe that our most senior leaders, who more directly influence the strategic direction of the Company, should have a greater percentage of their PSP awards tied to TSR as it aligns their pay with the long-term interests of the Company and our shareowners.

2010-2012 PSP Performance Metrics	Metric Weight		Performance Objective		
	Officers	Non-Officers	Threshold Payout %	Target Payout %	Maximum Payout %
ROI to Peers	50%	75%	Rank 5 of 11	Rank 4 of 11	Rank 1 of 11
			50%	100%	200%
TSR to Peers	50%	25%	Rank 13 of 21	Rank 10 of 21	Rank 1 of 21
			25%	100%	200%
ROI Stretch Goal		30%	Achieve 8% ROI adds 30% to total payout		

*Payout Calculation*

Based on market data, each PSP participant has a target award based on his or her position level. The actual number of shares paid may be higher or lower than the target award based solely on the Company's performance achievement. Possible payouts under the 2010 PSP range from 0 percent to 200 percent of the target award, with a possible additional 30 percent added (resulting in 230 percent) if the Company achieves ROI equal to or greater than 8 percent. Like the MIP, this Stretch Goal is designed to reward our leaders for achieving cost of capital returns.

*2008 - 2010 PSP Payout*

For the 2008 - 2010 PSP, the Committee exercised its discretion to reduce the PSP payout for Segment Four by 25 percent for all participants based on the Company's negative TSR in Segment Four. The performance achievement approved by the Committee is shown in the chart below. The 2008 - 2010 PSP award paid to each of our NEOs is described in Part IV.

2008-2010 PSP Performance Metrics	Metric Weight Officers	Segment One	Segment Two	Segment Three	Segment Four
		2008	2009	2010	2008-2010
ROI to Peers	50%	Ranked 4 of 11	Ranked 3 of 11	Ranked 3 of 11	Ranked 3 of 11
		50%	75%	75%	75%
TSR to Peers <sup>A</sup>	50%	Ranked 10 of 22	Ranked 5 of 20	Ranked 18 of 20	Ranked 10 of 20
		50%	70%	0%	37.5% <sup>B</sup>
<b>Total Segment Performance</b>		<b>100%</b>	<b>145%</b>	<b>75%</b>	<b>112.5%</b>

**2008 - 2010 PSP Payout for Officers<sup>C</sup>****108.13%**

*A - AbitibiBowater and Smurfit Stone were removed from TSR peers due to bankruptcy*

*B 25% reduction made to Segment 4 due to negative TSR*

*C 8% ROI Stretch Goal was not achieved*

*2011 PSP Plan Design*

There are no changes to the performance measures under the 2011-2013 PSP.

The Committee approved a threshold payout of 25 percent in the ROI component of the 2011 PSP if the Company achieves a rank of six of 11. The Committee believes that incorporating a threshold payout at the median rank is appropriate. Market practice is typically to pay an award at target if median performance is achieved.

## **Table of Contents**

The Committee also moved away from restricted stock in the PSP to lighten administrative costs and ensure consistency both within and outside the U.S. Beginning with the 2011 PSP, grants will be made in performance-based restricted stock units ( PSUs ). The PSP will continue to be paid in unrestricted shares of Company stock.

Also in 2011, the Committee established a new methodology for setting the target values of equity awards, providing a more consistent method in utilizing market data. Under the new methodology, the target value is established based on an evaluation conducted by Towers Watson of the three-year CCG median long-term incentive levels, expressed as a percentage of base salary mid-point for each position level. This value is then compared to the general industry median long-term incentive values for reasonableness. This methodology is intended to smooth market volatility in long-term incentive values from year to year. The 90-day average share price of the Company's common stock is used to determine the target number of PSUs to be granted. Based on the Committee's compensation review used to establish 2011 targeted TDC levels, the Committee approved 2011-2013 PSP target awards for the NEOs.

### *Other Equity Awards*

#### *Grants of Stock and Restricted Stock / Units*

Other types of equity awards, such as grants of stock, restricted stock awards ( RSAs ) or restricted stock units ( RSUs ) are used infrequently for purposes of recruitment, retention or recognition. Vesting provisions for these awards vary on a case-by-case basis, but in all cases are forfeited if the participant terminates employment prior to vesting. Grants of stock awarded for recognition may vest immediately or over time.

In connection with a significant leadership restructuring in 2010, Mr. Pacheco and Mr. Kadien, both of whom are NEOs for the first time this year, received an RSA grant upon accepting their new positions.

#### *Discontinued Stock Option Program*

We moved away from using stock options as part of our long-term incentive program for officers in 2004 and for all other employees in 2005. We now instead rely solely on performance-based equity awards under the PSP. Stock options were previously awarded semi-annually with an exercise price equal to the closing price of our common stock on the date immediately preceding Committee approval.

Although no new stock options have been granted since 2005, the program allows employees with outstanding options to obtain additional options, provided they exercise using a stock-swap method. This feature, referred to as a reload, allows a participant to receive up to a maximum of three automatic grants of additional options. Reloads are only available on the number of shares tendered to cover the purchase price of the shares.

Participants, including our NEOs, continue to hold previously awarded outstanding stock options. Options remain exercisable for their full 10-year term, unless an employee is terminated or voluntarily leaves (other than in the event of death, disability or retirement eligibility), in which case the options expire immediately or within 90 days after termination, depending on the date the stock options were granted. All outstanding options for our NEOs, described in the Outstanding Equity Awards Table, will expire by October 2014. Currently, no options are in the money.

#### *Discontinued Executive Continuity Awards Program ( ECAs )*

This award program has been discontinued. In the past, we awarded Executive Continuity Awards ( ECAs ) to certain senior officers to encourage employment through retirement. No ECAs have been granted since 2000, and the CEO holds the only outstanding ECA, described in the Outstanding Equity Awards Table.

### *Executive Benefits*

With the exception of Mr. Pacheco, who works outside the U.S. and is not a U.S. citizen or resident, the NEOs, together with the other members of the SLT, generally participate in the same health and retirement programs as other U.S. salaried employees. The Company continues to review its benefit programs, including active and retiree health benefits, to determine if changes are necessary or advisable.

---

## **Table of Contents**

### *Health and Retirement Benefits*

Health benefits are offered to all salaried U.S. employees and the Company pays a significant portion of the costs to provide those benefits. We do not offer any supplemental health care benefits to the SLT, and those employees who earn more than \$150,000 per year pay, on average, 25 percent more for comparable plans than employees who earn less than \$75,000 per year.

The Company also provides attractive retirement benefits that help the Company remain competitive in the market for top talent. In addition to our tax-qualified 401(k) savings plan, we provide retirement benefits to our salaried U.S. employees, including the SLT, with the exception of Mr. Pacheco because he works outside the U.S. and is not a U.S. resident or citizen, as follows:

For employees hired prior to July 1, 2004: retirement benefits are provided under the Retirement Plan and the Pension Restoration Plan.

For employees hired on or after July 1, 2004: employees have a retirement savings account funded by the Company through the Salaried Savings Plan and, if applicable, the Deferred Compensation Savings Plan.

We offer the Pension Restoration Plan to supplement the Retirement Plan for employees whose compensation is greater than the limits set by the Internal Revenue Service ( IRS ) for qualified retirement plans. Absent this plan, certain employees would not achieve a retirement benefit commensurate with their earnings during the course of their careers with us.

Members of the SLT may receive their non-qualified pension benefits under the Unfunded Supplemental Retirement Plan for Senior Managers ( SERP ). We have offered the SERP since 1983 to recruit and retain senior and mid-career executives. Following the Committee's review of the SERP in 2005, the benefit formula was reduced for all new entrants into the program after June 30, 2004. The Committee continues to review the market competitiveness of the formula for new entrants into the SERP.

SERP participants become vested upon reaching age 55 with 5 years of service and, once vested, are eligible to receive their SERP benefit following retirement at the earlier of age 55 with 10 years of service or age 65 with five years of service. As described following the Pension Benefits Table on page 68, SERP benefits are calculated under one of three formulas, depending on the dates of the participant's employment and SERP eligibility.

### *Retiree Medical Benefits*

We offer retiree medical benefits to U.S. salaried employees, including our SLT, who are eligible to begin receiving retirement benefits under the Retirement Plan or who are at least age 55 and have 10 years of service when they terminate employment. The Company no longer subsidizes the cost of these benefits for employees who were hired on or after January 1, 2004. For employees whose years of age and service were equal to 60 on January 1, 2004, the Company continues to offer a limited subsidy. Mr. Faraci, Ms. Roberts and Mr. Kadien are each eligible for the Company subsidy because they met the age and service requirements on January 1, 2004.

We also offer a Retiree Medical Savings Plan ( RMSP ) to U.S. salaried employees. Upon reaching age 45, employees may contribute to an RMSP account, and the contributions are credited with a Company match. Amounts contributed to the RMSP may be used to reimburse the cost of retiree medical coverage. Each of the NEOs, with the exception of Mr. Pacheco, who does not participate in the medical plans for U.S. salaried employees, is eligible to participate in the RMSP.

### *Salaried Savings Plan ( SSP ) and Deferred Compensation Savings Plan ( DCSP )*

The Company maintains a tax-qualified Salaried Savings Plan ( SSP ) for U.S. salaried employees. Under the SSP, participants may defer compensation for retirement up to the limits set by the IRS.

In addition, the Company offers an unfunded, non-qualified Deferred Compensation Savings Plan ( DCSP ) for employees whose compensation is higher than the compensation limit set by the IRS for tax-qualified plans. The DCSP permits additional deferrals up to 85 percent of compensation, including base salary and MIP, beyond the contribution limits set by the IRS.



## **Table of Contents**

Deferred amounts under both the SSP and DCSP are credited with Company matching contributions equal to 70 percent of the participant's contributions up to 4 percent of their compensation, plus 50 percent of contributions up to an additional 4 percent of compensation.

Amounts deferred in the DCSP earn returns based on investment options modeled after the investment funds in the SSP elected by the participant. Details regarding the DCSP follow the *Non-Qualified Deferred Compensation* Table on page 71.

### *Salaried Employee Severance Plan*

The Company provides severance to employees who are involuntarily terminated. SLT members participate in the same Salaried Employee Severance Plan that covers all U.S. salaried employees. The plan provides a lump sum payment equal to two weeks' salary for every year or partial year of service. Under certain circumstances, supplemental severance may be paid. Supplemental severance is limited by the Board policy described on page 59.

Employees are eligible for severance if they are terminated through no fault of their own and sign a termination agreement acceptable to the Company. The termination agreement includes confidentiality provisions, as well as restrictive covenants, as appropriate.

### *Executive Perquisites*

Based on a 2008 Committee review, most perquisites previously provided to officers were discontinued. The Company presently offers no perquisites to our officers other than those granted to grandfathered participants in our Executive Supplemental Life Insurance Program ( *ESIP* ), described below. The CEO is permitted personal use of Company aircraft and automobile. The Board policy limiting this CEO perquisite is described in Part V. In addition, employees serving as expatriates, such as Mr. Pacheco, are provided standard benefits and perquisites under our Global Mobility Policy, which establishes many of the benefits and perquisites provided to employees during a long-term or short-term international assignment.

### *Executive Supplemental Life Insurance ( *ESIP* )*

This benefit is closed to new participants effective January 1, 2008. The *ESIP* provides an individually owned, permanent life insurance policy with a pre-retirement death benefit equal to two times annual salary and a cash value accumulation designed to provide a post-retirement death benefit equal to one times final salary. The Company pays the full premium cost, and participants are responsible for the income tax due on the premiums. Participants are permitted to make voluntary premium contributions to pre-fund additional post-retirement coverage.

### *Change in Control Agreements*

The Company has entered into change in control agreements with certain executives that provide severance and other benefits in the event of a change in control of the Company. Our Board believes that maintaining change in control agreements is a sound business practice that protects shareowner value prior to, during and after a change in control, and allows us to recruit and retain top executive talent. Our program is only available to the SLT, except for those vice presidents grandfathered in the program as of February 2008. Each member of the SLT is covered by the same form of agreement.

We believe that this program aligns executive and shareowner interests by enabling leaders of the Company to focus on the interests of shareowners and other constituents when considering a potential change in control, without undue concern for their own financial and employment security.

In the Board's ongoing oversight of this program, the Board modified the program in 2010 to eliminate the excise tax gross-up provision, replacing it instead with a *best net* calculation. Under this *best net* approach, the Company will, prior to making any payments, perform a calculation comparing:

- (i) the net benefit after payment of excise tax by the executive that would be applied, *and*
- (ii) the resulting net benefit if the payment had been limited to the extent necessary to avoid the imposition of an excise tax



## **Table of Contents**

to determine the higher resulting net benefit payable under the agreement. Benefits are not payable unless an irrevocable release of any employment-related claims is signed. This change reflects a best practice in the marketplace. In no event will the Company pay a gross-up for excise taxes.

### *Benefits Available Upon Termination of Employment Following Change in Control*

As shown in greater detail in the Potential Payments Upon Change in Control Table, our change in control agreements provide the following benefits to the SLT only if they are terminated by the new employer within two years of a change in control of the Company. The following benefits are payable only if both a change in control and termination of employment occur (double trigger benefits):

Cash severance payment equal to three times the sum of base salary plus target MIP;  
Prorated MIP for the year of termination of employment (based on target achievement if the employee is terminated in the same year as the change in control, or based on actual achievement if the employee is terminated in the year following the change in control);  
SERP participants whose benefit is calculated under Formula A will receive a benefit equal to the higher of (i) 50 percent of compensation, or (ii) the SERP benefit that would be paid absent a change in control but with three additional years of service and age. SERP participants whose benefit is calculated under Formula B will receive their benefit calculated under the Pension Restoration Plan that would be paid absent a change in control but with three additional years of service and age.  
Medical and dental insurance for three years, and retiree medical coverage, if eligible; and  
A calculation will be made under the best net approach.

### *Benefits Available upon Change in Control*

The following benefits are payable upon a change in control and do not require termination of employment:

PSP shares vest and are paid based on actual achievement (for banked segments) or target (for open periods);  
Service-based restricted stock awards (including executive continuity awards) vest and become unrestricted; and  
SERP participants whose benefit is calculated under Formula A will vest in their benefit and the minimum benefit will increase from 25 percent of compensation to 50 percent of compensation.

We offer these limited single-trigger benefits to ensure that executives receive the benefit of their efforts prior to a change in control. In light of the difficulty in determining relative performance achievement in our PSP following a change in control of the Company, we provide for payment of banked PSP segments (at actual achievement) and open PSP segments (at target). Further, in light of the seniority of our covered executives, and their proximity to retirement age, we believe that increasing their pension protection provides appropriate retirement security in their employment following a change in control.



---

**Table of Contents**

**Part IV: NEO Compensation**

*Overview*

In this Part IV, we describe the Committee's 2010 compensation decisions with respect to each NEO, other than the CEO, and its recommendations to the Board concerning the CEO. We also include a description of each NEO's accomplishments considered by the Committee when making its compensation decisions.

*Comparison of CEO's Compensation to Other NEO's Compensation*

We do not have a policy that would dictate a specific ratio of CEO compensation to other NEOs or the SLT. Generally, we base our compensation decisions on principles of internal equity. The difference that exists between our CEO's compensation and our other NEOs is based on the complexity of the CEO's leadership responsibilities for the global enterprise.

*2010 Targeted Compensation Mix versus 2010 Actual Compensation*

In the compensation review used to establish our 2010 TDC levels, the target TDC of each NEO, except for Mr. Faraci and Mr. Pacheco, was 25 to 28 percent below CCG median. Mr. Faraci's compensation fell 17 percent below the CCG median, which is within our defined market range. There was insufficient comparable data available within our CCG to evaluate Mr. Pacheco's position at the time we conducted the study.

We illustrate targeted compensation versus actual compensation in the individual graphs for each NEO below.

The **Target** column includes:

- (i) 2010 actual base salary paid;
- (ii) target MIP; and
- (iii) the target value of the 2008-2010 PSP granted in 2008.

The **Actual** column represents what we believe is the appropriate way to illustrate actual pay earned, and includes:

- (i) 2010 actual base salary paid;
- (ii) 2010 MIP paid in February 2011; and
- (iii) 2008-2010 PSP valued and paid in February 2011.

In comparing the following charts to the Summary Compensation Table, you will see that the value shown for the equity awards differs. Equity awards granted in 2010 are shown in the Summary Compensation Table, while equity awards valued and paid in 2011 for performance or service periods ending in 2010 are shown in the charts below. We value the equity awards for the 2008-2010 PSP in the following charts based on the closing price of the Company's common stock on February 4, 2011, the trading day immediately preceding the date the MDCC approved payout of the PSP award.

*In the following charts for each NEO,*

*the total amounts in the Actual column  
are greater than the total amounts in the Target column  
because both the Company and each NEO  
exceeded targets.*

**Table of Contents****2010 CEO Compensation Decisions**

John V. Faraci has over 36 years of service with the Company and has served as Chairman and CEO since November 2003. Earlier in 2003, he was elected president of International Paper, and he served as executive vice president and chief financial officer from 2000 to 2003. From 1999 to 2000, he was Senior Vice President 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.

<i>Element of Compensation</i>	<i>Compensation Amount</i>	<i>Rationale</i>
<b>2010 Base Salary</b>	\$1,324,500  <i>(5% increase, effective April 2010)</i>	This increase reflects Mr. Faraci's accomplishments in 2009, and brings his base salary closer to midpoint of the position level within our Company's salary structure. Mr. Faraci's base salary was below the midpoint as his salary had not been increased since 2007.
<b>2010 MIP Award</b>	\$2,250,000  <i>(129.4% combined Company and individual performance achievement)</i>	<p>Mr. Faraci's MIP payout was based on the Company's financial performance and his individual achievements. Among the achievements considered by the Committee in its CEO evaluation and its compensation recommendations to the Board were:</p> <ul style="list-style-type: none"> <li>Led the Company to strong performance achievement of key financial measures including EBITDA, EPS and Cash Flow</li> <li>Reduced operating costs, which offset higher input costs</li> <li>Led the Company to achieve ROI equal to cost-of-capital in the second half of 2010, positioning the Company to reach this key goal in 2011</li> <li>Identified key strategic options and developed an analysis of implications of the options for the Board's consideration</li> <li>Demonstrated excellent leadership in executing the reorganization of the SLT and in promoting and developing the Company's talent</li> <li>Continued to build Board engagement and improve processes to facilitate a strong and effective Board</li> </ul>

Mr. Faraci's payout of 129.4% of target was equal to the Company's overall MIP performance achievement as described in Part III.

**2008-2010 PSP  
Payout**

249,795 shares

*(valued at \$7,299,010)*

PSP payout of 108.13% is based solely on the Company's performance achievement in relative ROI and relative TSR described in Part III.

**Table of Contents**

The chart below compares Mr. Faraci's 2010 actual compensation paid against targeted compensation levels.

49

**Table of Contents****2010 CFO Compensation Decisions**

Our CFO, Tim S. Nicholls, has over 19 years of service with the Company. Mr. Nicholls has served as our CFO since December 2007. Mr. Nicholls previously served as vice president and executive project leader of IP Europe during 2007, and vice president and CFO of IP Europe from 2005 to 2007. He was also president of Weldwood (formerly a wholly owned subsidiary of International Paper located in Vancouver, Canada) from 2002 to 2005.

<i>Element of Compensation</i>	<i>Compensation Amount</i>	<i>Rationale</i>
<b>2010 Base Salary</b>	\$650,000  <i>(19% increase, effective April 2010)</i>	Mr. Nicholls' base salary increase reflects his promotion in recognition of his increased experience in the role of CFO and brings Mr. Nicholls closer to the median of the CCG for the CFO position and the midpoint of the position level within our salary structure.
<b>2010 MIP Award</b>	\$782,800  <i>(130.9% combined Company and individual performance achievement)</i>	Mr. Nicholls' MIP payout was based on the Company's financial performance and his individual achievements. Among the achievements considered by the Committee were:  Led the Company's reorganization of the Finance function in over 100 facilities to improve efficiency and reduce overhead cost  Demonstrated excellent leadership to improve credit ratings and position with rating agencies  Executed excellent cash management and allocation decisions regarding restoration of the Company's dividend to shareowners and voluntary contributions to the pension plan
<b>2008-2010 PSP Payout</b>	40,638 shares  <i>(valued at \$1,187,442)</i>	PSP payout of 108.13% is based on the Company's performance achievement in relative ROI and relative TSR described in Part III.

**Table of Contents**

The chart below compares Mr. Nicholls' 2010 actual compensation paid against targeted compensation levels.

51

**Table of Contents****2010 Compensation Decisions: Maximo Pacheco**

Mr. Maximo Pacheco has over 16 years of service with the Company and has been leading our business in Europe, the Middle East and Africa ( EMEA ), as well as serving as a director of our Ilim joint venture in Russia, since January 2010. In 2004, Mr. Pacheco was named executive president of IP Brazil and Latin America, based in Sao Paulo. He joined IP in 1994 as executive vice president for Chile and Latin America at Carter Holt Harvey.

<i>Element of Compensation</i>	<i>Compensation Amount</i>	<i>Rationale</i>
<b>2010 Base Salary</b>	\$653,050	Mr. Pacheco's base salary remained consistent with prior contractual agreements and was set forth in his letter of understanding effective in January 2010 when he accepted an expatriate assignment in Europe.
<b>2010 MIP Award</b>	(no base salary increase) \$540,500	Mr. Pacheco's MIP payout was based on the Company's financial performance and his individual achievements. Among the achievements considered by the Committee were:
	(174.6% combined Company and individual performance achievement)	Led IP EMEA to achieve excellent financial performance in EBIT and ROI, including record earnings in 2010
		Achieved strong volume growth in key businesses
		Achieved excellent safety results
		Demonstrated excellent leadership in quickly adapting to new role and developing key relationships to collaborate on strategic initiatives
		Active involvement in Russia as a member of the Ilim Board of Directors
<b>2008-2010 PSP Payout</b>	25,819 shares  (valued at \$754,431)	PSP payout of 108.13% is based on the Company's performance achievement in relative ROI and relative TSR described in Part III.
<b>2010 Restricted Stock Award</b>	15,000 shares vested on January 1, 2010, representing 20% of the 2010 grant  (valued at \$401,700)	This RSA grant was made January 1, 2010, in recognition of additional responsibilities upon assuming an expanded expatriate assignment.



**Table of Contents**

The chart below compares Mr. Pacheco's 2010 actual compensation paid against targeted compensation levels.

53

**Table of Contents****2010 Compensation Decisions: Carol Roberts**

Ms. Carol L. Roberts has over 29 years of service with the Company. She leads our industrial packaging group ( IPG ), which represents a significant part of the Company's assets. Ms. Roberts began her career with International Paper in 1981 as an associate engineer at a mill in Mobile, Alabama. Ms. Roberts was named vice president of our industrial packaging business in 2000 and took on her current role as senior vice president in late 2005.

<i>Element of Compensation</i>	<i>Compensation Amount</i>	<i>Rationale</i>
<b>2010 Base Salary</b>	\$679,000	Ms. Roberts' base salary increase reflects her expanded responsibilities following the acquisition of Weyerhaeuser's industrial packaging business and market levels for comparable CCG positions.
<b>2010 MIP Award</b>	\$1,073,500	Ms. Roberts' MIP payout was based on the Company's financial performance and her individual achievements. Among the achievements considered by the Committee were:
	<i>(25% increase, effective April 2010)</i>	Provided strategic and tactical leadership to IPG, which resulted in above target business EBIT and ROI results
	<i>(210.7% combined Company and individual performance achievement)</i>	Led IPG to achieve better than anticipated integration synergies from the Weyerhaeuser acquisition
		Implemented business improvement initiatives across IPG
		Demonstrated excellent leadership in promoting and developing IPG talent
		<i>Ms. Roberts' MIP payout includes a recognition award recommended by the CEO for her outstanding leadership and results related to the synergies achieved following the Company's acquisition of Weyerhaeuser's containerboard, packaging and recycling business in August 2008</i>
<b>2008-2010 PSP Payout</b>	49,124 shares <i>(valued at \$1,435,403)</i>	PSP payout of 108.13% is based on the Company's performance achievement in relative ROI and relative TSR described in Part III.

**Table of Contents**

The chart below compares Ms. Roberts' 2010 actual compensation paid against targeted compensation levels.

55

**Table of Contents****2010 Compensation Decisions: Tom Kadien**

Mr. Thomas G. Kadien has over 32 years of service with the Company. He has led our consumer packaging business as well as our businesses in Asia since January 2010. He also has responsibility for the global supply chain operations group, including transportation and procurement, in Memphis. He previously led our North American distribution business, *xpedx*, from 2005 to 2009, and served as president of IP Europe from 2003 to 2005.

<i>Element of Compensation</i>	<i>Compensation Amount</i>	<i>Rationale</i>
<b>2010 Base Salary</b>	\$570,000  <i>(14% increase, effective April 2010)</i>	Mr. Kadien's base salary increase reflects, based on market, his new global responsibilities following his transition to lead both our consumer packaging and IP Asia businesses.
<b>2010 MIP Award</b>	\$596,200  <i>(149.6% combined Company and individual performance achievement)</i>	Mr. Kadien's MIP payout was based on the Company's financial performance and his individual achievements. Among the achievements considered by the Committee were:  Assumed oversight of IP Asia and consumer packaging business and quickly led IP Asia to achieve strong financial results  Achieved record EBITDA and highest ROI since 1995 in the coated paperboard business in the second half of 2010  Demonstrated excellent leadership in quickly adapting to new role and learning key business objectives in order to develop long-range strategic initiatives in key growth markets
<b>2008-2010 PSP Payout</b>	40,638 shares  <i>(valued at \$1,187,442)</i>	PSP payout of 108.13% is based on the Company's performance achievement in relative ROI and relative TSR described in Part III.
<b>2010 Restricted Stock Award</b>	20,000 shares vested on December 31, 2010, representing 100% of the 2010 grant  <i>(valued at \$552,675)</i>	This RSA grant was made in recognition of additional responsibilities upon assuming a new assignment to lead the consumer packaging business and IP Asia.

**Table of Contents**

The chart below compares Mr. Kadien s 2010 actual compensation paid against targeted compensation levels.

57

**Table of Contents****Part V: Other Governance and Compensation Related Matters*****Rule 10b5-1 Trading Plans***

In 2010, our executive officers were permitted to establish trading plans established under Section 10b5-1 of the Exchange Act. Each executive enters into his or her own pre-determined plan, which includes specific instructions for the broker to exercise stock options and/or sell Company stock on the open market. The purpose of these plans is to permit the executive to diversify his or her holdings of Company stock during periods in which the executive would otherwise be unable to buy or sell such stock because he or she possessed material, non-public information about the Company. As of April 2011, four of our NEOs, Mr. Faraci, Mr. Nicholls, Mr. Pacheco, and Ms. Roberts, and two other SLT members, had entered into trading plans in consultation with their respective financial advisors.

***Officer Stock Ownership Requirements***

All of our officers are expected to hold shares of our common stock with a minimum market value based on a multiple of base pay. This policy is intended to align our officers' interests with those of our shareowners and encourage long-term shareowner value creation by requiring officers to have a significant equity stake in the Company. Our stock ownership requirements are based on position level:

<b>Position Level</b>	<b>Ownership Requirement</b>
Chief Executive Officer	5x base pay
Senior Vice President	2x base pay
Vice President	1x base pay

Officers are expected to meet the ownership requirements within four years of election, appointment or promotion. Stock ownership is reviewed annually by the Committee to assure compliance. As of our last annual evaluation, all SLT members were in compliance.

With appropriate approval, an officer may be granted an exception to the stock ownership requirement for financial hardship. Additionally, the ownership requirements are waived during the 12-month period preceding an announced retirement. An officer who is not in compliance and who has not obtained a waiver for hardship is prohibited from selling Company stock until the next annual ownership evaluation.

***Board Policy on Personal Use of Company Aircraft and Automobile***

The Board continues to believe that the CEO should use Company aircraft and a Company car for business continuity and efficiency purposes. Use of the Company aircraft allows the CEO to be available at all times for business needs, whether on business or personal travel.

Based on the CEO's recommendation, the Board authorized the Company to enter into a Time Sharing Agreement commencing on December 16, 2010, with the CEO so that he may reimburse the Company for personal use above \$75,000 per year.

The Company also provides the CEO with a car and driver. Any amount associated with personal use that the CEO does not reimburse is imputed income to him (not grossed up for taxes), and is disclosed in the All Other Compensation Table. Mr. Faraci reimbursed the Company for all costs associated with the car and driver in 2010.

Additionally in 2010, the Company revised its approach to evaluating CEO travel in order to reflect the true cost to the Company of personal use of Company aircraft. As a result, the amount disclosed in the 2010 All Other Compensation Table is \$1,320,625, including \$387,411 for personal aircraft use. For comparison purposes, we retroactively applied this revised methodology for the years 2008 and 2009, as shown below.

<b>Year</b>	<b>Restated Personal Use of Corporate Aircraft and Vehicle</b>	
	<b>Original Disclosure</b>	<b>Revised Methodology</b>
2009	\$212,906	\$244,290

2008

\$258,524

\$347,976

## **Table of Contents**

### *Clawback or Forfeiture of Incentive Awards*

Both MIP and PSP awards are subject to a clawback provision contained in our plan documents. Under this clawback provision, if the Company's financial statements are restated as a result of errors, omission, or fraud, the Committee may, in its discretion, based on the facts and circumstances surrounding the restatement, require some or all participants to return all or a portion of their award to the Company.

In addition, both MIP and PSP awards may be forfeited in the event a participant engages in conduct that is detrimental to the business interest or reputation of the Company. Additionally, an SLT member who does not provide one-year's notice of retirement may forfeit his or her MIP and PSP awards.

### *Non-Competition and Non-Solicitation Agreements*

The Company maintains Non-Competition and Non-Solicitation Agreements with leaders of the Company to protect confidential information and trade secrets from unauthorized use or disclosure. Each of our NEOs has entered into a Non-Competition Agreement and a Non-Solicitation Agreement. Violation of these agreements results in clawback or forfeiture of incentive compensation awards.

### *Board Policy on Severance Agreements with Senior Officers*

A supplemental severance payment to the CEO must be approved by the independent directors of the Board. A supplemental severance payment to any other executive officer must be approved by the Committee. Moreover, pursuant to a 2005 Board policy, the supplemental severance, plus severance under the Salaried Employee Severance Plan, may not exceed two times base salary plus target MIP for the year in which the termination occurs. This limit does not apply to other benefits that may be payable, such as restricted stock, PSP, retirement benefits, or post-termination benefits that are available to employees generally, such as continued medical and dental benefits. Any severance amount greater than the amount described above must be approved in advance by our shareowners.

### *Prohibition on Repricing*

We do not backdate or reprice equity grants. Our incentive compensation plan provides that stock options may not be repriced, directly or indirectly, without the prior consent of the Company's shareowners. The exchange of an underwater option (*i.e.*, an option having an exercise price in excess of the current market value of the underlying stock) for another award would be considered an indirect repricing and, therefore, would require the prior consent of our shareowners.

### *Equity Grant Practices*

The Company does not have any program, plan or practice to time, and has not timed, equity grants in coordination with the release of material non-public information. The Company does not grant equity awards based on our stock price.

Annual equity grants (including *pro rata* grants for promotions and newly hired employees) under the PSP are approved at the Committee's meeting in December. Having a pre-determined annual grant date minimizes any concern that grant dates could be selectively chosen based upon market price at any given time. Service-based restricted stock awards are used infrequently, and may be granted anytime during the year by Mr. Karre. An award to an SLT member requires approval of the Committee (or by the Board for an award to the CEO).

### *Deductibility of Executive Compensation*

The Committee considers the provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), which allows the Company to take an income tax deduction for compensation up to \$1 million and for certain compensation exceeding \$1 million paid in any taxable year to a covered employee as that term is defined in the Code. PSP awards and stock options have historically been awarded under a shareowner approved plan and based on achievement of pre-established performance objectives. Beginning in 2009, MIP awards are also intended to qualify as performance-based compensation under Code Section 162(m). Accordingly, in 2010, each element of our NEOs' incentive compensation was fully deductible by the Company.



---

## **Table of Contents**

### *Accounting for Stock-Based Compensation*

The Company withholds PSP shares payable to a participant at the statutory minimum withholding rate to pay the participant's federal income tax. However, SLT members may elect to have additional shares withheld (up to 85 percent of the earned award) for payment of taxes. Because we offer this option to our SLT, each of their PSP awards are considered liability awards for accounting purposes. This means that we re-measure the amount of the PSP liability at fair market value at each quarterly balance sheet date with the resulting income or expense recorded by the Company in the quarter.

The accounting treatment of stock-based compensation is not determinative of the type, timing, or amount of any particular grant made to our employees.

### **Compensation Committee Report**

On behalf of the Board of Directors, the Management Development and Compensation Committee of the Board of Directors, referred to as the Committee, oversees the Company's compensation programs. In fulfilling its oversight responsibilities, the Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with the Company's executive officers.

Based on the review and discussions referred to above, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and its proxy statement on Schedule 14A filed in connection with the Company's 2011 Annual Meeting of Shareowners.

This report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and shall not otherwise be deemed filed under such laws.

### **Management Development and Compensation Committee**

William G. Walter, Chairman  
Samir G. Gibara

Alberto Weisser  
J. Steven Whisler

**Table of Contents****Part VI: Additional Information about Our Executive Compensation**

The following tables in this Part VI provide detailed information regarding compensation for our NEOs.

**Summary Compensation Table**

The table below shows base salary, stock awards under our PSP and, if applicable, RSA program, cash awards under our MIP, the change in pension value, and all other compensation to our NEOs for the years ended December 31, 2008, 2009, and 2010.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Stock Awards \$(1)</b>	<b>Non-Equity Incentive Plan Compensation \$(2)</b>	<b>Change in Pension Value \$(3)</b>	<b>All Other Compensation \$(4)</b>	<b>Total (\$)</b>
<b>John V. Faraci</b> Chairman of the Board and	<b>2010</b>	<b>1,308,725</b>	<b>7,424,073</b>	<b>2,250,000</b>	<b>5,545,920</b>	<b>1,320,625</b>	<b>17,849,343</b>
	2009	1,261,400	2,397,230	2,727,400	5,125,575	683,576	12,195,181
Chief Executive Officer (Principal Executive Officer)	2008	1,261,400	7,072,821	1,575,000	4,091,943	441,614	14,442,778
<b>Tim S. Nicholls</b> Senior Vice President and	<b>2010</b>	<b>650,000</b>	<b>1,807,380</b>	<b>782,800</b>	<b>803,277</b>	<b>225,083</b>	<b>4,268,540</b>
	2009	545,000	534,502	780,000	545,005	51,968	2,456,475
Chief Financial Officer (Principal Financial Officer)	2008	495,400	1,150,603	229,000	275,336	273,826	2,424,165
<b>Maximo Pacheco</b> Senior Vice President	<b>2010</b>	<b>653,050</b>	<b>2,812,093</b>	<b>540,500</b>	<b>856,100</b>	<b>655,171</b>	<b>5,516,914</b>
President IP Europe, Middle East, Africa and Russia							
<b>Carol L. Roberts</b> Senior Vice President	<b>2010</b>	<b>679,000</b>	<b>1,604,367</b>	<b>1,073,500</b>	<b>1,597,086</b>	<b>181,630</b>	<b>5,135,583</b>
	2009	541,700	471,417	800,000	969,079	85,763	2,867,959
Industrial Packaging	2008	510,842	1,390,875	380,000	637,422	40,245	2,959,384
<b>Thomas G. Kadien</b> Senior Vice President	<b>2010</b>	<b>570,000</b>	<b>1,739,580</b>	<b>596,200</b>	<b>1,167,350</b>	<b>184,670</b>	<b>4,257,800</b>
Consumer Packaging & IP Asia							

- (1) A discussion of the assumptions used in calculating these values for the 2010 fiscal year may be found in Note 17 to our audited financial statements beginning on page 87 of our annual report on Form 10-K filed with the SEC on February 25, 2011. The value shown is the aggregate grant date fair value of each NEO's 2010-2012 PSP award computed in accordance with FASB ASC Topic 718 based on target levels of achievement. The amount shown for Mr. Pacheco and Mr. Kadien also includes the grant date fair value of a restricted stock award made to each in 2010. The maximum value of the stock awards based on achieving maximum Company performance is as follows: Mr. Faraci: \$17,075,367; Mr. Nicholls: \$4,156,973; Mr. Pacheco: \$3,856,764; Ms. Roberts: \$3,690,043; and Mr. Kadien: \$3,304,754.
- (2) Represents the amount earned under the MIP based on Company and individual performance during the year shown, which is paid in February of the following year. The amount shown for Ms. Roberts includes the amount of her special award recommended by the CEO above her calculated award in recognition of her outstanding leadership and results related to the Weyerhaeuser acquisition. The special award was paid from the MIP award pool.

- (3) Amounts shown in this column represent the change in accruals under our Retirement Plan, Pension Restoration Plan, and SERP as shown in the Pension Benefits Table. Importantly, the change in pension value is not currently paid to an executive as compensation, but is a measurement of the change in value of the pension from the prior year. Changes in value arise from additional benefit accruals for another year of service, changes in pensionable compensation, the decrease in the discount period and the impact of a change in the discount rate from the prior year's measurement. The discount rate used is the same as the rate used by the Company for financial statement disclosure as of the end of the fiscal year. This rate is based on economic conditions at year-end.
- The NEOs do not receive preferential or above market earnings on non-qualified deferred compensation. Accordingly, there is no amount included in this column for this type of earnings credit.

**Table of Contents**

(4) A breakdown of the All Other Compensation amounts for 2010 is shown in the following table:

Name	Company Matching Contribution	Group Life Insurance	Dividend Realized	ESIP	Corporate Aircraft and Vehicle	Directors' Charitable Award Program	Company Matching Gift	Amount Related to Overseas Assignment	One-Time Expenses	Total
	(\$)(a)	(\$)(b)	(\$)(c)	(\$)(d)	(\$)(e)	(\$)(f)	(\$)(g)	(\$)(h)	(\$)(i)	(\$)(j)
John Faraci	193,734	6,313	668,230	42,837	387,411	16,095	6,005	-	-	1,320,625
Tim Nicholls	37,760	3,138	86,531	18,471	-	-	10,008	69,175	-	225,083
Maximo Pacheco	-	3,152	77,527	25,696	-	-	-	350,335	198,461	655,171
Carol Roberts	32,592	3,275	123,011	16,704	-	-	6,048	-	-	181,630
Thomas Kadien	27,360	2,750	123,011	25,429	-	-	6,120	-	-	184,670

- (a) Represents the Company match to the NEO's contribution to the Salaried Savings Plan and Deferred Compensation Savings Plan, if applicable, as shown in the Non-Qualified Deferred Compensation Plan Table.
- (b) Represents the Company's annual premium payment for the NEO's group life insurance benefit.
- (c) Represents dividends earned on the 2007-2009 PSP payout that were paid to the NEO in February 2010. We disclose the value of dividends realized as All Other Compensation because, pursuant to FASB ASC 718, we are disclosing the grant date fair value of the 2010-2012 award in the Summary Compensation Table, which does not include the value of dividends that were realized on the 2007-2009 PSP award upon payout in February 2010.
- (d) Represents the amount paid by the Company for the NEO's executive supplemental insurance program ( ESIP ).
- (e) Represents the aggregate incremental cost to the Company of personal travel on Company aircraft. There is no expense related to personal use of the vehicle as Mr. Faraci fully reimbursed the Company for all related costs. We calculate the incremental cost of personal use of the Company aircraft based upon the per mile variable cost of operating the aircraft multiplied by the number of miles flown for personal travel by Mr. Faraci. The variable operating costs include fuel, maintenance, airway fees, user fees, communication, crew expenses, supplies and catering. We impute into Mr. Faraci's income the value of personal use of the aircraft in accordance with IRS regulations. Mr. Faraci receives no tax gross-up on this imputed income. The amount of All Other Compensation in our Summary Compensation Table for the years 2008 and 2009 has been revised from previous disclosure to reflect an increased amount for personal use of Company aircraft of \$89,452 for 2008 and \$31,384 for 2009, in order to reflect the true cost to the Company of personal use under a revised methodology adopted by the Company in 2010.
- (f) Represents a ratable share of the Company's total annual non-cash expense of the charitable award program described under Director Compensation attributable to directors who served during 2010. Mr. Faraci is eligible to participate in this program as a member of our Board. Mr. Faraci does not receive any other compensation as a member of our Board. The legacy director charitable award program was closed to new directors as of July 1, 2007.
- (g) Represents the Company's 60% match of each NEO's donation to the United Way of America as part of a Company-wide campaign.

Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

- (h) Represents standard amounts payable under our Global Mobility Policy for expatriates. For Mr. Nicholls, this includes payment of taxes for income earned overseas prior to his assignment ending in 2008, for which tax returns have now been finalized. For Mr. Pacheco, this includes expenses for standard expatriate benefits, such as housing and vehicle, home leave travel, and payment of a tax equalization amount previously negotiated during his service in Brazil.

**Table of Contents**

(i) Represents one-time expenses for Mr. Pacheco related to his relocation from Brazil to Belgium.

(j) Represents the sum of columns (a) through (i).

**Grants of Plan-Based Awards During 2010**

The table below shows payout ranges for our NEOs under the 2010 MIP and 2010-2012 PSP, described in our CD&A. There were no stock options granted in 2010.

Name	Committee	Action	Date	Estimated Possible Payouts			Estimated Future Payouts			All Other	Grant Date
				Threshold	Target	Maximum	Threshold	Target	Maximum	Stock Awards:	Fair Value of Stock and Option
				(\$)	(\$)	(\$)(2)	(#)	(#)	(#)	(#)(3)	(\$)(4)
John Faraci			12/7/2009	289,858	1,738,800	3,738,420					7,424,073
Tim Nicholls			12/7/2009	99,653	597,800	1,285,270	8,013	64,100	147,430		1,807,380
Maximo Pacheco			12/7/2009	51,610	309,600	665,640					803,593
			12/7/2009				3,563	28,500	65,550	75,000	2,008,500
Carol Roberts			12/7/2009	84,917	509,400	1,095,210	7,113	56,900	130,870		1,604,367
Tom Kadien			12/7/2009	66,413	398,400	856,560					1,203,980
			12/7/2009				5,338	42,700	98,210	20,000	535,600

- (1) The 2010-2012 PSP grant is approved by the Committee for all NEOs (except Mr. Faraci, whose grant is approved by the full Board) at its December meeting, effective the first business day of the following calendar year.
- (2) Non-equity incentive plan awards are intended to qualify as performance-based compensation under Code Section 162(m) and are awarded pursuant to the 2009 Incentive Compensation Plan approved by our shareowners. The maximum individual award under the Section 162(m) plan is capped at \$10 million.
- (3) The amounts shown in this column reflect restricted stock awards granted to Mr. Pacheco and Mr. Kadien. Mr. Pacheco's award vests in equal installments on January 1, 2010, through January 1, 2014. Mr. Kadien's award was subject to one-year cliff vesting and vested on December 31, 2010.
- (4) The amounts shown in this column reflect the grant date fair value of the 2010-2012 PSP awards at target. The grant date fair value is determined pursuant to FASB ASC Topic 718, as explained in further detail in the narrative following this table. The grant date fair value of the restricted stock awards is based on the closing price of the Company's common stock on the dates immediately preceding

the effective dates of the grants.

*Narrative to the Grants of Plan-Based Awards Table*

*Estimated Possible Payouts under Non-Equity Incentive Plan Awards*

These columns show the threshold, target and maximum payouts under the 2010 MIP. The actual amount paid is shown in the Summary Compensation Table.

The amount shown in the Threshold column is the amount that would be paid under the 2010 MIP if the Company achieved the minimum performance level required in at least one performance metric: Relative ROI, Absolute ROI or Free Cash Flow. Since each metric is evenly weighted at 33.3%, a threshold payout at 50% would result in weighted performance achievement of 16.67% (or one-half of 33.3%). Minimum performance in at least one objective is required to fund an MIP award pool.

## **Table of Contents**

The amount shown in the **Maximum** column is the possible payout for each NEO based on maximum Company performance achievement (excluding any special recognition award that may be recommended by the CEO for exceptional individual performance, which awards are funded and limited by the aggregate MIP award pool). The amount is based on maximum Company performance of 215%, including the additional 30% award for achieving an ROI equal to or greater than 8%.

### *Estimated Future Payouts under Equity Incentive Plan Awards*

These columns show the threshold, target and maximum payouts under the 2010-2012 PSP.

The amount shown in the **Threshold** column is the number of shares each NEO would receive if the Company achieved the minimum performance level in either Relative ROI or Relative TSR to achieve a payout of 12.5% (which represents 25% threshold for TSR, which is weighted at 50%).

The amount shown in the **Maximum** column is the possible number of shares each NEO would receive based on maximum Company performance of 230%, which includes the additional 30% award for achieving an ROI equal to or greater than 8%.

### *Grant Date Fair Value of Stock and Option Awards*

The fair value shown of the target awards granted to each NEO under the 2010-2012 PSP is based on the fair value at grant per FASB ASC Topic 718. The fair value is based on the closing stock price of our common stock on the date immediately preceding the grant date for the ROI component of the award. Valuing TSR is more complicated because the value must take into account the probable expense of the 2010-2012 PSP based on our expected future performance relative to the other companies in our TSR Peer Group. The market value of the TSR component is based on a Monte Carlo simulation as prescribed by FASB ASC Topic 718.

The amount ultimately paid to PSP participants may or may not be the same amount as the value shown in the table due to two factors: (1) the ultimate number of shares paid to our PSP participants will vary based on the relative performance of the Company to the other companies in our TSR and ROI Peer Groups; and (2) the value of the shares received by each participant is based on the fair value of the Company's stock as of the effective date of the PSP award.



**Table of Contents***Outstanding Equity Awards at December 31, 2010*

The following table shows the outstanding equity awards held by our NEOs as of December 31, 2010. Please refer to our CD&A for additional information regarding how shares are banked and paid under our PSP.

Name	Option Awards			Stock Awards			Equity Incentive Plan Awards:
	Number of Securities Underlying Unexercised Options Exercisable (#)(1)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(3)
John Faraci				434,696 <sup>(4)</sup>	11,841,110	311,060 <sup>(5)</sup>	8,529,750
	9,000	35.05	4/10/2011	-	-	-	-
	14,000	35.00	10/9/2011	-	-	-	-
	37,500	41.40	4/9/2012	-	-	-	-
	37,500	32.54	10/8/2012	-	-	-	-
	53,000	34.96	4/8/2013	-	-	-	-
	48,000	39.14	10/14/2013	-	-	-	-
Tim Nicholls				77,960 <sup>(6)</sup>	2,123,629	73,467 <sup>(7)</sup>	2,012,584
	2,500	35.05	4/10/2011	-	-	-	-
	2,500	35.00	10/9/2011	-	-	-	-
	5,375	41.40	4/9/2012	-	-	-	-
	9,000	39.14	10/14/2013	-	-	-	-
Maximo Pacheco				103,859 <sup>(8)</sup>	2,829,115	33,130 <sup>(9)</sup>	907,993
	6,000	41.40	4/9/2012	-	-	-	-
	6,000	32.54	10/8/2012	-	-	-	-
	6,000	34.96	4/8/2013	-	-	-	-
	6,000	39.14	10/14/2013	-	-	-	-
Carol Roberts				82,006 <sup>(10)</sup>	2,233,852	65,074 <sup>(11)</sup>	1,782,551
	3,750	35.05	4/10/2011	-	-	-	-
	3,750	35.00	10/9/2011	-	-	-	-
	7,500	41.40	4/9/2012	-	-	-	-
	7,500	32.54	10/8/2012	-	-	-	-
	7,500	34.96	4/8/2013	-	-	-	-
	11,000	39.14	10/14/2013	-	-	-	-
Tom Kadien				71,216 <sup>(12)</sup>	1,939,920	54,250 <sup>(13)</sup>	1,490,976
	7,950	35.05	4/10/2011	-	-	-	-
	4,700	35.00	10/9/2011	-	-	-	-
	10,000	41.40	4/9/2012	-	-	-	-
	15,000	34.96	4/8/2013	-	-	-	-
	15,000	39.14	10/14/2013	-	-	-	-

(1) No stock options have been granted to the NEOs since 2004. All outstanding options, for all participants including our NEOs, are vested as of December 31, 2010.

## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

- (2) The market value is calculated based on the closing price of our common stock on December 31, 2010 of \$27.24.
- (3) The market value is calculated based on the closing price of our common stock on December 31, 2010 of \$27.24 and the Monte Carlo simulation values for the fourth segments as of December 31, 2010 of \$31.72 and \$25.40 for the 2009 and 2010 awards, respectively. At the end of the applicable performance period, there is an adjustment based on the Company's actual ROI and TSR performance.
- (4) Includes (i) an Executive Continuity Award ( ECA ) of 16,000 shares of restricted stock awarded for retention purposes that vest on February 16, 2013, based on attaining the age and service requirements, and

65

**Table of Contents**

- (ii) 6,019 shares representing reinvested dividends on those shares. The ECA program provides for a tandem grant of stock options and restricted stock in a 5:1 ratio (five options to one share). Upon vesting, the values of both the restricted shares and the stock options are calculated and Mr. Faraci is then entitled to receive either the shares or the options.  
The amount shown also includes (i) 383,718 shares of restricted stock awarded under the PSP that have been banked for 2008, 2009 and 2010, but remain unpaid until the end of the applicable, full three-year performance period, and (ii) 28,959 shares acquired in respect of reinvested dividends.
- (5) The amount shown includes the following shares of restricted stock that remain subject to open PSP performance periods: (i) 104,500 shares of restricted stock awarded under the 2009-2011 PSP and (ii) 197,475 shares awarded under the 2010-2012 PSP and (iii) 9,085 shares representing reinvested dividends on those shares.
- (6) Includes (i) 72,809 shares of restricted stock awarded under the PSP that have been banked for 2008, 2009 and 2010, but remain unpaid until the end of the applicable, full three-year performance period, and (ii) 5,151 shares acquired in respect of reinvested dividends.
- (7) The amount shown includes the following shares of restricted stock that remain subject to open PSP performance periods: (i) 23,300 shares awarded under the 2009-2011 PSP and (ii) 48,075 shares awarded under the 2010-2012 PSP and (iii) 2,092 shares representing reinvested dividends on those shares.
- (8) Includes (i) 39,866 shares of restricted stock awarded under the PSP that have been banked for 2008, 2009 and 2010, but remain unpaid until the end of the applicable, full three-year performance period, and (ii) a one-time restricted stock award of 60,000 shares vesting ratably on January 1 on each year 2011 through 2014, and (iii) 3,993 shares acquired in respect of reinvested dividends.
- (9) The amount shown includes the following shares of restricted stock that remain subject to open PSP performance periods: (i) 10,800 shares awarded under the 2009-2011 PSP and (ii) 21,375 shares awarded under the 2010-2012 PSP and (iii) 955 shares representing reinvested dividends on those shares.
- (10) Includes (i) 76,290 shares of restricted stock awarded under the PSP that have been banked for 2008, 2009 and 2010, but remain unpaid until the end of the applicable, full three-year performance period, and (ii) 5,716 shares acquired in respect of reinvested dividends.
- (11) The amount shown includes the following shares of restricted stock that remain subject to open PSP performance periods: (i) 20,550 shares awarded under the 2009-2011 PSP and (ii) 42,675 shares awarded under the 2010-2012 PSP and (iii) 1,849 shares representing reinvested dividends on those shares.
- (12) Includes (i) 66,306 shares of restricted stock awarded under the PSP that have been banked for 2008, 2009 and 2010, but remain unpaid until the end of the applicable, full three-year performance period, and (ii) 4,910 shares acquired in respect of reinvested dividends.
- (13) The amount shown includes the following shares of restricted stock that remain subject to open PSP performance periods: (i) 20,550 shares awarded under the 2009-2011 PSP and (ii) 32,025 shares awarded under the 2010-2012 PSP and (iii) 1,675 shares representing reinvested dividends on those shares.

**Table of Contents***Stock Vested in 2010*

The following table shows the amounts received upon vesting in 2010 of shares previously awarded under the PSP or our other restricted stock programs as described in our CD&A. There were no stock options exercised in 2010 by our NEOs.

<b>Name</b>	<b>Stock Awards</b>	
	<b>Number of Shares Acquired on Vesting (#)(1)</b>	<b>Value Realized on Vesting \$(2)</b>
John Faraci	283,530	6,427,029
Tim Nicholls	42,702	968,054
Maximo Pacheco	47,216	1,132,037
Carol Roberts	51,116	1,158,800
Tom Kadien	71,442	1,711,475

(1) Amounts shown represent shares of restricted stock and shares acquired in respect of reinvested dividends under the PSP that vested on February 8, 2010. The number of shares shown for Mr. Faraci includes 4,000 shares of unrestricted stock from an ECA that vested on February 16, 2010, including 1,864 shares earned in reinvested dividends. Mr. Pacheco also vested in 15,000 shares on January 1, 2010, and Mr. Kadien vested in 20,000 shares and 326 shares acquired in respect of reinvested dividends on December 31, 2010, each pursuant to the terms of his respective restricted stock award agreement.

(2) Represents the value of the vested shares based on our closing stock price on the date immediately preceding the vesting date of the award: \$22.67 for the PSP shares, \$22.57 for the shares acquired by Mr. Faraci under his ECA, \$26.78 for shares acquired by Mr. Pacheco under his restricted stock award, and \$27.19 for shares acquired by Mr. Kadien pursuant to his restricted stock award.

*Pension Benefits in 2010*

The following table shows the present value of benefits payable to our NEOs under our Retirement Plan, Pension Restoration Plan, or SERP at December 31, 2009 and December 31, 2010. The change in the present value of the accrued benefit is shown in the Change in Pension Value column of the Summary Compensation Table for 2010.

**Table of Contents**

All of our NEOs, except for Mr. Pacheco, are eligible for a benefit calculated under the Retirement Plan. Because Mr. Pacheco is neither a U.S. resident nor performing services in the U.S., he is not eligible to participate in the Retirement Plan or the Pension Restoration Plan. The NEOs, except for Mr. Pacheco, are also eligible for a benefit that is calculated under the Pension Restoration Plan formula. All of the NEOs, including Mr. Pacheco, are eligible for a benefit under the SERP formula. We amended the SERP to comply with Section 409A of the Code, effective January 1, 2008. As amended, the benefit under SERP Formula A is paid from the SERP, even if the applicable formula that determines the benefit is the formula under the Pension Restoration Plan. As a result of this change, the pension benefits shown below for Mr. Faraci and Mr. Kadien are shown as coming from the SERP rather than the Pension Restoration Plan. This differs from the pension benefits shown for Mr. Nicholls, Mr. Pacheco and Ms. Roberts, who became eligible for the SERP after July 1, 2004, and whose benefit is therefore calculated under SERP Formula B. Under Formula B, the portion of the benefit that is earned prior to SERP eligibility is paid under the Pension Restoration Plan, and the portion earned following SERP eligibility is paid from the SERP. No NEO received payments of a retirement benefit in 2010.

<b>Name</b>	<b>Plan Name</b>	<b>Number of Years of Credited Service in 2010 (#)</b>	<b>12/31/2009 Present Value of Accumulated Benefit (\$)(1)</b>	<b>12/31/2010 Present Value of Accumulated Benefit (\$)(2)</b>
John Faraci	Retirement Plan	36.33	1,292,809	1,530,899
	Pension Restoration Plan	36.33		
	SERP	36.33	24,954,450	30,262,280
	Total		26,247,259	31,793,179
Tim Nicholls	Retirement Plan	19.25	347,261	431,188
	Pension Restoration Plan	19.25	332,275	366,399
	SERP	19.25	746,961	1,432,187
	Total		1,426,497	2,229,774
Maximo Pacheco	Retirement Plan	16.75		
	Pension Restoration Plan	16.75		
	SERP	16.75	2,530,842	3,386,942
	Total		2,530,842	3,386,942
Carol Roberts	Retirement Plan	29.5	625,045	769,139
	Pension Restoration Plan	29.5	479,369	527,197
	SERP	29.5	2,259,862	3,665,026
	Total		3,364,276	4,961,362
Tom Kadien	Retirement Plan	31.58	786,582	946,848
	Pension Restoration Plan	31.58		
	SERP	31.58	3,535,225	4,542,309
	Total		4,321,807	5,489,157

- (1) The calculation of the present value of accumulated benefits as of December 31, 2009, assumes a discount rate of 5.80% for annuity payments and 3.30% for lump sum payments. The calculation further assumes benefit commencement at the earliest age at which the NEO would be entitled to an unreduced benefit (the earlier of age 61 and completion of 20 years of service or age 62 and completion of 10 years of service).
- (2) The calculation of the present value of accumulated benefits as of December 31, 2010, assumes a discount rate of 5.60% for annuity payments and 3.10% for lump sum payments. The assumptions regarding the benefit commencement date are the same as described in footnote (1).

---

## **Table of Contents**

### *Narrative to Pension Benefits Table*

#### *Retirement Plan of International Paper Company*

Our Retirement Plan is a funded, tax-qualified plan that covers all U.S. salaried employees hired prior to July 1, 2004. U.S. employees hired on or after July 1, 2004, are eligible for a Company-paid retirement savings account in our Salaried Savings Plan and DCSP in lieu of participation in the Retirement Plan. All of our NEOs were hired prior to July 1, 2004, and, except for Mr. Pacheco, are eligible to participate in the Retirement Plan.

We calculate the benefit under the Retirement Plan at the rate of 1.67% of the participant's average pensionable earnings received over the highest five consecutive calendar years of the last 10 calendar years, multiplied by his or her years of service, then reduced by a portion of Social Security benefits. We include as pensionable earnings the participant's base salary plus MIP awards that were not deferred, up to the maximum limit set by the IRS.

#### *International Paper Company Pension Restoration Plan for Salaried Employees*

Our supplemental retirement plan for our salaried employees is an unfunded, non-qualified plan that covers all U.S. salaried employees hired prior to July 1, 2004. This plan augments our Retirement Plan by providing retirement benefits based on compensation that is greater than the limits set by the IRS. We include as eligible compensation under this plan the participant's base salary plus MIP awards, including amounts deferred. All of our NEOs were hired prior to July 1, 2004, and, except for Mr. Pacheco, are eligible to participate in the Pension Restoration Plan.

We calculate the benefit under the Pension Restoration Plan in the same manner as the Retirement Plan, then reduce the benefit by the amount payable under the Retirement Plan.

#### *The International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers*

Our SERP is an alternative retirement plan available to certain senior executives. SERP benefits vest once the participant reaches age 55 and has completed five years of service. The normal form of payment is a lump sum. We calculate benefits under the SERP under one of three formulas based on the participant's date of hire and date of eligibility for SERP participation. Benefits are payable under the SERP on the later of the participant's retirement date or the date six months following separation from service. We define "retirement date" as the date the participant reaches the earlier of age 55 with 10 years of service or age 65 with five years of service.

A participant who has announced retirement at least 12 months in advance has the right to lock-in a discount rate used to determine the amount of the lump sum payment based on the average for the month in which they choose to lock-in. In light of the volatility of the financial markets in 2010, we permitted vested participants to lock-in their interest rate by communicating to Mr. Karre, Senior Vice President, Human Resources & Communications, consideration of their retirement date. Both Mr. Faraci and Mr. Pacheco have locked-in the discount rate under this provision.

#### *Participants eligible to participate prior to July 1, 2004 (Formula A):*

We calculate benefits under this formula as the greatest of (i) the sum of the benefits under our Retirement Plan and Pension Restoration Plan; (ii) the lesser of 3.25% of eligible compensation, defined below, multiplied by the participant's years of service or 50% of eligible compensation, with both amounts reduced by a portion of Social Security benefits; or (iii) 25% of eligible compensation. The benefit payable under the SERP is reduced by the benefits payable under the Retirement Plan. In calculating benefits under (ii) and (iii), we include as eligible compensation the sum of (a) the participant's highest annual base salary during any of the three consecutive calendar years prior to retirement and (b) the participant's target MIP for the year of retirement. The benefit for Mr. Faraci and Mr. Kadien is calculated under SERP Formula A.

## **Table of Contents**

### *Participants hired prior to July 1, 2004, and first eligible to participate on or after July 1, 2004 (Formula B):*

We calculate benefits under this formula at the same rate as our Retirement Plan and Pension Restoration Plan. Participants are eligible to receive a lump sum payment of the benefit earned for service after becoming eligible in the SERP; the benefit earned prior to SERP eligibility remains payable as an annuity. The benefit for Mr. Nicholls, Mr. Pacheco and Ms. Roberts is calculated under SERP Formula B.

### *Participants hired and eligible to participate on or after July 1, 2004 (Formula C):*

We calculate benefits under this formula at the same rate as our Retirement Plan and Pension Restoration Plan, as though the participant is eligible to participate in those plans, offset by the participant's Company-provided retirement savings account balance in the 401(k) plan and the DCSP.

In the event of termination for cause, an executive whose SERP benefit is calculated under Formula A would forfeit the right to receive a lump sum benefit under the SERP, and his or her vested retirement benefits under the Retirement Plan and the Pension Restoration Plan would be paid as an annuity.

### *Policies with Regard to Granting Additional Years of Service*

Our change in control agreements described in our CD&A provide three years of age and three years of service to be added to the calculation of retirement benefits in the event of termination of an NEO's employment following a change in control.

We have no other provision for granting additional years of service under our retirement plans.

### *Eligibility for Early Retirement Benefits*

Normal retirement under our Retirement Plan and Pension Restoration Plan is age 65.

Participants, including the NEOs, are eligible for early retirement under the Retirement Plan, the Pension Restoration Plan and the SERP at age 55 with 10 years of service. However, a participant's accrued benefit is reduced by 4% for each year that the participant retires before reaching age 62. Participants are eligible for an unreduced benefit once they reach age 61 and have completed at least 20 years of service with us.

As of December 31, 2010, both Mr. Faraci and Mr. Pacheco are eligible for early retirement; however their benefit would be reduced by approximately 4% and 17%, respectively, based on age and years of service.

Mr. Nicholls is currently vested in the retirement plans, but he will not be eligible for early retirement until 2016.

Ms. Roberts is currently vested in the retirement plans, but she will not be eligible for early retirement until 2015.

Mr. Kadien is currently vested in the retirement plans, but he will not be eligible for early retirement until 2011.

**Table of Contents*****Non-Qualified Deferred Compensation in 2010***

The following table shows contributions in 2010 by International Paper and each of our NEOs to the DCSP, which is our non-qualified deferred compensation plan, and each NEO's DCSP account balance as of December 31, 2010. The account balance includes amounts deferred by the NEO in December 2010, which were actually credited to his or her account in January 2011.

<b>Name</b>	<b>Executive Contributions in Last Fiscal Year (\$)(1)</b>	<b>Registrant Contributions in Last Fiscal Year (\$)(2)</b>	<b>Aggregate Earnings in Last Fiscal Year (\$)(3)</b>	<b>Aggregate Withdrawals/ Distributions in Last Fiscal Year (\$)</b>	<b>Aggregate Balance at Last Fiscal Year End (\$)(4)</b>
John Faraci	305,095	183,057	236,286	-	3,431,147
Tim Nicholls	43,333	26,000	7,219	-	169,464
Maximo Pacheco	-	-	-	-	-
Carol Roberts	45,267	27,160	78,661	-	620,062
Tom Kadien	57,000	22,800	93,334	-	1,231,958

- (1) These amounts are included in the Salary column of the Summary Compensation Table for 2010 for each NEO.
- (2) These amounts are included in the All Other Compensation column of the Summary Compensation Table for 2010 for each NEO.
- (3) These amounts are not included in the Summary Compensation Table because they are not preferential or above-market earnings.
- (4) Of the amounts shown in this column, the following amounts were included in the Salary column of the Summary Compensation Table for prior years as follows: for Mr. Faraci, \$1,378,723 was included for the period of 2001-2009; and for Ms. Roberts, \$82,290 was included for 2008-2009.



**Table of Contents***Narrative to Non-Qualified Deferred Compensation Table*

The DCSP allows participants to save for retirement by deferring up to 85% of eligible cash compensation, which includes base salary and MIP awards. Participants may contribute to the DCSP after deferring either the maximum pre-tax amount or total pre-tax and after-tax amount to the 401(k) plan or after reaching the IRS compensation limit for that year. The Company credits matching contributions equal to 70% of the participant's contributions up to 4% of compensation, plus 50% of contributions up to an additional 4% of compensation. For 2010, NEO contribution amounts were as follows: Mr. Faraci contributed 8% of his salary and MIP. Mr. Nicholls and Ms. Roberts each contributed 8% of salary, and Mr. Kadien contributed 12% of his salary. Because Mr. Pacheco is neither a U.S. citizen nor performing services in the U.S., he is not eligible to participate in the DCSP. As a result of the varying contribution amounts, the actual amounts deferred and the Company's resulting matching contribution will vary for each NEO.

<b>Available Fund</b>	<b>2010 Fund Return</b>
Conservative Fund	10.5%
Moderate Fund	14.6%
Aggressive Fund	16.4%
Stable Value Fund	2.7%
U.S. Bond Fund	9.6%
High Yield Bond Fund	11.8%
Emerging Market Bond Fund	13.0%
Large Cap Stock Fund	16.8%
Mid Cap Stock Fund	21.3%
Small Cap Stock Fund	25.6%
International Stock Fund	10.0%
Emerging Market Stock Fund	17.1%
Company Stock Fund	2.7%

Participant contributions are credited with earnings (or losses) based on the participant's choice of investment fund equivalents. Investment fund equivalents match the investment returns of the funds available in the 401(k) plan. Investment elections may be changed daily subject to securities laws restrictions. Differences in earnings reported in the Non-Qualified Deferred Compensation Table, above, are based on the individual participant's investment elections. The earnings (or losses) on the funds available under the DCSP are shown below.

Participants are fully vested in their contributions at all times. Amounts contributed by the Company become vested upon completing three years of service, reaching age 65, death, disability, termination of employment as a result of the permanent closing of the participant's facility, or eligibility for severance under the Salaried Employee Severance Plan.

Participant accounts are divided into contribution accounts for amounts deferred prior to January 1, 2005, and contribution accounts for amounts deferred after January 1, 2005. Distributions of amounts contributed on or after January 1, 2005, may only be made in the event of termination of employment, death or disability. Participants must elect their distribution form of payment in an initial deferral election, which may only be changed under a subsequent distribution election that meets the IRS requirements under Code Section 409A. In the event no election has been made, the participant will receive a lump sum form of payment. In-service withdrawals are limited to unforeseeable emergencies.

**Post-Employment Termination Benefits***Potential Payments Upon Death or Disability*

The Company provides the following benefits in the event of death or disability, which are available to all of our U.S. salaried employees, excluding employees in *xpedx*, our distribution business. Upon reaching age 65, the disabled individual is covered under our retirement programs, if eligible, as described above. Disability benefits we provide are:

- Long-term disability income benefit equal to 60% of base salary plus the employee's average MIP during the last three calendar years;
- Continuation of medical and life insurance coverage applicable to active employees while disabled; and
- Continuation of pension benefit accruals.



**Table of Contents**

The Company provides the same benefits to the beneficiary of an NEO upon death as are available to our U.S. salaried employees, with two additional benefits:

Executive supplemental life insurance, which is described on page 45; and

If the NEO has completed five years of vesting service at the time of death, an amount equal to 50% of the NEO's SERP benefit is payable to a surviving spouse.

In the event of disability or death, PSP awards are prorated based upon the number of months the participant worked during the performance period, and are paid at the end of the three-year performance period based on actual Company performance. Service-based restricted stock awards, including ECAs, also become vested upon death or disability.

**Potential Payments Upon Retirement**

The following table presents the potential payments to our NEOs, assuming that they retired at the end of 2010.

<b>Name</b>	<b>Retirement Plan Annuity (\$)</b>	<b>Pension Restoration Plan Annuity (\$)</b>	<b>TOTAL Annuity (\$)(1)</b>	<b>Lump Sum Pension Payment (\$)(2)</b>
John Faraci	122,853		122,853	28,394,208
Tim Nicholls	27,045	87,792	114,837	
Maximo Pacheco				3,725,927
Carol Roberts	42,346	184,154	226,500	
Tom Kadien	45,020	160,592	205,612	

- (1) Amounts shown in this column are the annual annuity benefits payable from the tax-qualified Retirement Plan and from the Pension Restoration Plan, if applicable, as of December 31, 2010, if eligible on that date; otherwise, at the earliest eligibility age at which benefits could commence. For Mr. Faraci, the amount shown is a reduced benefit payable at December 31, 2010. For Mr. Nicholls, Ms. Roberts and Mr. Kadien, the amount shown is a reduced benefit payable at age 55. Mr. Pacheco does not participate in the Retirement Plan or Pension Restoration Plan.
- (2) Lump sum payment calculations are based on the December 2010, municipal bond rate of 3.45%, or the lock-in rate elected by the NEO, if applicable. Additional information regarding the calculation of benefits may be found following the Pension Benefits Table.

**Potential Payments Upon Involuntary Termination Without Cause**

The following table represents standard severance amounts that would be payable in the event of involuntary termination without cause to our NEOs.

<b>Name</b>	<b>Years of Credited Service (#)</b>	<b>Lump Sum Severance Payment (\$)(1)</b>	<b>Lump Sum Pension Payment (\$)(2)</b>	<b>TOTAL Benefit at Termination (\$)(3)</b>	<b>Accelerated Vesting of Equity (\$)(4)</b>	<b>Value of Continued Benefits (\$)(5)</b>	<b>Pension Annuity (\$)(6)</b>
John Faraci	37	4,450,707	28,394,208	32,844,915	6,096,939	141,157	122,853
Tim Nicholls	20	1,412,800	-	1,412,800	1,394,742	72,953	114,837
Maximo Pacheco	17	1,072,987	3,725,927	4,798,914	638,615	73,258	-

Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

Carol Roberts	30	2,005,819	-	2,005,819	1,232,501	75,853	226,500
Tom Kadien	32	1,433,662	-	1,433,662	1,139,667	72,883	370,102

- (1) The amounts shown in this column reflect estimated amounts under the Salaried Employee Severance Plan formula of two weeks salary for each year or partial year of service. Amounts shown also include the following benefits to which the NEO would be entitled: (i) unused current year vacation pay; (ii) 2011 earned vacation pay; and (iii) MIP award for 2010. We do not gross-up standard severance benefits.

73

**Table of Contents**

- (2) Amounts shown in this column are the lump sum benefit payable under the SERP. The methodology used to calculate the lump sum benefit can be found in footnote 2 to the Potential Payments Upon Retirement Table, above.
- (3) Amounts shown in this column reflect the sum of columns (1) and (2) payable to the NEO upon termination.
- (4) Amounts shown in this column reflect the dollar value, based on the closing price of our common stock on December 31, 2010, of the prorated portions of the 2009-2011 PSP and 2010-2012 PSP, including reinvested dividends, that would be paid at the end of the performance period. In addition, the NEO would receive the 2008-2010 PSP award, which has a performance period ending on December 31, 2010, which is not shown here because the vesting is not accelerated.
- (5) Amounts shown in this column reflect the cost of (i) six months continued medical, dental and Employee Assistance Program coverage and (ii) executive outplacement services.
- (6) Amounts shown in this column are the annual annuity benefits payable from the Retirement Plan and the Pension Restoration Plan, if applicable, as of December 31, 2010, if eligible on that date; otherwise, at the earliest eligibility age. For Mr. Faraci, the amount shown is a reduced benefit payable at December 31, 2010. For Mr. Kadien, the amount shown is a reduced benefit payable at December 31, 2010, based on an early retirement bridge due to involuntary termination within two years of early retirement eligibility. For Mr. Nicholls and Ms. Roberts the amount shown is a reduced benefit payable at age 55. Mr. Pacheco does not participate in the Retirement Plan or Pension Restoration Plan.

**Potential Payments Upon Termination With Cause**

An executive officer who is terminated with cause would not be eligible for severance benefits as described above, other than vacation pay. Further, the executive officer would lose outstanding equity awards under the PSP or other restricted stock grants, and not be eligible for payment of an MIP award.

As participant in the SERP whose benefit is determined under Formula A, Mr. Faraci would further forfeit the ability to receive a lump sum pension payment, and his vested retirement benefits under the Retirement Plan and the Pension Restoration Plan would be paid as an annuity.

<b>Name</b>	<b>Years of Credited Service (#)</b>	<b>Lump Sum Severance Payment (\$)(1)</b>	<b>Lump Sum Pension Payment (\$)(2)</b>	<b>TOTAL Benefit at Termination (\$)(3)</b>	<b>Pension Annuity (\$)(4)</b>
John Faraci	37	315,842	-	315,842	1,959,113
Tim Nicholls	20	130,000	-	130,000	114,837
Maximo Pacheco	17	105,493	3,725,927	3,831,420	-
Carol Roberts	30	148,858	-	148,858	226,500
Tom Kadien	32	135,923	-	135,923	205,612

- (1) The amounts shown in this column represent unused 2010 vacation pay and 2011 earned vacation pay.
- (2) The amounts shown in this column represent the lump sum benefit payable under the SERP. Under our SERP, participants whose benefit is calculated under Formula A will forfeit a lump sum payment in the event of termination with cause, and will receive their benefit as an annuity under the Pension Restoration Plan. Because Mr. Pacheco's benefit is calculated under SERP Formula B, his entire benefit remains payable under the SERP.
- (3) Amounts shown in this column represent the sum of columns (1) and (2) payable to the NEO upon termination.
- (4) Amounts shown in this column are the annual annuity benefits payable from the tax-qualified Retirement Plan and from the Pension Restoration Plan, if applicable, as of December 31, 2010, if eligible to commence benefits on that date, otherwise at the earliest retirement eligibility date.

**Table of Contents****Potential Payments Upon Change in Control**

The following table represents amounts that would be payable upon termination of employment following a change in control of the Company on December 31, 2010, to our NEOs. We eliminated excise tax gross-up payments in 2010 under our change in control agreements. Under the revised change in control agreements, we will calculate for each NEO whether he or she receives a larger after-tax benefit under the following calculations: (i) reducing the benefit to the limit under Code Section 280G to eliminate any excise tax, or (ii) providing full severance benefits net of any excise tax that would be payable by the executive on the severance amount. All of the NEOs would receive the full severance benefits and pay the resulting excise tax since this produces a larger amount than reducing the benefit to the Code Section 280G limit.

<b>Name</b>	<b>Lump Sum Severance Payment \$(1)</b>	<b>Lump Sum Pension Benefit \$(2)</b>	<b>Value of Continued Benefits \$(3)</b>	<b>TOTAL Cash - based Award (\$)</b>	<b>Accelerated Vesting of Equity \$(4)</b>	<b>TOTAL Pre-Tax Benefit \$(5)</b>	<b>Pension Annuity \$(6)</b>
John Faraci	9,142,575	32,515,346	21,672	41,679,593	13,564,461	55,244,054	122,853
Tim Nicholls	3,743,400	1,570,280	21,672	5,335,352	3,026,991	8,362,343	48,921
Maximo Pacheco	2,887,950	5,092,175	21,672	8,001,797	3,006,833	11,008,630	-
Carol Roberts	3,565,200	3,432,865	21,672	7,019,737	2,678,863	9,698,600	70,653
Tom Kadien	2,905,200	7,464,367	21,672	10,391,239	2,320,167	12,711,406	45,020

- (1) Amounts shown in this column reflect a change in control severance payment of three times the sum of (i) base salary and (ii) target MIP for 2010, that would be paid in the event of termination of employment, including voluntary termination for limited situations that meet the definition of "good reason," below.
- (2) For Mr. Faraci and Mr. Kadien, who joined the SERP prior to July 1, 2004, the amount shown represents an enhanced SERP benefit equal to the higher of 50% of compensation or the Pension Restoration Plan benefit formula with an additional three years of age and three years of service. For Mr. Nicholls, Mr. Pacheco and Ms. Roberts, who joined the SERP after July 1, 2004, the amount shown represents the Pension Restoration Plan benefit formula earned after SERP participation with an additional three years of age and three years of service.
- (3) Amounts shown in this column reflect the cost of continued medical and dental benefits for three years following termination of employment.
- (4) Amounts shown in this column reflect the dollar value, based on the closing price of our common stock on December 31, 2010, of the vesting of (i) outstanding 2009-2011 and 2010-2012 PSP awards, including reinvested dividends, based on actual Company performance (for banked segments) or on target performance (for open periods) and (ii) outstanding service-based restricted stock awards, if any. In addition, the NEO would receive the 2008-2010 PSP award, which has a performance period ending on December 31, 2010, but is not included in the amount shown because it is not accelerated.
- (5) Amounts shown in this column represent the total of the cash amounts payable as well as the value of accelerated vesting of equity.
- (6) Amounts shown in this column are the annual benefits payable from the Retirement Plan and the Pension Restoration Plan, if applicable as of December 31, 2010, if eligible on that date; otherwise, at the earliest eligibility date. For Mr. Faraci, the amount shown is a reduced benefit payable at December 31, 2010. For Mr. Nicholls, Ms. Roberts and Mr. Kadien, the amount shown is a reduced benefit payable at age 55. Mr. Pacheco does not participate in the Retirement Plan or the Pension Restoration Plan. The amount differs from the total pension annuity shown in the "Pension Payments Upon Retirement" Table on page 73 for Mr. Nicholls, Ms. Robert and Mr. Kadien, because, in the

## Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

event of a change in control, their SERP benefits would become vested and payable as a lump sum under the SERP, rather than as an annuity under the Pension Restoration Plan. For Mr. Kadien, the entire Pension Restoration Plan benefit would be payable as a lump sum. For Mr. Nicholls and Ms. Roberts, whose benefits are calculated under Formula B, the amount of the Pension Restoration Plan benefit that accrued after becoming a SERP participant would become vested and payable as a lump sum.

## **Table of Contents**

### *Definition of Change in Control*

A change in control is defined in our agreements as any of the following events:

- Acquisition of 30% or more of the Company's stock;
- Change in the majority of the Board of Directors within two consecutive years, unless two-thirds of the directors in office at the beginning of the period approved the nomination or election of the new directors;
- Merger or similar business combination;
- Sale of substantially all of the Company's assets; or
- Approval by our shareowners of a complete liquidation or dissolution of the Company.

### *Definition of Good Reason*

The lump sum cash severance benefit shown above is payable only in the event of termination of employment. This includes voluntary resignation only in limited situations that meet the definition of good reason, listed below. Under no circumstance will an executive receive a cash severance benefit under the agreement if he or she leaves other than for good reason, which is defined as:

- The assignment to the executive of duties inconsistent with his or her position or a substantial decrease in responsibilities;
- Reduced annual base salary;
- Elimination of a material compensation plan (including the MIP, PSP or SERP) or a change in the executive's participation on substantially the same basis;
- Elimination of substantially similar pension or welfare plans (except for across-the-board reductions of such benefits for executives), or a material reduction of any fringe benefit, or failure to provide the same number of vacation days;
- Failure by the Company to secure an agreement by the successor to assume the change in control agreement;
- Any other termination without sufficient notice; or
- Relocation more than 50 miles from place of work.



**Table of Contents****Ownership of Company Stock****Security Ownership of Certain Beneficial Owners**

The following table sets forth information concerning beneficial ownership of our common stock by persons known to us to own more than 5 percent of our common stock outstanding as of March 15, 2011.

Name and Address of Beneficial Owner	Shares of Stock Beneficially Owned (#)	Percentage of Common Stock Outstanding (%)
BlackRock, Inc. (1)	37,235,436	8.52
Invesco, Ltd. (2)	23,943,101	5.48
State Street Corporation (3)	34,716,690	7.94
T. Rowe Price Associates, Inc. (4)	27,666,507	6.33

(1) The address of BlackRock, Inc. is 40 East 52<sup>nd</sup> Street, New York, NY 10022. We have relied upon information supplied by BlackRock, Inc. in a Schedule 13G furnished to us reporting information as of December 31, 2010. According to the Schedule 13G, BlackRock, Inc. had sole voting and dispositive power over 37,235,436 shares.

(2) The address of Invesco Ltd. is 1555 Peachtree Street NE, Atlanta, GA 30309. We have relied on supplied by Invesco Ltd. in a Schedule 13G furnished to us reporting information as of December 31, 2010. According to the Schedule 13G, Invesco Ltd. had sole voting power over 23,126,580 shares, sole dispositive power over 23,898,228 shares and shared dispositive power over 44,800 shares.

(3) The address of State Street Corporation ( State Street ) and State Street Bank and Trust Company ( State Street B & T ) is State Street Financial Center, One Lincoln Street, Boston, MA 02111. We have relied upon information supplied by State Street and State Street B & T in a Schedule 13G furnished to us reporting information as of December 31, 2010. According to the Schedule 13G, State Street had shared voting and dispositive power over 34,716,690 shares and State Street B & T had shared voting and dispositive power over 24,570,522 shares. State Street held shares of common stock of the Company as independent trustee in trust funds for employee savings, thrift and similar employee benefit plans of the Company and its subsidiaries ( Company Trust Funds ). In addition, State Street is trustee for various third party trusts and employee benefit plans. The common stock held by the Company Trust Funds is allocated to participants' accounts and such stock or the cash equivalent will be distributed to participants upon termination of employment or pursuant to withdrawal rights. For purposes of the reporting requirements of the Exchange Act, State Street is deemed to be a beneficial owner of such securities; however, State Street expressly disclaims that it is, in fact, the beneficial owner of such securities.

(4) The address of T. Rowe Price Associates, Inc. ( Price Associates ) is 100 E. Pratt Street, Baltimore, MD 21202. We have relied upon information supplied by Price Associates in a Schedule 13G furnished to us reporting information as of December 31, 2010. According to the Schedule 13G, Price Associates had sole voting power over 7,054,947 shares and sole dispositive power over 27,613,157 shares. The securities are owned by various individual and institutional investors, which Price Associates serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Exchange Act, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

**Table of Contents**

## Security Ownership of Management

The following table sets forth the number of shares of our common stock beneficially owned by each of our directors and NEOs, and by all of our directors and executive officers as a group, as of March 15, 2011, the record date for our 2011 annual meeting.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		
	Shares of		Percentage of Class (%)
	Common Stock Held (#)(1)	Stock Units Owned (#)(2)	
<b>Non-Employee Directors</b>			
David. J. Bronczek	33,866	4,099	*
Ahmet C. Dorduncu	864		*
Lynn Laverty Elsenhans	14,274	17,733	*
Samir G. Gibara	10,497	30,935	*
Stacey J. Mobley	25,931		*
John L. Townsend, III	25,797		*
John F. Turner	28,115		*
William G. Walter		59,108	*
Alberto Weissner	14,382	30,745	*
J. Steven Whisler	1,000	39,872	*
<b>Named Executive Officers</b>			
John V. Faraci	1,635,199	2,237	*
Tim S. Nicholls	301,166	3,504	*
Maximo Pacheco	234,884		*
Carol L. Roberts	279,237	2,096	*
Thomas G. Kadien	247,331		*
All directors and executive officers as a group (23 persons)	4,235,240	205,632	*

\* Indicates less than 1 percent of the class of equity securities.

(1) Includes securities over which the individual has, or, with another shares, directly or indirectly, voting or investment power, including ownership by certain relatives and ownership by trusts for the benefit of such relatives. Includes shares that may be acquired by exercise of stock options currently exercisable, regardless of whether the exercise price of such options exceeds the current market price, as follows: 199,000 shares for Mr. Faraci; 19,375 shares for Mr. Nicholls; 24,000 shares for Mr. Pacheco; 41,000 shares for Ms. Roberts; 52,650 shares for Mr. Kadien; and 632,275 shares for all directors and executive officers as a group.

(2) Represents stock equivalent units owned by our NEOs under the International Paper Company Deferred Compensation Savings Plan or by our directors under the Restricted Stock and Deferred Compensation Plan for Non-Employee Directors. These units will be paid out in cash and are not convertible into shares of common stock. Accordingly, these units are not included as shares of common stock beneficially owned.

**Table of Contents**

## Equity Compensation Plan Information

The following table provides information as of December 31, 2010, regarding compensation plans under which our equity securities are authorized for issuance.

<b>Plan Category</b>	<b>(a)</b> <b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> <b>(#)</b>	<b>(b)</b> <b>Weighted-average exercise price of outstanding options, warrants and rights</b> <b>(\$)</b>	<b>(c)</b> <b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> <b>(#)</b>
Equity compensation plans approved by security holders	18,245,253 (1)	\$ 37.73	18,758,109
Equity compensation plans not approved by security holders			
<b>Total</b>	18,245,253 (1)	\$ 37.73	18,758,109

(1) Amount does not include 9,161 shares to be issued under the plan of an acquired company. No additional shares may be granted under this plan.

**Table of Contents**

Map to The Ritz-Carlton, Westchester, for 2011 Annual Shareowners Meeting

For assistance with directions, please contact The Ritz-Carlton, Westchester, at (914) 946-5500.

**Table of Contents**

**6400 Poplar Avenue**

**Memphis, Tennessee 38197**

Printed on Accent® Opaque 40# Smooth Finish, made by our employees at the Ticonderoga Mill.

**Table of Contents**

***INTERNATIONAL PAPER COMPANY***

***C/O BNY MELLON SHAREOWNER SERVICES***

***P.O. BOX 3500***

***SOUTH HACKENSACK, NJ 07606-3500***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

You may use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. EDT May 8, 2011, except that participants in the International Paper Company Salaried Savings Plan or International Paper Company Hourly Savings Plan must provide voting instructions on or before 11:59 P.M. EDT May 5, 2011. Have your proxy card in hand when you access the web site and follow the instructions on that site.

**ELECTRONIC DELIVERY OF FUTURE SHAREOWNER COMMUNICATIONS**

If you would like to reduce the costs incurred by International Paper Company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareowner communications electronically in future years.

**VOTE BY PHONE 1-800-690-6903**

You may use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. EDT May 8, 2011, except that participants in the International Paper Company Salaried Savings Plan or International Paper Company Hourly Savings Plan must provide voting instructions on or before 11:59 P.M. EDT May 5, 2011. Have your proxy card in hand when you call and then follow the instructions the *Vote Voice* provides you.

**VOTE BY MAIL**

Please mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to International Paper Company, c/o Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, NY 11717 so that it is received by May 8, 2011. Voting instructions provided by participants in the International Paper Company Salaried Savings Plan or International Paper Company Hourly Savings Plan must be received by May 5, 2011.

If you or your duly appointed proxy holder are planning to attend the annual meeting of shareowners on May 9, 2011, please check the box in the space indicated on the proxy card below, or so indicate when you vote by Internet or phone, and an admittance card will be held for you at the meeting. If you wish to attend the annual meeting and vote the shares in person, please see *How do I attend the annual meeting?* in the proxy statement.

TO VOTE BY MAIL, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: x

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**Table of Contents**

**THIS PROXY/VOTING INSTRUCTION CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**INTERNATIONAL PAPER COMPANY**

The Board of Directors recommends a vote **FOR** each of the nominees listed under Item 1.

**Item 1 Election of Directors (one-year term).**

Nominees:

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
1a. David J. Bronczek	..	..	..
1b. Ahmet C. Dorduncu	..	..	..
1c. Lynn Lavery Elsenhans	..	..	..
1d. John V. Faraci	..	..	..
1e. Samir G. Gibara	..	..	..
1f. Stacey J. Mobley	..	..	..
1g. John L. Townsend, III	..	..	..
1h. John F. Turner	..	..	..
1i. William G. Walter	..	..	..
1j. Alberto Weisser	..	..	..
1k. J. Steven Whisler	..	..	..

The Board of Directors recommends a vote **FOR** Items 2 and 3.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Item 2 Ratification of Deloitte &amp; Touche LLP as the Company's Independent Registered Public Accounting Firm for 2011.</b>	..	..	..

**Item 3 Approval of the Non-Binding Resolution to Approve the Compensation of the Company's Named Executive Officers.**

..

The Board of Directors recommends a vote for **1 YEAR** in Item 4.

	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>Abstain</b>
<b>Item 4 Non-Binding Vote on the Frequency with which Shareowners Will Approve the Compensation of the Company's Named Executive Officers</b>	..	..	..	..

**Item 4 Non-Binding Vote on the Frequency with which Shareowners Will Approve the Compensation of the Company's Named Executive Officers**

The Board of Directors recommends a vote **AGAINST** Item 5.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Item 5 Shareowner Proposal Concerning Shareowner Action by Written Consent.</b>	..	..	..

**Item 5 Shareowner Proposal Concerning Shareowner Action by Written Consent.**

In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting. This proxy/voting instruction card, when properly executed, will be voted in the manner directed herein by the undersigned shareowner. **If no direction is made, this proxy/voting instruction card will be voted FOR all of the nominees in Item 1, FOR the Proposals in Items 2 and 3, FOR 1 YEAR in**

Edgar Filing: INTERNATIONAL PAPER CO /NEW/ - Form DEF 14A

**Item 4, and AGAINST Item 5. If you are a participant in one or more of the plans shown on the reverse side of this proxy/voting instruction card, the shares will be voted by the Trustee in its discretion.**

For address changes and/or comments, please check this box and write them on the back where indicated.

Please indicate if you plan to attend this meeting.

Yes

No

Please sign exactly as your name appears on this proxy. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If a corporation, please sign in full corporate name by authorized officer. If a partnership or LLC, please sign in firm name by authorized partner or member.

Signature(Joint Owners)/Date

Signature (PLEASE SIGN WITHIN BOX)/Date



**Table of Contents**

**INTERNATIONAL PAPER COMPANY**

**SHAREOWNER PROXY AND CONFIDENTIAL VOTING INSTRUCTION CARD**

**ANNUAL MEETING OF SHAREOWNERS MONDAY, MAY 9, 2011**

**THIS PROXY/VOTING INSTRUCTION CARD IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF INTERNATIONAL PAPER COMPANY AND BY THE TRUSTEES OF THE PLANS LISTED BELOW. THIS MAY ONLY BE USED AT THE ANNUAL MEETING OF SHAREOWNERS, TO BE HELD ON MAY 9, 2011, AT 11 A.M. EDT AT THE RITZ-CARLTON, WESTCHESTER, LOCATED AT THREE RENAISSANCE SQUARE IN WHITE PLAINS, NEW YORK 10601, AND AT ANY ADJOURNMENT THEREOF.**

If you are a registered shareowner, by submitting this proxy you are appointing John V. Faraci and Tim S. Nicholls, jointly or individually, as proxies with power of substitution, to vote all shares you are entitled to vote at the Annual Meeting of Shareowners on May 9, 2011, and any adjournment thereof. If no direction is made on the reverse side, this proxy will be voted FOR all nominees in Item 1, FOR Items 2 and 3, FOR 1 year in Item 4, and AGAINST Item 5. The proxies are authorized to vote upon such other business as may properly come before the meeting.

If you are a participant in either the International Paper Salaried Savings Plan or the International Paper Hourly Savings Plan, by signing this proxy/voting instruction card, you are instructing your Trustee to vote the shares of common stock in accordance with your voting instructions. The Trustees under each of the plans have authorized Broadridge as an agent to tabulate the votes. Any shares held by the Trustee for which it has not received voting instructions by Internet, phone or mail by 11:59 P.M. EDT May 5, 2011, will be voted by the Trustee in its discretion. Plan participants may attend the meeting but may only vote these shares by submitting voting instructions by Internet, phone or mail by 11:59 P.M. EDT May 5, 2011.

The proxies are instructed to vote as indicated on the reverse side. This proxy revokes all prior proxies given by you. Please sign on the reverse side exactly as your name or names appear(s) there. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If a corporation, please sign in full corporate name by authorized officer. If a partnership or LLC, please sign in firm name by authorized partner or member.

**Address Changes/Comments:**

(If you noted any address changes/comments, please mark the corresponding box on the reverse side.)  
Continued and to be signed on reverse side

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on May 9, 2011:**

A Form of Proxy, the Proxy Statement and Annual Report are Available at <http://materials.proxyvote.com/460146>