

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended
12/31/2020

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from - to -

Commission File No. 1-3157

INTERNATIONAL PAPER COMPANY

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

13-0872805

(I.R.S. Employer Identification No.)

**6400 Poplar Avenue
Memphis, Tennessee**

(Address of principal executive offices)

38197

(Zip Code)

Registrant's telephone number, including area code: 901 419-9000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Shares	IP	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the Company's outstanding common stock held by non-affiliates of the registrant, computed by reference to the closing price as reported on the New York Stock Exchange, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2020) was approximately \$13,786,056,781.

The number of shares outstanding of the Company's common stock as of February 12, 2021 was 393,117,117.

Documents incorporated by reference:

Portions of the registrant's proxy statement filed within 120 days of the close of the registrant's fiscal year in connection with registrant's 2021 annual meeting of shareholders are incorporated by reference into Part III of this Form 10-K.

INTERNATIONAL PAPER COMPANY
INDEX TO ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2020

PART I.		<u>1</u>
ITEM 1.	<u>BUSINESS.</u>	<u>1</u>
	General	<u>1</u>
	Human Capital	<u>1</u>
	Competition and Costs	<u>3</u>
	Marketing and Distribution	<u>4</u>
	Description of Principal Products	<u>4</u>
	Sales Volumes by Product	<u>4</u>
	Environmental Protection	<u>4</u>
	Climate Change	<u>5</u>
	Information About Our Executive Officers	<u>6</u>
	Raw Materials	<u>7</u>
	Forward-looking Statements	<u>7</u>
ITEM 1A.	<u>RISK FACTORS.</u>	<u>8</u>
ITEM 1B.	<u>UNRESOLVED STAFF COMMENTS.</u>	<u>16</u>
ITEM 2.	<u>PROPERTIES.</u>	<u>16</u>
	Forestlands	<u>16</u>
	Mills and Plants	<u>16</u>
	Capital Investments and Dispositions	<u>17</u>
ITEM 3.	<u>LEGAL PROCEEDINGS.</u>	<u>17</u>
ITEM 4.	<u>MINE SAFETY DISCLOSURES.</u>	<u>17</u>
PART II.		<u>18</u>
ITEM 5.	<u>MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.</u>	<u>18</u>
ITEM 6.	ELIMINATED	
ITEM 7.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.</u>	<u>20</u>
	Executive Summary	<u>20</u>
	Results of Operations	<u>24</u>
	Description of Business Segments	<u>26</u>
	Business Segment Results	<u>27</u>
	Liquidity and Capital Resources	<u>31</u>
	Critical Accounting Policies and Significant Accounting Estimates	<u>34</u>
	Recent Accounting Developments	<u>37</u>
	Legal Proceedings	<u>37</u>
	Effect of Inflation	<u>37</u>
	Foreign Currency Effects	<u>38</u>
	Market Risk	<u>38</u>

INTERNATIONAL PAPER COMPANY
INDEX TO ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2020

ITEM 7A.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.</u>	<u>39</u>
ITEM 8.	<u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.</u>	<u>40</u>
	Report of Management on Financial Statements, Internal Control over Financial Reporting and Internal Control Environment and Board of Directors Oversight	<u>40</u>
	Reports of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	<u>42</u>
	Consolidated Statement of Operations	<u>46</u>
	Consolidated Statement of Comprehensive Income	<u>47</u>
	Consolidated Balance Sheet	<u>48</u>
	Consolidated Statement of Cash Flows	<u>49</u>

	Consolidated Statement of Changes in Equity	50
	Notes to Consolidated Financial Statements	51
	Interim Financial Results (Unaudited)	89

ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.	91
ITEM 9A.	CONTROLS AND PROCEDURES.	91
ITEM 9B.	OTHER INFORMATION.	91
PART III.		91
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.	91
ITEM 11.	EXECUTIVE COMPENSATION.	91
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.	91
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.	92
ITEM 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES.	92
PART IV.		92
ITEM 15.	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.	92
	Additional Financial Data	92
ITEM 16.	FORM 10-K SUMMARY	
	SIGNATURES	97
APPENDIX I	2020 LISTING OF FACILITIES	A-1
APPENDIX II	2020 CAPACITY INFORMATION	A-4

PART I.

ITEM 1. BUSINESS

GENERAL

International Paper Company (the "Company" or "International Paper", which may also be referred to as "we" or "us") is a global producer of renewable fiber-based packaging, pulp and paper products with manufacturing operations in North America, Latin America, Europe, North Africa and Russia. We are a New York corporation, incorporated in 1941 as the successor to the New York corporation of the same name organized in 1898. You can learn more about us by visiting our website at www.internationalpaper.com.

In the United States, at December 31, 2020, the Company operated 27 pulp, paper and packaging mills, 162 converting and packaging plants, 16 recycling plants and three bag facilities. Production facilities at December 31, 2020 in Canada, Europe, North Africa and Latin America included 11 pulp, paper and packaging mills, 39 converting and packaging plants, and two recycling plants. We operate a printing and packaging products distribution business principally through six branches in Asia. At December 31, 2020, we owned or managed approximately 314,000 acres of forestland in Brazil and had, through licenses and forest management agreements, harvesting rights on government-owned forestlands in Russia. Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to industry capacity and general economic conditions.

For management and financial reporting purposes, our businesses are separated into three segments: Industrial Packaging; Global Cellulose Fibers; and Printing Papers.

A description of these business segments can be found on pages 26 and 27 of [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#). The Company's equity interests in Ilim S.A. ("Ilim") and Graphic Packaging International Partners, LLC ("GPIP") are also separate reportable industry segments.

On December 3, 2020, we announced a plan to pursue a spin-off of our Printing Papers segment into a standalone publicly-traded company ("SpinCo"). See discussion on page 27 of [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#) and in [Note 8 Divestitures and Impairments of Businesses](#) on page 59 of [Item 8. Financial Statements and Supplementary Data](#).

From 2016 through 2020, International Paper's capital spending approximated \$6.3 billion, excluding mergers and acquisitions. These expenditures reflect our continuing efforts to use our capital strategically to improve product quality and environmental performance, as well as lower costs, maintain reliability of operations and strategic capital for capacity expansion. Capital spending in 2020 was approximately \$751 million and is expected to be approximately \$800 million in 2021. You can find more information about capital spending on page 33 of [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#).

Discussions of acquisitions can be found on page 31 of [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#).

You can find discussions of restructuring charges and other special items on pages 25 and 26 of [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#).

Throughout this Annual Report on Form 10-K, we "incorporate by reference" certain information in parts of other documents filed with the Securities and Exchange Commission ("SEC"). The SEC permits us to disclose important information by referring to it in that manner. Please refer to such information. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, along with all other reports and any amendments thereto filed with or furnished to the SEC, are publicly available free of charge on the Investor Relations section of our website at www.internationalpaper.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained on or connected to our website is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we filed with or furnished to the SEC.

HUMAN CAPITAL

Our strategic framework, The IP Way Forward, ensures our business strategy delivers sustainable outcomes for all of our stakeholders - employees, customers, suppliers, communities, governments, non-governmental organizations and shareholders - for generations to come. We accomplish this through a series of programs and processes as discussed below. Additionally in 2020, we established our Vision 2030 goals for healthy and abundant forests, thriving people and communities, sustainable operations and renewable solutions. Several of these goals are discussed in more detail below.

EMPLOYEES

As of December 31, 2020, we have approximately 49,300 employees, nearly 33,400 of whom are located in the United States. Of our U.S. employees, approximately 23,100 are hourly, with unions representing approximately 14,300 employees. Approximately 10,800 of this number are represented by the United Steelworkers union ("USW").

International Paper, the USW, and several other unions have entered into two master agreements covering various mills and converting facilities. These master agreements cover several specific items, including wages, select benefit programs, successorship, employment security, and health and safety. Individual facilities continue to have local agreements for other subjects not covered by the master agreements. If local facility agreements are not successfully negotiated at the time of expiration, under the terms of the master agreements the local contracts will automatically renew with the same terms in effect. The master agreements cover the majority of our union represented mills and converting facilities. In addition, International Paper is party to a master agreement with District Council 2, International Brotherhood of Teamsters, covering additional converting facilities.

SAFETY

The safety of our employees remains the primary focus of our leaders. Our goal is to create a 100% injury-free workplace for our employees and contractors. To accomplish this goal, we focus on the IP Way of doing things - we do the right things, in the right ways, for the right reasons, all of the time. Our stated Vision 2030 Goal is to achieve zero injuries for employees and contractors.

Throughout the COVID-19 pandemic, we have remained focused on protecting the health and safety of our employees while meeting the needs of our customers. Most of our manufacturing and converting facilities we deemed essential have remained open and operational during the pandemic. The health and safety of our employees and contractors is our most important responsibility as we manage through the COVID-19 pandemic. We have implemented work-systems across the Company, including hygiene, social distancing, site cleaning, contract tracing and other measures, as recommended by the Centers for Disease Control and Prevention and the World Health Organization. As a sign of our appreciation for our workers during the pandemic, the Company gave a one-time bonus to all employees in December 2020.

HUMAN CAPITAL MANAGEMENT

The attraction, retention and development of our employees is critical to our success. We accomplish this, in part, by developing the capabilities of our team members through our continuous learning, development and performance management programs. One such program is our REACH (Recruit, Engage, Align College Hires) program through which the Company recruits and develops early-career engineers and safety professionals for our U.S. Mill system, preparing them to become future leaders. We invest in the growth and development of our employees by providing a multi-dimensional approach to learning that empowers, intellectually grows, and professionally develops our employees. We provide continuing education courses that are relevant to our industry and job function within the Company. In addition, we have created learning paths for specific positions that are designed to encourage an employee's advancement and growth within our organization. We also offer a peer mentor program and leadership and customer service training to support and develop our employees. These resources provide employees with the skills they need to achieve their career goals, build management skills and become leaders within our Company. In 2019, 580 new hourly operations and maintenance employees at our mills experienced new hire integration training and 460 high potential leaders participated in experiential development programs.

DIVERSITY AND INCLUSION

The Company believes in an inclusive workforce, where diverse backgrounds are represented, engaged and empowered to inspire innovative ideas and decisions. Our stated Vision 2030 goal is to achieve 30% overall representation of women and 50% women in salaried positions and to implement regional diversity plans, including 30% minority representation in U.S. salaried positions. To foster a more diverse and inclusive culture, the Company is focused on (1) promoting a culture of diversity and inclusion that leverages the talents of all employees, and (2) implementing practices that attract, recruit and retain diverse top talent. The Company supports employee-led networking groups that are open to all employees and provide a forum to communicate and exchange ideas, build a network of relationships across the Company, and pursue personal and professional development, such as the Women in International Paper Employee Networking Circle, African American Employee Networking Circle ("IPmove"), LGBTQ Employee Networking Circle ("IPride") and a Veterans Employee Networking Circle.

We have a global workforce and have implemented programs around the globe to create diverse, inclusive workplaces. We have increased representation of women engineers in our REACH program to 38% with the Class of 2021. And our overall full-time diversity hiring for the REACH Class 2021 is 52%.

CITIZENSHIP

We encourage our employees to support the communities in which they live and in which the Company operates. Our citizenship efforts extend across the globe and support social and educational needs. To that end, in 2019 we invested more than \$24 million to address critical needs in the communities in which we work and live. Our Vision 2030 goal is to strengthen the resilience of our communities and improve the lives of 100 million people in our communities. We are proud to have been named among the world's most ethical companies by Ethisphere for 14 consecutive years.

COMPETITION AND COSTS

The pulp, paper and packaging sectors are large and fragmented, and the areas into which the Company sells its principal products are very competitive. Our products compete with similar products produced by other forest products companies. We also compete, in some instances, with companies in other industries and against substitutes for wood-fiber products.

Many factors influence the Company's competitive position, including price, cost, product quality and services. You can find more information about the impact of these factors on operating profits on pages 20 through 31 of [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#). You can find information about the Company's manufacturing capacities on page A-4 of [Appendix II](#).

MARKETING AND DISTRIBUTION

The Company sells products directly to end users and converters, as well as through agents, resellers and paper distributors.

SALES VOLUMES BY PRODUCT

Sales volumes of major products for 2020, 2019 and 2018 were as follows:

SALES VOLUMES BY PRODUCT (a)

<i>In thousands of short tons (except as noted)</i>	2020	2019	2018
Industrial Packaging			
Corrugated Packaging (b)	10,671	10,454	10,624
Containerboard	3,097	2,909	3,229
Recycling	2,181	2,388	2,282
Saturated Kraft	158	174	196
Gypsum/Release Kraft	209	199	227
Bleached Kraft	30	22	31
EMEA Packaging (b)	1,627	1,538	1,476
Brazilian Packaging (b)	271	366	351
European Coated Paperboard	411	417	390
Industrial Packaging	18,655	18,467	18,806
Global Cellulose Fibers (in thousands of metric tons) (c)	3,676	3,501	3,573
Printing Papers			
U.S. Uncoated Papers	1,339	1,799	1,886
European and Russian Uncoated Papers	1,249	1,456	1,440
Brazilian Uncoated Papers	910	1,172	1,125
Indian Uncoated Papers	—	206	263
Printing Papers	3,498	4,633	4,714

(a) Includes third-party and inter-segment sales and excludes sales of equity investees.

(b) Volumes for corrugated box sales reflect consumed tons sold ("CTS"). Board sales by these businesses reflect invoiced tons.

(c) Includes North American, European and Brazilian volumes and internal sales to mills.

ENVIRONMENTAL PROTECTION

The Company is subject to extensive federal and state environmental regulation, as well as similar regulations internationally. In addition, new environmental laws or regulations impacting our facilities around the world are routinely passed or proposed. Our continuing objectives include: (1) controlling emissions and discharges from our facilities to avoid adverse impacts on the environment, and (2) maintaining compliance with applicable laws and regulations. The Company spent \$46 million in 2020 for capital projects to control environmental releases into the air and water, and to assure environmentally sound management and disposal of waste. We expect to spend \$50 million in 2021 for environmental capital projects. Capital expenditures for 2022 environmental projects are anticipated to be approximately \$45 million. Capital

DESCRIPTION OF PRINCIPAL PRODUCTS

The Company's principal products are described on pages 26 and 27 of [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#).

expenditures for 2023 environmental projects are estimated to be \$30 million.

The Company has completed capital projects to meet the U.S. Environmental Protection Agency's ("EPA") maximum achievable control technology ("MACT") and risk and technology review ("RTR") regulations that require owners of specified pulp and paper process equipment and boilers to meet new air emissions standards for certain substances. As portions of these MACT and RTR regulations have been remanded to EPA for further consideration it is not clear at this time

what, if any, additional capital project expenditures might result from resolution of the open issues.

The Company has been named as a potentially responsible party ("PRP") in environmental remediation actions under various federal and state

laws, including the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). Many of these proceedings involve the cleanup of hazardous substances at large commercial landfills that received waste from many different sources. While joint and several liability is authorized under CERCLA and equivalent state laws, as a practical matter, liability for CERCLA cleanups is typically allocated among the many PRPs. There are other remediation costs typically associated with the cleanup of hazardous substances at the Company's current, closed or formerly-owned facilities, and recorded as liabilities on the balance sheet. For additional information regarding certain remediation actions, see [Note 14 Commitments and Contingent Liabilities](#) of [Item 8. Financial Statements and Supplementary Data](#) on pages 68 through 70.

See Item 1A. Risk Factors - *WE ARE SUBJECT TO A WIDE VARIETY OF LAWS, REGULATIONS AND OTHER GOVERNMENT REQUIREMENTS THAT MAY CHANGE IN SIGNIFICANT WAYS, AND THE COST OF COMPLIANCE WITH SUCH REQUIREMENTS COULD IMPACT OUR BUSINESS AND RESULTS OF OPERATIONS.*

[CLIMATE CHANGE](#)

The Company recognizes the impacts of climate change on people and our planet. In order to manage climate-related risks, we are taking actions throughout our value chain to advance a low-carbon economy.

We transform renewable resources into recyclable products that people depend on every day. This cycle begins with sourcing renewable fiber from responsibly managed forests, and at the end of use, our low-carbon products are recycled into new products at a higher rate than any other base material. We work to advance the shift to a low-carbon, circular economy by designing products that are 100% reusable, recyclable or compostable.

As part of our Vision 2030, we have committed to incremental reductions in our Scope I, II and III greenhouse gas emissions: 35% reduction by 2030. Our greenhouse gas emissions reduction goal is consistent with the Paris Climate Agreement. Furthermore, we use biomass and manufacturing residuals (rather than fossil fuels) to generate a majority of the manufacturing energy at our mills.

Our efforts to advance sustainable forest management and restore forest landscapes are an important lever for mitigating climate change through carbon storage in forests.

In an effort to mitigate the impact of climate change various international, national and sub-national (regional, state and local) governmental actions have been or may be undertaken. Presently, these efforts have not materially impacted the Company, but such efforts may have a material impact on the Company in the future.

INTERNATIONAL EFFORTS

The Paris Agreement went into effect in November 2016 and continues international efforts and voluntary commitments toward reducing the emissions of greenhouse gases ("GHGs"). Consistent with this objective, participating countries aim to balance GHG emissions generation and sequestration in the second half of this century or, in effect, achieve net-zero global GHG emissions.

To assist member countries in meeting GHG reduction obligations, the EU operates an Emissions Trading System ("EU ETS"). Currently, we have two sites directly subject to regulation under Phase III of the EU ETS, one in Poland and one in France. Other sites that we operate in the EU experience indirect impacts of the EU ETS through purchased power pricing. Neither the direct nor indirect impacts of the EU ETS have been material to the Company, but they could be material to the Company in the future depending on how the Paris Agreement's non-binding commitments or allocation of and market prices for GHG credits under existing rules evolve over the coming years.

U.S. EFFORTS, INCLUDING STATE, REGIONAL AND LOCAL MEASURES

The U.S. Congress has not passed GHG legislation. The EPA manages regulations to: (i) control GHGs from mobile sources by adopting transportation fuel efficiency standards; (ii) control GHG emissions from new Electric Generating Units ("EGUs"); (iii) control emissions from new oil and gas processing operations and (iv) require reporting of GHGs from sources of GHGs greater than 25,000 tons per year.

Several U.S. states, including states in which we operate facilities, have enacted or are considering legal measures to require the reduction of emissions of GHGs by companies and public utilities. California, New York and Virginia have already enacted such programs, although these regulations have not, and are not expected to have a material impact on the Company. We monitor proposed programs in other states as well; however, it is unclear what impacts, if any, future state-level GHG rules will have on the Company's operations.

SUMMARY

Regulation of GHGs continues to evolve in various countries in which we do business. While it is likely that there will be increased governmental action regarding GHGs and climate change in the future, it is unclear when such actions will occur and at this time it is not reasonably possible to estimate the Company's costs of compliance with rules that have not yet been adopted or implemented and may not be adopted or implemented in the future. In addition to possible direct impacts, future legislation and regulation could have indirect impacts on the Company, such as higher prices for transportation, energy and other inputs, as well as more protracted air permitting processes, causing delays and higher costs to implement capital projects. The Company has controls and procedures in place to stay informed about developments concerning possible climate change legislation and regulation in the U.S. and in other countries where we operate. We regularly assess whether such legislation or regulation may have a material effect on the Company, its operations or financial condition, and whether we have any related disclosure obligations.

Additional information regarding climate change and the Company is available in our 2019 Global Citizenship report found on our website at www.internationalpaper.com, though this information is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we file with or furnish to the SEC.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Mark S. Sutton, 59, chairman (since January 1, 2015) & chief executive officer (since November 1, 2014). Mr. Sutton previously served as president & chief operating officer from June 1, 2014 to October 31, 2014, senior vice president - industrial packaging from November 2011 to May 31, 2014, senior vice president - printing and communications papers of the Americas from 2010 until 2011, senior vice president - supply chain from 2008 to 2009, vice president - supply chain from 2007 until 2008, and vice president - strategic planning from 2005 until 2007. Mr. Sutton joined International Paper in 1984. Mr. Sutton serves on the board of directors of The Kroger Company. He is a member of The Business Council, serves on the American Forest & Paper Association board of directors, The Business Roundtable board of directors, and the international advisory board of the Moscow School of Management - Skolkovo. He was appointed chairman of the U.S. Russian Business Council. He also serves on the board of directors for Memphis Tomorrow and board of governors for New Memphis

Institute. Mr. Sutton has been a director since June 1, 2014.

W. Michael Amick, Jr., 57, senior vice president - paper the Americas since January 1, 2017 until his anticipated departure on March 31, 2021. Mr. Amick previously served as senior vice president - North American papers & consumer packaging from July 2016 until December 2016, senior vice president - North American papers, pulp & consumer packaging from November 2014 until June 2016, vice president - president, IP India, from August 2012 to October 2014, and vice president and general manager for the coated paperboard business from 2010 to 2012. Mr. Amick joined International Paper in 1990.

Clay R. Ellis, 50, senior vice president - enterprise operational excellence since December 2019. Mr. Ellis previously served as vice president - manufacturing, global cellulose fibers from 2016 to December 2019, vice president of pulp from 2014 to 2016, and vice president manufacturing, North American papers from 2012 to 2014. Mr. Ellis joined International Paper in 1992.

W. Thomas Hamic, 55, senior vice president - global cellulose fibers and enterprise commercial excellence since September 2020. Mr. Hamic previously served as senior vice president - containerboard and enterprise commercial excellence from December 2019 until September 2020. Mr. Hamic has also previously served as vice president and general manager - containerboard & recycling, North American container from June 2015 until December 2019. Mr. Hamic became vice president and general manager of the south area in container of the Americas in 2009, and he was appointed to the role of vice president, industrial packaging group's finance & strategy in 2010. Mr. Hamic joined International Paper in 1991.

Timothy S. Nicholls, 59, senior vice president & chief financial officer since June 2018. Mr. Nicholls previously served as senior vice president - industrial packaging the Americas from January 2017 through June 2018, senior vice president - industrial packaging from November 2014 through December 2016, senior vice president - printing and communications papers of the Americas from November 2011 through October 2014, senior vice president and chief financial officer from 2007 until 2011, vice president and executive project leader of IP Europe during 2007, and vice president and chief financial officer - IP Europe from 2005 until 2007. Mr. Nicholls joined International Paper in 1999.

Thomas J. Plath, 57, senior vice president - human resources and global citizenship since March 1, 2017. Mr. Plath previously served as vice president

- human resources, global businesses from November 2014 through February 2017, and vice president - HR manufacturing, technology, EH&S and global supply chain from April 2013 to November 2014. Mr. Plath joined International Paper in 1991.

Jean-Michel Ribieras, 58, senior vice president - paper the Americas and chief executive officer-elect of the standalone, publicly traded company that will result from the Company's anticipated spin-off SpinCo since January 2021. Mr. Ribieras previously served as senior vice president - industrial packaging the Americas from June 2018 until January 2021. Mr. Ribieras also previously served as senior vice president - global cellulose fibers from July 2016 through June 2018, senior vice president - president, IP Europe, Middle East, Africa & Russia from 2013 until June 2016, and president - IP Latin America from 2009 until 2013. Mr. Ribieras joined International Paper in 1993.

James P. Royalty, Jr., 51, senior vice president and president, Europe, the Middle East, Africa and Russia since December 2019. Most recently, Mr. Royalty served as vice president, corporate development and disruptive technologies from September 2018 until December 2019, vice president, strategic projects from 2017 until 2018, vice president, investor relations from 2013 until 2017, vice president and general manager, container the Americas in 2008 to 2013. Mr. Royalty joined International Paper in 1991.

Sharon R. Ryan, 61, senior vice president, general counsel & corporate secretary since November 2011. Ms. Ryan previously served as vice president, acting general counsel & corporate secretary from May 2011 until November 2011, vice president from March 2011 until May 2011, associate general counsel, chief ethics and compliance officer from 2009 until 2011, and associate general counsel from 2006 until 2009. Ms. Ryan joined International Paper in 1988.

John V. Sims, 58, senior vice president - finance, papers the Americas and chief financial officer-elect of SpinCo since January 2021. Mr. Sims previously served as senior vice president - corporate development from December 2019 until January 2021. Mr. Sims previously served as senior vice president - president, IP Europe, Middle East, Africa & Russia from July 2016 until December 2019. Mr. Sims also previously served as vice president and general manager, European papers from January 2016 until June 2016, vice president & general manager, North American papers from 2014 until December 2015, and vice president, finance and strategy, industrial packaging, from 2009 until 2013. Mr. Sims is a director of Ilim in which International

Paper holds a 50% interest, and of its subsidiary, Ilim Group. Mr. Sims joined International Paper in 1994.

Gregory T. Wanta, 55, senior vice president - North American container since December 2016. Mr. Wanta has served in a variety of roles of increasing responsibility in manufacturing and commercial leadership roles in specialty papers, coated paperboard, printing papers, foodservice and industrial packaging, including vice president, central region, Container the Americas, from January 2012 through October 2016. Mr. Wanta joined International Paper in 1991.

RAW MATERIALS

Raw materials essential to our businesses include wood fiber, purchased in the form of pulpwood, wood chips and old corrugated containers (OCC), and certain chemicals, including caustic soda and starch. For further information concerning fiber supply purchase agreements, see pages 33 and 34.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report may be considered "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are often identified by the words "will," "may," "should," "continue," "anticipate," "believe," "expect," "plan," "appear," "project," "estimate," "intend" and words of a similar nature. These statements are not guarantees of future performance and reflect management's current views with respect to future events, which are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these statements. Factors which could cause actual results to differ include but are not limited to: (i) developments related to the COVID-19 pandemic, including the severity, magnitude and duration of the pandemic, negative global economic conditions arising from the pandemic, the development, availability and effectiveness of treatments and vaccines, impacts of governments' responses to the pandemic on our operations, impacts of the pandemic on commercial activity, our customers and business partners and consumer preferences and demand, supply chain disruptions, and disruptions in the capital or financial markets; (ii) the level of indebtedness and changes in interest rates; (iii) industry conditions, including but not limited to changes in the cost or availability of raw materials, energy and transportation costs, competition International Paper faces, cyclicalities and changes in consumer preferences, demand and pricing for International Paper products (including changes resulting from the COVID-19 pandemic); (iv) domestic and global economic conditions and political changes, changes in currency exchange rates, trade protectionist policies, downgrades in International Paper's credit ratings, and/or the credit ratings of

banks issuing certain letters of credit, issued by recognized credit rating organizations; (v) the amount of International Paper's future pension funding obligations, and pension and health care costs; (vi) unanticipated expenditures or other adverse developments related to the cost of compliance with existing and new environmental, tax, labor and employment, privacy and other U.S. and non-U.S. governmental laws and regulations (including new legal requirements arising from the COVID-19 pandemic); (vii) any material disruption at any of International Paper's manufacturing facilities due to severe weather, natural disasters or other causes (including as the result of the COVID-19 pandemic); (viii) risks inherent in conducting business through joint ventures; (ix) International Paper's ability to achieve the benefits expected from, and other risks associated with, acquisitions, joint ventures, divestitures and other corporate transactions; (x) information technology risks; and (xi) loss contingencies and pending, threatened or future litigation, including with respect to environmental related matters, (xii) the receipt of regulatory approvals relating to the spin-off transaction without unexpected delays or conditions; (xiii) International Paper's ability to successfully separate the SpinCo business and realize the anticipated benefits of the spin-off transaction; (xiv) the ability to satisfy any necessary conditions to consummate the spin-off transaction within the estimated timeframes or at all; and (xv) the final terms and conditions of the spin-off transaction, including the amount of any dividend by SpinCo to International Paper and the terms of any ongoing commercial agreements and arrangements between International Paper and SpinCo following any such transaction, the costs of any such transaction, the nature and amount of indebtedness incurred by SpinCo, the qualification of the spin-off transaction as a tax-free transaction for U.S. federal income tax purposes (including whether an IRS ruling will be obtained), diversion of management's attention and the impact on relationships with customers, suppliers, employees and other business counterparties, and the impact of any such transaction on the businesses of International Paper and SpinCo and the relationship between the two companies following any such transaction. These and other factors that could cause or contribute to actual results differing materially from such forward-looking statements can be found in International Paper's press releases and U.S. Securities and Exchange Commission filings. In addition, other risks and uncertainties not presently known to International Paper or that it currently believes to be immaterial could affect the accuracy of any forward-looking statements. International Paper undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 1A. RISK FACTORS

The Company faces risks in the normal course of business and through global, regional, and local events that could have an adverse impact on its

reputation, operations, and financial performance. The Board of Directors exercises oversight of the Company's enterprise risk management program, which includes strategic, operational and financial matters, as well as compliance and legal risks. The Audit and Finance Committee coordinates the risk oversight role exercised by the Board's standing committees and management, and it receives updates on the risk management processes twice per year.

In addition to the risks and uncertainties discussed elsewhere in this Annual Report on Form 10-K (particularly in [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)), or in the Company's other filings with the Securities and Exchange Commission, the following are some important factors that could cause the Company's actual results to differ materially from those projected in any forward-looking statement. If any of the events or circumstances described in any of the following risk factors occurs, our business, results of operations and/or financial condition could be materially and adversely affected, and our actual results may differ materially from those contemplated in any forward-looking statements we make in any public disclosures.

OVERALL RISKS

THE CURRENT COVID-19 PANDEMIC HAS HAD AN ADVERSE EFFECT ON PORTIONS OF OUR BUSINESS, AND MAY HAVE MATERIAL ADVERSE EFFECTS ON OUR BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS, PARTICULARLY IF NEGATIVE ECONOMIC CONDITIONS ASSOCIATED WITH COVID-19 PERSIST OR DETERIORATE. The COVID-19 pandemic has resulted in authorities throughout the world implementing widespread measures attempting to contain the spread and impact of COVID-19, such as travel bans and restrictions, quarantines, stay-at-home orders, the promotion of social distancing and limitations on business activity, including business closures. These measures and the pandemic have caused a significant global economic downturn, disrupting supply chains, significantly increasing unemployment and underemployment levels, and adversely impacting consumer confidence and spending. The continued spread of COVID-19 has also led to significant disruption and volatility in the global capital and financial markets.

Although governments of countries in which we operate have generally considered forest products and the supply chain on which we depend to be "essential industries" that should remain operational during this pandemic, any significant disruption in operations at one or more of our mills, plants or other

facilities as a result of the COVID-19 pandemic, including precautionary measures we take or are taken by governmental authorities that limits in-person workplace contact at any of our facilities to reduce the potential for employee exposure to COVID-19, could have an adverse effect on our business or operations. If a significant portion of our workforce is unable to work effectively due to measures taken in response to the COVID-19 pandemic such as those described herein, our operations will likely be negatively impacted.

COVID-19 has had a significant negative impact on demand for our printing papers products. In addition, our operations in Industrial Packaging experienced higher supply chain costs due to the impact of COVID-19.

In addition to the reduction in demand for our products that the COVID-19 pandemic has had or could have, other negative impacts on our business, include, but are not limited to, the following:

- We rely on a global workforce, and we take measures to protect the health and safety of our employees, customers and others with whom we do business, while continuing to effectively manage our employees and maintain business operations. During the pandemic, we have taken additional measures and incurred additional expenses to protect the health and safety of our employees to comply with applicable government requirements and safety guidance. Our business operations may be additionally disrupted if a significant portion of our workforce is unable to work safely and effectively due to illness, quarantines, government actions, or other restrictions or measures responsive to the pandemic. Measures taken across our business operations to address health and safety may not be sufficient to prevent the spread of COVID-19 among our employee base, customers and others.
- A significant number of our employees as well as customers and others with whom we do business, continue to work remotely in response to the COVID-19 pandemic. Our business operations may be disrupted, and we may experience increased risk of adverse effects to our business, if a significant portion of our workforce or certain business operations are negatively impacted as a result of remote work arrangements, including due to cyber risks or other disruption to our technology infrastructure.

- Cost management and various cost-containment actions implemented across our business in response to the COVID-19 pandemic could hinder execution of our business strategy, including deferral of planned capital expenditures, and could adversely affect our business and results of operations.

While we are closely monitoring the impact of the pandemic on all aspects of our business, the extent of the impact on our results of operations, cash flow, liquidity, and financial performance, as well as our ability to execute near-term and long-term business strategies and initiatives, will depend on numerous evolving factors and future developments, which are highly uncertain and which we cannot predict or control, and some of which we are not currently aware, including, but not limited to: (a) the duration, severity and scope of the pandemic, including additional waves, increases and spikes in the number of COVID-19 cases in certain areas; (b) rapidly-changing governmental and public health directives to contain and combat the outbreak, including the duration, degree and effectiveness of directives, as well as the easing, removal and potential reinstatement of directives; (c) the availability and wide-spread administration of treatments and vaccines for COVID-19; (d) the extent and duration of the pandemic's adverse effect on economic and social activity, consumer confidence, discretionary spending and preferences, labor and healthcare costs, and unemployment rates, any of which may reduce demand for our products; (e) any temporary reduction in our workforce, closures of our offices and facilities and our ability to adequately staff and maintain our operations; and (f) the ability of our customers and suppliers to continue their operations, which could result in terminations of contracts, losses of revenue, adverse effects to our supply chain. If the pandemic continues to create disruptions or turmoil in the credit or financial markets, or impacts our credit ratings, it could adversely affect our ability to access capital on favorable terms and continue to meet our liquidity needs.

Given the inherent uncertainty surrounding COVID-19, we expect the pandemic will continue to have an adverse impact on portions of our business in the near term. If these conditions persist for a prolonged period, the COVID-19 pandemic, including any of the above factors and others that are currently unknown, may have a material adverse effect on our business, results of operations, cash flow, liquidity, or financial condition.

WE ARE SUBJECT TO PHYSICAL AND FINANCIAL RISKS ASSOCIATED WITH CLIMATE CHANGE AND GLOBAL, REGIONAL AND LOCAL WEATHER CONDITIONS.

Our operations and the operations of our suppliers are subject to climate variations, which impact the productivity of forests, the frequency and severity of wildfires, the distribution and abundance of species, and the spread of disease or insect epidemics. Additionally, the unpredictability and frequency of natural disasters such as hurricanes, earthquakes, hailstorms, wildfires, snow, ice storms, the spread of disease, and insect infestations could also affect timber supply or cause variations in the cost of raw materials. Changes in precipitation could make wildfires more frequent or more severe, and could adversely affect timber harvesting. The effects of climate change and global, regional and local weather conditions could also have a material adverse effect on our results of operations.

RISKS RELATING TO INDUSTRY CONDITIONS

CHANGES IN THE COST OR AVAILABILITY OF RAW MATERIALS, ENERGY AND TRANSPORTATION COULD AFFECT OUR PROFITABILITY.

We rely heavily on the use of certain raw materials (principally virgin wood fiber, recycled fiber, caustic soda and starch), energy sources (principally biomass, natural gas, electricity and fuel oil) and third-party companies that transport our goods. The market price of virgin wood fiber varies based upon availability and source. The global supply and demand for recycled fiber may be affected by trade policies between countries, individual governments' legislation and regulations, as well as changes in the global economy. In addition, the increase in demand of products manufactured, in whole or in part, from recycled fiber, on a global basis, may cause significant fluctuations in recycled fiber prices. Energy prices, in particular prices for oil and natural gas, have fluctuated dramatically in the past and may continue to fluctuate in the future. The availability of labor and the market price for fuel may affect our costs for third-party transportation. Our profitability has been, and will continue to be, affected by changes in the costs and availability of such raw materials, energy sources and transportation sources.

THE INDUSTRIES IN WHICH WE OPERATE EXPERIENCE BOTH ECONOMIC CYCLICALITY AND CHANGES IN CONSUMER PREFERENCES. FLUCTUATIONS IN THE PRICES OF, AND THE DEMAND FOR, OUR PRODUCTS COULD MATERIALLY AFFECT OUR FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS.

Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to industry capacity and

general economic conditions. The length and magnitude of these cycles have varied over time and by product. In addition, changes in consumer preferences may increase or decrease the demand for our fiber-based products and non-fiber substitutes. Moreover, consumer preferences are constantly changing based on, among other factors, cost, convenience and health, environmental and social concerns and perceptions. These consumer preferences affect the prices of our products. Consequently, our financial results are sensitive to changes in the pricing and demand for our products.

COMPETITION IN THE UNITED STATES AND INTERNATIONALLY COULD NEGATIVELY IMPACT OUR FINANCIAL RESULTS.

We operate in a competitive environment, both in the United States and internationally, in all of our operating segments. Product innovations, manufacturing and operating efficiencies, and marketing, distribution and pricing strategies pursued or achieved by competitors could negatively impact our financial results.

RISKS RELATING TO MARKET AND ECONOMIC FACTORS

ADVERSE DEVELOPMENTS IN GENERAL BUSINESS AND ECONOMIC CONDITIONS COULD HAVE AN ADVERSE EFFECT ON THE DEMAND FOR OUR PRODUCTS AND OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

General economic conditions may adversely affect industrial non-durable goods production, consumer spending, commercial printing and advertising activity, white-collar employment levels and consumer confidence, all of which impact demand for our products. In addition, volatility in the capital and credit markets, which impacts interest rates, currency exchange rates and the availability of credit, could have a material adverse effect on our business, financial condition and our results of operations.

CHANGES IN INTERNATIONAL CONDITIONS COULD ADVERSELY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS.

Our operating results and business prospects could be substantially affected by risks related to the countries outside the United States in which we have manufacturing facilities or sell our products. Specifically, Russia, Brazil, Poland, and Turkey, where we have substantial manufacturing facilities, are countries that are exposed to economic and political instability in their respective regions of the world. Fluctuations in the value of local currency versus the U.S. dollar, downturns in economic activity, adverse tax consequences or rulings, nationalization or any change in social, political or labor conditions in any of these countries or regions impacting matters such as sustainability, environmental regulations and trade policies and agreements, could negatively affect our financial results. Trade protection measures in favor

of local producers of competing products, including governmental subsidies, tax benefits and other measures giving local producers a competitive advantage over International Paper, may also adversely impact our operating results and business prospects in these countries. Likewise, disruption in existing trade agreements or increased trade friction between countries (e.g., the U.S. and China), which can result in tariffs, could have a negative effect on our business and results of operations by restricting the free flow of goods and services across borders. In addition, our international operations are subject to regulation under U.S. law and other laws related to operations in foreign jurisdictions. For example, the Foreign Corrupt Practices Act prohibits U.S. companies and their representatives from offering, promising, authorizing or making payments to foreign officials for the purpose of obtaining or retaining business abroad, and the U.S. Department of Treasury's Office of Foreign Asset Control and other non-U.S. government entities maintain economic sanctions targeting various countries, persons and entities. Failure to comply with domestic or foreign laws could result in various adverse consequences, including the imposition of civil or criminal sanctions and the prosecution of executives overseeing our international operations.

THE LEVEL OF OUR INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND IMPAIR OUR ABILITY TO OPERATE OUR BUSINESS. As of December 31, 2020, International Paper had approximately \$8.1 billion of outstanding indebtedness. The level of our indebtedness could have important consequences to our financial condition, operating results and business, including the following:

- it may limit our ability to obtain additional debt or equity financing for working capital, capital expenditures, product development, dividends, share repurchases, debt service requirements, acquisitions and general corporate or other purposes;
- a portion of our cash flows from operations will be dedicated to payments on indebtedness and will not be available for other purposes, including operations, capital expenditures and future business opportunities;
- the debt service requirements of our indebtedness could make it more difficult for us to satisfy other obligations;
- it may limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our competitors that have less debt; and

- it may increase our vulnerability to a downturn in general economic conditions or in our business, and may make us unable to carry out capital spending that is important to our growth.

In addition, we are subject to agreements governing our indebtedness that require us to meet and maintain certain financial ratios and covenants. A significant or prolonged downturn in general business and economic conditions, or other significant adverse developments with respect to our results of operations or financial condition, may affect our ability to comply with these covenants or meet those financial ratios and tests and could require us to take action to reduce our debt or to act in a manner contrary to our current business objectives. Moreover, the restrictions associated with these financial ratios and covenants may prevent us from taking actions that we believe would be in the best interest of our business and may make it difficult for us to execute our business strategy successfully or effectively compete with companies that are not similarly restricted. Additionally, despite these restrictions, we may be able to incur substantial additional indebtedness in the future, which might subject us to additional restrictive covenants that could affect our financial and operational flexibility and otherwise increase the risks associated with our indebtedness as noted above.

Moreover, certain of our variable rate debt uses the London Interbank Offering Rate ("LIBOR") as a benchmark for establishing the interest rate. The U.K. Financial Conduct Authority announced in 2017 that it intends to phase out LIBOR by the end of 2021. In November 2020, the administrator of LIBOR announced it will consult on its intention to extend the retirement date of certain offered rates whereby the publication of the one week and two month LIBOR offered rates will cease after December 31, 2021, but the publication of the remaining LIBOR offered rates will continue until June 20 2023. In addition, other regulators have suggested reforming or replacing other benchmark rates. The discontinuation, reform or replacement of LIBOR or any other benchmark rates may have an unpredictable impact on contractual mechanics in the credit markets or cause disruption to the broader financial markets. Additionally, uncertainty as to the nature of such potential discontinuation, reform or replacement may negatively impact the cost of our variable rate debt.

CHANGES IN CREDIT RATINGS ISSUED BY NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATIONS COULD ADVERSELY AFFECT OUR COST OF FINANCING AND HAVE AN ADVERSE EFFECT ON THE MARKET PRICE OF OUR SECURITIES. Maintaining an investment-grade credit rating is an important element of our

financial strategy, and a downgrade of the Company's ratings below investment grade will likely eliminate our ability to access the commercial paper market, may limit our access to the capital markets, have an adverse effect on the market price of our securities, increase our cost of borrowing and require us to post collateral for derivatives in a net liability position. The Company's desire to maintain its investment grade rating may cause the Company to take certain actions designed to improve its cash flow, including sale of assets, suspension or reduction of our dividend and reductions in capital expenditures and working capital.

Under the terms of the agreements governing approximately \$1.0 billion of our debt as of December 31, 2020, the applicable interest rate on such debt may increase upon each downgrade in our credit rating below investment grade. As a result, a downgrade in our credit rating below investment grade may lead to an increase in our interest expense. There can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Any such downgrade, suspension or withdrawal of our credit ratings could adversely affect our cost of borrowing, limit our access to the capital markets or result in more restrictive covenants in agreements governing the terms of any future indebtedness that we may incur.

DOWNGRADES IN THE CREDIT RATINGS OF BANKS ISSUING CERTAIN LETTERS OF CREDIT WILL INCREASE OUR COST OF MAINTAINING CERTAIN INDEBTEDNESS AND MAY RESULT IN THE ACCELERATION OF DEFERRED TAXES. We are subject to the risk that a bank with currently issued irrevocable letters of credit supporting installment notes, including those delivered to Temple-Inland in connection with Temple-Inland's 2007 sales of forestlands, may be downgraded below a required rating. Since 2007, certain banks have fallen below the required ratings threshold and were successfully replaced, or waivers were obtained regarding their replacement. As a result of continuing uncertainty in the banking environment, a number of the letter-of-credit banks currently in place remain subject to risk of downgrade and the number of qualified replacement banks remains limited. The downgrade of one or more of these banks may subject the Company to additional costs of securing a replacement letter-of-credit bank or could result in an acceleration of payments of up to \$488 million in deferred income taxes if replacement banks cannot be obtained. The deferred taxes are currently recorded in the Company's consolidated financial statements. See [Note 15, Variable Interest Entities](#),

on pages 70 through 72, and [Note 13, Income Taxes](#), on pages 65 through 68, in [Item 8. Financial Statements and Supplementary Data](#) for further information.

OUR PENSION AND HEALTH CARE COSTS ARE SUBJECT TO NUMEROUS FACTORS WHICH COULD CAUSE THESE COSTS TO CHANGE. We have defined benefit pension plans covering substantially all U.S. salaried employees hired prior to July 1, 2004 (or later for certain acquired populations, as described in [Note 19, Retirement Plans](#), on pages 78 through 84, in [Item 8. Financial Statements and Supplementary Data](#)) and substantially all hourly union and non-union employees regardless of hire date. The Company has frozen participation under these plans for U.S. salaried employees, including credited service and compensation on or after January 1, 2019; however, the pension freeze does not affect benefits accrued through December 31, 2018. We provide retiree health care benefits to certain former U.S. employees, as well as financial assistance towards the cost of individual retiree medical coverage for certain former U.S. salaried employees. Our pension costs are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience. Pension plan assets are primarily made up of equity and fixed income investments. Fluctuations in actual equity market returns, changes in general interest rates and changes in the number of retirees may impact pension costs in future periods. Likewise, changes in assumptions regarding current discount rates and expected rates of return on plan assets could increase pension costs. Drivers for fluctuating health costs include unit cost changes, health care utilization by participants, and potential legislative impacts and government oversight.

OUR PENSION PLANS ARE CURRENTLY UNDERFUNDED ON A PROJECTED BENEFIT OBLIGATION BASIS, AND OVER TIME WE MAY BE REQUIRED TO MAKE CASH PAYMENTS TO THE PLANS, REDUCING THE CASH AVAILABLE FOR OUR BUSINESS. We record a liability associated with our pension plans equal to the excess of the benefit obligation over the fair value of plan assets. The benefit liability recorded under the provisions of Accounting Standards Codification ("ASC") 715, "Compensation – Retirement Benefits," at December 31, 2020 was \$1.1 billion. The amount and timing of future contributions, which could be material, will depend upon a number of factors, including the actual earnings and changes in values of plan assets and changes in interest rates.

RISKS RELATING TO OUR OPERATIONS

MATERIAL DISRUPTIONS AT ONE OF OUR MANUFACTURING FACILITIES COULD

NEGATIVELY IMPACT OUR FINANCIAL RESULTS. We operate our facilities in compliance with applicable rules and regulations and take measures to minimize the risks of disruption at our facilities. A material disruption at our corporate headquarters or one of our manufacturing facilities could prevent us from meeting customer demand, reduce our sales and/or negatively impact our financial condition. Any of our manufacturing facilities, or any of our machines within an otherwise operational facility, could cease operations unexpectedly due to a number of events, including:

- fires, floods, earthquakes, hurricanes or other catastrophes;
- the effect of a drought or reduced rainfall on its water supply;
- the effect of other severe weather conditions on equipment and facilities;
- disruption in the supply of raw materials or other manufacturing inputs;
- terrorism or threats of terrorism;
- information system disruptions or failures due to any number of causes, including cyber-attacks;
- domestic and international laws and regulations applicable to our Company and our business partners, including joint venture partners, around the world;
- unscheduled maintenance outages;
- prolonged power failures;
- an equipment failure;
- a chemical spill or release;
- explosion of a boiler or other equipment;
- damage or disruptions caused by third parties operating on or adjacent to one of our manufacturing facilities;
- disruptions in the transportation infrastructure, including roads, bridges, railroad tracks and tunnels;
- a widespread outbreak of an illness or any other communicable disease, such as the outbreak of the COVID-19 virus, or any other public health crisis;
- failure of our third party service providers and business partners to satisfactorily fulfill their commitments and responsibilities in a timely manner and in accordance with agreed upon terms;

- labor difficulties; and
- other operational problems.

Any such downtime or facility damage could prevent us from meeting customer demand for our products and/or require us to make unplanned expenditures. If one of these machines or facilities were to incur significant downtime, our ability to meet our production targets and satisfy customer requirements could be impaired, resulting in lower sales and having a negative effect on our business and financial results.

CERTAIN OPERATIONS ARE CONDUCTED BY JOINT VENTURES THAT WE CANNOT OPERATE SOLELY FOR OUR BENEFIT. Certain operations in Russia are carried on by a joint venture, Ilim. In joint ventures, we share ownership and management of a company with one or more parties who may or may not have the same goals, strategies, priorities or resources as we do. In general, joint ventures are intended to be operated for the benefit of all co-owners, rather than for our exclusive benefit. Operating a business as a joint venture often requires additional organizational formalities as well as time-consuming procedures for sharing information and making decisions. In joint ventures, we are required to pay more attention to our relationship with our co-owners as well as with the joint venture, and if a co-owner changes, our relationship may be adversely affected. In addition, the benefits from a successful joint venture are shared among the co-owners, so we receive only our portion of those benefits.

THE ANNOUNCED PROPOSED SPIN-OFF OF OUR PRINTING PAPERS BUSINESS MAY NOT BE COMPLETED WITHIN THE EXPECTED TIMEFRAME, OR AT ALL, AND WE MAY NOT ACHIEVE THE EXPECTED BENEFITS FROM THE SEPARATION. On December 3, 2020, we announced a plan to pursue a spin-off of our Printing Papers segment into SpinCo, a standalone, publicly traded company. International Paper will distribute shares of SpinCo to International Paper shareholders on a pro rata basis in a manner intended to be tax-free to International Paper and its shareholders for U.S. Federal income tax purposes. The transaction is expected to be completed in late third quarter 2021. The proposed spin-off is subject to customary conditions, including final approval by the International Paper Board of Directors, receipt of a tax opinion and the filing and effectiveness of a Form 10 registration statement with the U.S. Securities and Exchange Commission. No assurance can be given regarding the form that a spin-off transaction may take or the specific terms or timing thereof, or that a spin-off will in fact occur. In addition, International Paper expects to retain up to 19.9% of the shares of

SpinCo at the time of the separation, with the intent to monetize in the future and provide additional proceeds to International Paper. No assurance can be given that we will be able to monetize the shares of SpinCo at a favorable price or at all, or the timing thereof.

International Paper and SpinCo may not realize some or all of the anticipated strategic, financial, operational or other benefits, including cost savings, from the separation on the expected timeframe or at all. As independent publicly-traded companies, International Paper and SpinCo will be smaller, less diversified companies with a narrower business focus and may be more vulnerable to changing market conditions, such as changes in the industrial packaging or printing papers industry, which could result in increased volatility in their respective cash flows, working capital and financing requirements and could materially and adversely affect the respective business, financial condition and results of operations. In connection with the transaction, SpinCo is expected to pay International Paper a dividend to be used to pay down outstanding International Paper indebtedness. There can be no assurance that SpinCo will be able to pay a dividend, the amount of any such dividend, or that any dividend paid will be sufficient to repay the amount of indebtedness expected. Further, there can be no assurance that the combined value of the common stock of the two publicly-traded companies will be equal to or greater than what the value of International Paper's common stock would have been had the proposed separation not occurred.

Moreover, substantial expenses will be incurred in connection with the transaction. Such expenses are difficult to estimate accurately and may exceed current estimates. Accordingly, the benefits from the transaction may be offset by costs or delays incurred in effectuating the transaction. Executing the proposed transaction will require significant time and attention from International Paper's senior management and employees, which could disrupt International Paper's ongoing business and adversely affect the financial results and results of operations.

WE MAY NOT ACHIEVE THE EXPECTED BENEFITS FROM STRATEGIC ACQUISITIONS, JOINT VENTURES, DIVESTITURES, CAPITAL INVESTMENTS AND OTHER CORPORATE TRANSACTIONS THAT WE HAVE PURSUED OR MAY PURSUE. Our strategy for long-term growth, productivity and profitability depends, in part, on our ability to accomplish prudent acquisitions, joint ventures, divestitures, capital investments and other corporate transactions that we may pursue and to realize the benefits we expect from such transactions, and we are subject to the risk that we may not

achieve the expected benefits. This failure could require us to record an impairment charge for goodwill or other intangible assets, which could lead to decreased assets and reduced net earnings. Among the benefits we expect from potential as well as completed acquisitions and joint ventures are synergies, cost savings, growth opportunities or access to new markets (or a combination thereof), and in the case of divestitures, the realization of proceeds from the sale of businesses and assets to purchasers who place higher strategic value on such businesses and assets than does International Paper.

Corporate transactions of this nature which we may pursue involve a number of special risks, including with respect to our inability to realize our business goals with respect to such transactions as noted above, the focus of our management's attention on these transactions and the assimilation of acquired businesses into our operations, the demands on our financial, operational and information technology systems resulting from acquired businesses, and the possibility that we may become responsible for substantial contingent or unanticipated legal liabilities as the result of acquisitions or other corporate transactions.

WE ARE SUBJECT TO INFORMATION TECHNOLOGY RISKS RELATED TO BREACHES OF SECURITY PERTAINING TO SENSITIVE COMPANY, CUSTOMER, EMPLOYEE AND VENDOR INFORMATION AS WELL AS BREACHES IN THE TECHNOLOGY USED TO MANAGE OPERATIONS AND OTHER BUSINESS PROCESSES. Our business operations rely upon secure information technology systems for data capture, processing, storage and reporting. Despite careful security and controls design, implementation, updating and independent third party verification, our information technology systems, and those of our third party providers or joint venture partners, could become subject to employee error or malfeasance, cyber-attacks, such as ransomware and data theft, by common hackers, criminal groups or nation-state organizations or social activist ("hacktivist") organizations, geopolitical events, natural disasters, failures or impairments of telecommunications networks or other catastrophic events. Network, system, application and data breaches could result in operational disruptions or information misappropriation including, but not limited to, interruption to systems availability, denial of access to and misuse of applications required by our customers to conduct business with International Paper. Access to applications required to plan our operations, source materials, manufacture and ship finished goods and account for orders could be denied or misused. Theft of intellectual property or trade secrets, and inappropriate disclosure of confidential company,

employee, customer or vendor information, could stem from such incidents. Any of these operational disruptions and/or misappropriation of information could result in lost sales, business delays, negative publicity and could have a material effect on our business.

RISKS RELATING TO LEGAL PROCEEDINGS AND COMPLIANCE COSTS

WE ARE SUBJECT TO A WIDE VARIETY OF LAWS, REGULATIONS AND OTHER GOVERNMENT REQUIREMENTS THAT MAY CHANGE IN SIGNIFICANT WAYS, AND THE COST OF COMPLIANCE WITH SUCH REQUIREMENTS COULD IMPACT OUR BUSINESS AND RESULTS OF OPERATIONS. Our operations are subject to regulation under a wide variety of U.S. federal and state and non-U.S. laws, regulations and other government requirements -- including, among others, those relating to the environment, health and safety, labor and employment, data privacy, tax, trade and health care. There can be no assurance that laws, regulations and government requirements will not be changed, applied or interpreted in ways that will require us to modify our operations and objectives or affect our returns on investments by restricting existing activities and products, subjecting them to escalating costs.

For example, we have incurred, and expect that we will continue to incur, significant capital, operating and other expenditures complying with applicable environmental laws and regulations. Our environmental expenditures include, among other areas, those related to air and water quality, waste disposal and the cleanup of contaminated soil and groundwater, including situations where we have been identified as a potentially responsible party. Moreover, we may be directly impacted by, and are working to manage, the risks and costs to us, our customers and our vendors of the effects of climate change, greenhouse gases, and the availability of energy and water resources. These risks include the potentially adverse impact on forestlands, which are a key resource in the production of our products, increased product costs and a change in the types of products that customers purchase. We also face risks arising from the increased public focus, including by governmental and nongovernmental organizations, on these and other environmental sustainability matters, such as packaging and waste, deforestation, and land use. These risks also include the increased pressure to make commitments, set targets, or establish additional goals and take actions to meet them. These risks could expose us to market, operational, and execution costs or risks. There can be no assurance that future remediation requirements and compliance with existing and new laws and

requirements will not require significant expenditures, or that existing reserves for specific matters will be adequate to cover future costs. We could also incur substantial fines or sanctions, enforcement actions (including orders limiting our operations or requiring corrective measures), natural resource damages claims, cleanup and closure costs, and third-party claims for property damage and personal injury as a result of violations of, or liabilities under, environmental laws, regulations, codes and common law. The amount and timing of environmental expenditures is difficult to predict, and, in some cases, liability may be imposed without regard to contribution or to whether we knew of, or caused, the release of hazardous substances.

Our global operations subject us to complex and evolving U.S and international privacy laws and regulations, such as General Data Protection Regulation ("GDPR"), Brazil's Lei Geral de Proteção de Dados ("LGPD") and the California Consumer Privacy Act of 2018 ("CCPA") and the California Privacy Rights Act ("CPRA"). These laws require the Company to comply with a range of compliance obligations regarding the handling of personal data. These are significant penalties for non-compliance including monetary fines, disruption of operations and reputational harm. Moreover, governmental authorities around the world are considering, or are in the process of implementing new data protection regulations.

Many of these laws and regulations are subject to uncertain application, interpretation or enforcement standards that could result in claims, changes to our business practices, data processing and security systems, penalties, increased operating costs or other impacts on our businesses. The recently enacted laws often provide for civil penalties for violations, as well as private rights of action for data breaches that may increase data breach litigation. IP proactively uses internal and external resources to monitor compliance with relevant legislation and continually evaluates and, where necessary, modifies its data processing practices and policies in order to comply with evolving privacy laws. Nevertheless, relevant regulatory authorities could determine that our data handling practices fail to address all the requirements of certain new laws, which could subject us to penalties and/or litigation. In addition, there is no assurance that our security controls over personal data, the training of employees and vendors on data privacy and data security, and the policies, procedures and practices we implemented or may implement in the future will prevent the improper disclosure of personal data. Improper disclosure of personal data in violation of the GDPR, the CCPA and/or of other personal data protection laws could harm our reputation, cause loss of consumer

confidence, subject us to government enforcement actions (including fines), or result in private litigation against us, which could result in loss of revenue, increased costs, liability for monetary damages, fines and/or criminal prosecution, all of which could negatively affect our business and operating results.

As a final example, the application of tax law is subject to interpretation and is subject to audit by taxing authorities. Additionally, administrative guidance can be incomplete or vary from legislative intent, and therefore the application of the tax law is uncertain. While we believe the positions reported by the Company comply with relevant tax laws and regulations, taxing authorities could interpret our application of certain laws and regulations differently. We are currently subject to tax audits in the U.S., Brazil, Poland, Russia and other taxing jurisdictions around the world. In some cases, we have appealed and may continue to appeal, assessments by taxing authorities in the court system. As such, tax controversy matters may result in previously unrecorded tax expenses, higher future tax expenses or the assessment of interest and penalties.

RESULTS OF LEGAL PROCEEDINGS COULD HAVE A MATERIAL EFFECT ON OUR CONSOLIDATED FINANCIAL RESULTS. We are a party to various legal, regulatory and governmental proceedings and other related matters, including with respect to environmental matters. In addition, we are and may become subject to other loss contingencies, both known and unknown, which may relate to past, present and future facts, events, circumstances and occurrences. Should an unfavorable outcome occur in connection with our legal, regulatory or governmental proceedings or other loss contingencies, or if we become subject to any such loss contingencies in the future, there could be a material adverse impact on our financial results.

IF THE SPIN-OFF WERE TO FAIL TO QUALIFY FOR NON-RECOGNITION TREATMENT FOR U.S. FEDERAL INCOME TAX PURPOSES, THEN INTERNATIONAL PAPER, SPINCO AND OUR SHAREHOLDERS MAY BE SUBJECT TO SIGNIFICANT U.S. FEDERAL INCOME TAXES. International Paper intends to receive an opinion of tax counsel, to the effect that the spin-off and certain related transactions will qualify as tax-free to SpinCo, International Paper and its shareholders for U.S. federal income tax purposes. A tax opinion is not binding on the IRS or the courts, and there can be no assurance that the IRS or a court will not take a contrary position. In addition, International Paper's tax counsel will rely on certain representations and covenants delivered by International Paper and SpinCo in rendering such opinion. International Paper may also pursue a private letter ruling from the IRS to

the effect that the spin-off and certain related transactions will qualify as tax-free to International Paper, SpinCo and International Paper shareholders for U.S. federal income tax purposes.

If the IRS ultimately determines that the spin-off is taxable, then the spin-off could be treated as a taxable dividend or capital gain to the International Paper shareholders for U.S. federal income tax purposes, International Paper could incur significant U.S. federal income tax liabilities, and SpinCo may be required to indemnify International Paper for such tax liability pursuant to a tax matters agreement. There can be no assurance that SpinCo would have the resources or liquidity required to indemnify International Paper for any such tax liability.

Even if the spin-off otherwise qualifies for non-recognition of gain or loss under Internal Revenue Code ("the Code") Section 355 of the Code, the spin-off may be taxable to International Paper (but not International Paper's shareholders) pursuant to Section 355(e) of the Code if there is a 50% or more (by vote or value) change in ownership of either International Paper or SpinCo, directly or indirectly, as part of a plan or series of related transactions that include the spin-off. For this purpose, any acquisitions of International Paper's or SpinCo's common stock within two years before or after the spin-off are presumed to be part of such a plan, although International Paper or SpinCo may be able to rebut that presumption based on either applicable facts and circumstances or a "safe harbor" described in the U.S. income tax regulations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

FORESTLANDS

As of December 31, 2020, the Company owned or managed approximately 314,000 acres of forestlands in Brazil, and had, through licenses and forest management agreements, harvesting rights on government-owned forestlands in Russia. All owned lands in Brazil are independently third-party certified for sustainable forestry under the Brazilian National Forest Certification Program ("CERFLOR") and the Forest Stewardship Council ("FSC").

MILLS AND PLANTS

A listing of our production facilities by segment, the vast majority of which we own, can be found in [Appendix I](#) hereto, which is incorporated herein by reference.

The Company's facilities are in good operating condition and are suited for the purposes for which they are presently being used. We continue to study the economics of modernization or adopting other alternatives for higher cost facilities.

CAPITAL INVESTMENTS AND DISPOSITIONS

Given the size, scope and complexity of our business interests, we continually examine and evaluate a wide variety of business opportunities and planning alternatives, including possible acquisitions and sales or other dispositions of properties. You can find a discussion about the level of planned capital investments for 2021 on page 33, and dispositions and restructuring activities as of December 31, 2020, on

pages 25 through 26 of [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#), and in [Note 7 Acquisitions](#) on page 59 of [Item 8. Financial Statements and Supplementary Data](#).

ITEM 3. LEGAL PROCEEDINGS

Information concerning certain legal proceedings of the Company is set forth in [Note 14 Commitments and Contingent Liabilities](#) on pages 68 through 70 of [Item 8. Financial Statements and Supplementary Data](#) which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

As of the filing of this Annual Report on Form 10-K, the Company's common shares are traded on the New York Stock Exchange (NYSE: IP). As of February 12, 2021, there were approximately 9,379 record holders of common stock of the Company.

We pay regular quarterly cash dividends and expect to continue to pay regular quarterly cash dividends in the foreseeable future, though each quarterly dividend payment is subject to review and approval by our Board of Directors. Our ability to pay dividends is, and in the future may continue to be, limited by the terms of our debt documents.

The table below presents information regarding the Company's purchases of its equity securities for the time periods presented.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.

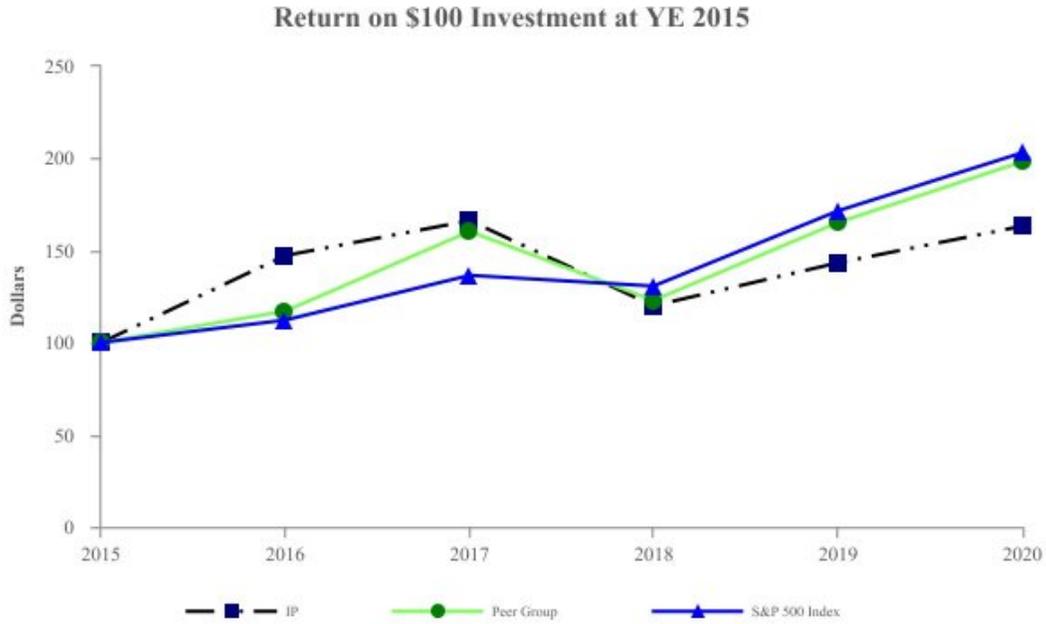
Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in billions)
October 1, 2020 - October 31, 2020	244	\$ 40.54	—	\$ 1.73
November 1, 2020 - November 30, 2020	1,393	43.75	—	1.73
December 1, 2020 - December 31, 2020	—	—	—	1.73
Total	1,637			

(a) 1,637 shares were acquired from employees from share withholdings to pay income taxes under the Company's restricted stock programs. During 2020, 389,100 shares were purchased under our share repurchase program, which was approved on September 30, 2013, and increased twice on July 8, 2014 and October 9, 2018. Through this program, which does not have an expiration date, we are authorized to purchase, in open market transactions (including block trades), privately negotiated transactions or otherwise, up to \$5 billion shares of our common stock. As of December 31, 2020, approximately \$1.73 billion aggregate amount of shares of our common stock remain authorized for purchase under this program.

PERFORMANCE GRAPH

The performance graph shall not be deemed "soliciting material" or to be "filed" with the Commission or subject to Regulation 14A or 14C under, or to the liabilities of Section 18 of, the Exchange Act of 1934, as amended.

The following graph compares a \$100 investment in Company stock on December 31, 2015 with a \$100 investment in our Peer Group and the S&P also made at market close on December 31, 2015. The graph portrays total return, 2015-2020, assuming reinvestment of dividends.



- 1) The companies included in the Peer Group are Domtar Inc., Graphic Packaging Holding Company, Klabin S.A., Metsa Board Corporation, Mondi Group, Packaging Corporation of America, Smurfit Kappa Group, Stora Enso Group, UPM-Kymmene Corp., and WestRock Company.
- 2) Returns are calculated in \$USD

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs that involve significant risks and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to those differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in "Risk Factors" and "Forward-Looking Statements."

The following generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussion of historical items in 2018, and year-to-year comparisons between 2019 and 2018, can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 19, 2020, under Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

EXECUTIVE SUMMARY

Full-year 2020 net earnings attributable to shareholders were \$482 million (\$1.22 per diluted share) compared with \$1.2 billion (\$3.07 per diluted share) for full-year 2019.

International Paper navigated the impacts of the Covid-19 pandemic in 2020 to deliver solid earnings and outstanding cash generation. Our 2020 performance demonstrates the strength and resilience of our employees, our diverse customer base and our world class manufacturing and supply chain capabilities. We ran our manufacturing system well and leveraged the flexibility of our mill and converting systems to overcome significant challenges due to the pandemic, while managing costs extremely well across our three businesses, with no material operational disruptions due to the pandemic. We continued to grow value for our shareholders with a return above our cost of capital, which marks the eleventh consecutive year with value-creating returns. We generated full-year cash from operations of \$3.1 billion and free cash flow of \$2.3 billion. Given the significant economic uncertainty, we took prudent and early actions to reinforce cash generation and enhance our financial strength. We continued to execute on our capital allocation framework. In 2020, we returned \$820

million to shareowners and reduced debt by \$1.7 billion. We also invested in our North American and EMEA corrugated packaging businesses to enhance our capabilities and grow earnings. Finally, in the fourth quarter, we announced plans to spin-off our Printing Papers business into a stand-alone, publicly traded company, which we expect to complete in the third quarter 2021.

Compared to 2019, the Company's 2020 results reflect strong execution and effective cost management to mitigate the impact of market disruptions associated with the pandemic. Price and mix were negatively affected by the full-year impact of 2019 price index movements in our North America Packaging business, as well as lower average pricing in our Global Cellulose Fibers and Printing Papers businesses. Volume was also an earnings headwind due to the unprecedented decline in demand for Printing Papers related to the pandemic. These price and volume headwinds were partly offset by strong volume growth in our North American Packaging business, outstanding cost management and lower maintenance outage expenses. During 2020, we made choices around planned maintenance and other spending priorities in response to market disruptions resulting from the pandemic. Operating costs were higher in 2020, primarily due to higher costs in the latter part of the year, as we flexed our system to meet strong packaging demand. Overall, input costs were favorable in 2020, driven by lower wood, energy and distribution costs although we did see an increase in recovered fiber, energy and distribution in the fourth quarter. Equity earnings were lower in 2020 due to decreased Ilim earnings, driven by the challenging global pulp markets along with a foreign exchange loss on Ilim's U.S. dollar denominated net debt.

Looking ahead to the first quarter 2021, as compared to the fourth quarter of 2019, in our Industrial Packaging business, we expect price and mix to improve on the realization of prior price index movement. Volume is expected to be flat sequentially with continued strong box demand in North America. Operations and costs are expected to improve sequentially, resulting from the non-repeat of isolated reliability issues and other unfavorable one-time items in the fourth quarter 2020. Maintenance outage expense is expected to be higher along with increased input costs, mainly due to higher recovered fiber and distribution costs. In our Global Cellulose Fibers business, we expect improved price and mix on the realization of prior price index movements. Volume is expected to be stable and operations and costs are expected to improve on the non-repeat of unfavorable fourth quarter items. Maintenance outage expenses are expected to decrease moderately and input costs are expected to increase on seasonally

higher wood and energy costs. In our Printing Papers business, price and mix is expected to be stable and volume is expected to decrease, mostly due to lower seasonal demand in Brazil and Russia. Operations and costs are expected to improve and maintenance outage expense is expected to be flat. Input costs are expected to be higher, primarily due to higher seasonal wood and energy costs. Lastly, for our Ilim joint venture, we expect lower earnings on the non-repeat of the foreign currency gain on US denominated debt recognized in the fourth quarter 2020.

As we enter 2021, we are mindful that we are still in the midst of a global pandemic and there is still uncertainty. Accordingly, we remain committed to our COVID-19 principles to focus on what we need to do as a company to remain strong and resilient for all our stakeholders – to keep our employees and contractors safe, to take care of our customers and to maintain our financial strength. Looking to 2021, we anticipate continued strong demand for corrugated packaging and pulp and are poised to grow earnings. We remain focused on cash generation and will continue to make choices consistent with our capital allocation framework to drive long-term value creation.

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. Since that time, most of our manufacturing and converting facilities have remained open and operational during the pandemic. The health and safety of our employees and contractors is our most important responsibility as we manage through the COVID-19 pandemic. We have implemented work-systems across the Company, including hygiene, social distancing, site cleaning, contact tracing, and other measures, as recommended by the CDC and WHO. Our COVID-19 measures are proving to be effective and we have not had any material disruptions to our operations.

We have seen a significant negative impact on demand for our printing papers products. Demand for our pulp, containerboard and corrugated box products has not been negatively impacted by COVID-19 to date, but our operations in Industrial Packaging experienced higher supply chain costs due to the impacts of COVID-19. The recent resurgence of the virus in many areas has led to additional governmental measures, such as stay-at-home orders or business and school closures, negatively impacting our supply chain, and therefore our production.

There continue to be significant uncertainties associated with the COVID-19 pandemic, including

with respect to the various economic reopening plans and the resurgence of the virus in many areas; additional actions that may be taken by governmental authorities and private businesses to attempt to contain the COVID-19 outbreak or to mitigate its impact; the extent and duration of social distancing and stay-at-home orders; the efficacy of various vaccines; and availability and the ongoing impact of COVID-19 on unemployment, economic activity and consumer confidence. Developments related to COVID-19 are significantly adversely affecting portions of our business, and could have a material adverse effect on our financial condition, results of operations and cash flows, particularly if negative global economic conditions persist for a significant period of time or deteriorate.

Adjusted Operating Earnings and Adjusted Operating Earnings Per Share are non-GAAP measures and are defined as net earnings (loss) attributable to International Paper (a GAAP measure) excluding net special items and non-operating pension expense (income). Net earnings (loss) and Diluted earnings (loss) per share attributable to common shareholders are the most directly comparable GAAP measures. The Company calculates Adjusted Operating Earnings by excluding the after-tax effect of non-operating pension expense (income) and items considered by management to be unusual (net special items) from the earnings reported under GAAP. Adjusted Operating Earnings Per Share is calculated by dividing Adjusted Operating Earnings by diluted average shares of common stock outstanding. Management uses this measure to focus on on-going operations, and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present consolidated operating results. The Company believes that using this information, along with the most direct comparable GAAP measure, provides for a more complete analysis of the results of operations.

The following are reconciliations of Earnings (loss) attributable to common shareholders to Adjusted operating earnings (loss) attributable to common shareholders. Additional detail is provided later in this Form 10-K regarding the net special items referenced in the charts below.

<i>In millions</i>	2020	2019
Net Earnings (Loss) Attributable to Shareholders	\$ 482	\$ 1,225
Add back - Non-operating pension expense (income)	(41)	36
Add back - Net special items expense (income)	762	409
Income tax effect - Non-operating pension and special items expense	(96)	98
Adjusted Operating Earnings (Loss) Attributable to Shareholders	\$ 1,107	\$ 1,768

	2020	2019
Diluted Earnings (Loss) Per Share Attributable to Shareholders	\$ 1.22	\$ 3.07
Add back - Non-operating pension expense (income) per share	(0.10)	0.09
Add back - Net special items expense (income) per share	1.93	1.02
Income tax effect per share - Non-operating pension and special items expense	(0.25)	0.25
Adjusted Operating Earnings (Loss) Per Share Attributable to Shareholders	\$ 2.80	\$ 4.43

<i>In millions</i>	Three Months Ended December 31, 2020	Three Months Ended September 30, 2020	Three Months Ended December 31, 2019
Net Earnings (Loss) Attributable to Shareholders	\$ 153	\$ 204	\$ 165
Add back - Non-operating pension expense (income)	(10)	(11)	9
Add back - Net special items expense (income)	201	109	136
Income tax effect - Non-operating pension and special items expense	(48)	(22)	120
Adjusted Operating Earnings (Loss) Attributable to Shareholders	\$ 296	\$ 280	\$ 430

	Three Months Ended December 31, 2020	Three Months Ended September 30, 2020	Three Months Ended December 31, 2019
Diluted Earnings (Loss) Per Share Attributable to Shareholders	\$ 0.39	\$ 0.52	\$ 0.42
Add back - Non-operating pension expense (income) per share	(0.03)	(0.03)	0.02
Add back - Net special items expense (income) per share	0.51	0.28	0.34
Income tax effect per share - Non-operating pension and special items expense	(0.12)	(0.06)	0.31
Adjusted Operating Earnings (Loss) Per Share Attributable to Shareholders	\$ 0.75	\$ 0.71	\$ 1.09

Cash provided by operations totaled \$3.1 billion and \$3.6 billion for 2020 and 2019, respectively. The Company generated free cash flow of approximately \$2.3 billion in both 2020 and 2019. Free Cash Flow is a non-GAAP measure and the most directly comparable GAAP measure is cash provided by operations. Management utilizes this measure in connection with managing our business and believes that free cash flow is useful to investors as a liquidity measure because it measures the amount of cash generated that is available, after reinvesting in the

business, to maintain a strong balance sheet, pay dividends, repurchase stock, service debt and make investments for future growth. It should not be inferred that the entire free cash flow amount is available for discretionary expenditures. By adjusting for certain items that are not indicative of the Company's ongoing underlying operational performance, we believe that free cash flow also enables investors to perform meaningful comparisons between past and present periods.

The following are reconciliations of free cash flow to cash provided by operations:

<i>In millions</i>	2020	2019
Cash provided by operations	\$ 3,063	\$ 3,610
Adjustments:		
Cash invested in capital projects, net of insurance recoveries	(751)	(1,276)
Free Cash Flow	\$ 2,312	\$ 2,334

<i>In millions</i>	Three Months Ended December 31, 2020	Three Months Ended September 30, 2020	Three Months Ended December 31, 2019
Cash provided by operations	\$ 789	\$ 735	\$ 928
Adjustments:			
Cash invested in capital projects, net of insurance recoveries	(94)	(119)	(363)
Free Cash Flow	\$ 695	\$ 616	\$ 565

The non-GAAP financial measures presented in this Form 10-K as referenced above have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results calculated in accordance with GAAP. In addition, because not all companies utilize identical calculations, the Company's presentation of non-GAAP measures in this Form 10-K may not be comparable to similarly titled measures disclosed by other companies, including companies in the same industry as the Company.

RESULTS OF OPERATIONS

Business Segment Operating Profits are used by International Paper's management to measure the earnings performance of its businesses. Management uses this measure to focus on on-going operations and believes that it is useful to investors because it enables them to perform meaningful comparisons of past and present operating results. International Paper believes that using this information, along with net earnings, provides a more complete analysis of the results of operations by year. Business Segment Operating Profits are defined as earnings (loss) before income taxes and equity earnings, but including the impact of noncontrolling interests, and

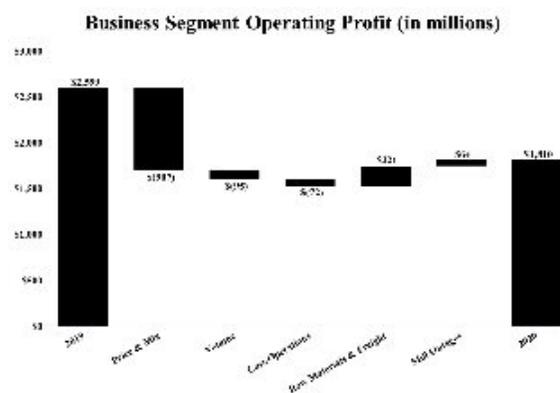
excluding interest expense, net, corporate expenses, net, corporate net special items, business net special items and non-operating pension expense. Business Segment Operating Profits is a measure reported to our management for purposes of making decisions about allocating resources to our business segments and assessing the performance of our business segments and is presented in our financial statement footnotes in accordance with ASC 280.

International Paper operates in three segments: Industrial Packaging, Global Cellulose Fibers and Printing Papers.

The following table presents a comparison of net earnings (loss) attributable to International Paper Company to its total Business Segment Operating Profit:

<i>In millions</i>	2020	2019
Net Earnings (Loss) Attributable to International Paper Company	\$ 482	\$ 1,225
Add back (deduct)		
Income tax provision (benefit)	245	634
Equity (earnings) loss, net of taxes	(77)	(250)
Noncontrolling interests, net of taxes	—	(5)
Earnings (Loss) Before Income Taxes and Equity Earnings	650	1,604
Interest expense, net	444	491
Noncontrolling interests included in operations	—	3
Corporate expenses, net	(7)	54
Corporate net special items	274	104
Business net special items	490	307
Non-operating pension expense (income)	(41)	36
	\$ 1,810	\$ 2,599
Business Segment Operating Profit (Loss):		
Industrial Packaging	\$ 1,819	\$ 2,076
Global Cellulose Fibers	(237)	(6)
Printing Papers	228	529
Total Business Segment Operating Profit	\$ 1,810	\$ 2,599

Business Segment Operating Profit in 2020 was \$789 million lower than in 2019 as the benefits from lower input costs (\$221 million) and lower maintenance outage costs (\$64 million) were more than offset by lower average sales price realizations and mix (\$907 million), lower sales volumes (\$95 million) and higher operating costs (\$72 million).



The principal changes in operating profit by business segment were as follows:

- Industrial Packaging's operating profit of \$1.8 billion was \$257 million lower than in 2019 as the benefits of higher sales volumes, lower input costs and lower maintenance outage costs were more than offset by lower average sales price, unfavorable mix and higher operating costs.
- Global Cellulose Fibers' operating loss of \$237 million was \$231 million higher than the operating loss in 2019 as the benefits of higher sales volumes, lower operating costs, lower maintenance outage costs and lower input costs were more than offset by lower average sales price, net of mix.
- Printing Papers' operating profit of \$228 million was \$301 million lower than in 2019 as the benefits of lower input costs and lower maintenance outage costs were more than offset by lower average sales price, unfavorable mix, lower sales volumes and higher operating costs.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended December 31, 2020, International Paper generated \$3.1 billion of cash flow from operations compared with \$3.6 billion in 2019. Capital spending for 2020 totaled \$751 million, or 58% of depreciation and amortization expense. Our liquidity position remains strong, supported by approximately \$2.8 billion of credit facilities.

deferred tax valuation allowance and \$28 million of non-operating pension expense.

RESULTS OF OPERATIONS

While the operating results for International Paper's various business segments are driven by a number of business-specific factors, changes in International Paper's operating results are closely tied to changes in general economic conditions in North America, Europe, Russia, Latin America, North Africa and the Middle East.

Factors that impact the demand for our products include industrial non-durable goods production, consumer preferences, consumer spending, commercial printing and advertising activity, white-collar employment levels and location, and movements in currency exchange rates.

Product prices are affected by a variety of factors including general economic trends, inventory levels, currency exchange rate movements and worldwide capacity utilization. In addition to these revenue-related factors, net earnings are impacted by various cost drivers, the more significant of which include changes in raw material costs, principally wood, recovered fiber and chemical costs; energy costs; freight costs; mill outage costs; salary and benefits costs, including pensions; and manufacturing conversion costs.

The following is a discussion of International Paper's consolidated results of operations for the year ended December 31, 2020, and the major factors affecting these results compared to 2019.

For the year ended December 31, 2020, International Paper reported net sales of \$20.6 billion, compared with \$22.4 billion in 2019. International net sales (based on the location of the seller and including U.S. exports) totaled \$6.9 billion or 34% of total sales in 2020. This compares with international net sales of \$8.1 billion in 2019.

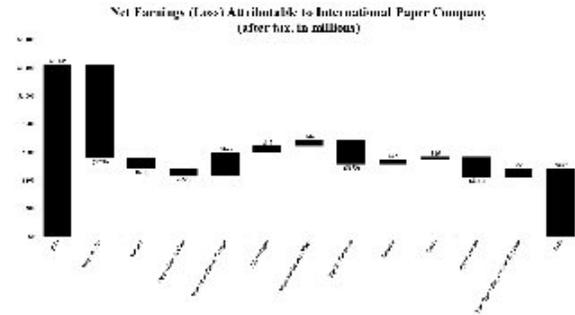
Full year 2020 net earnings attributable to International Paper Company totaled \$0.5 billion (\$1.22 per diluted share), compared with net earnings of \$1.2 billion (\$3.07 per diluted share) in 2019. Earnings from continuing operations attributable to International Paper Company after taxes in 2020 and 2019 were as follows:

In millions	2020	2019
Earnings from continuing operations attributable to International Paper Company	\$ 482 (a)	\$ 1,225 (b)

(a) Includes \$656 million of net special items charges and \$31 million of non-operating pension income.

(b) Includes \$515 million of net special items charges which included tax expense of \$203 million related to a foreign

Compared with 2019, the benefits from lower input costs (\$163 million), lower maintenance outage costs (\$47 million), lower corporate and other costs (\$44 million), lower net interest expense (\$35 million) and lower tax expense (\$16 million) were more than offset by lower average sales price and an unfavorable mix (\$670 million), lower sales volumes (\$70 million) and higher operating costs (\$53 million). In addition, 2020 results included lower equity earnings, net of taxes, relating to the Company's investments in Ilim and GPIIP.



See [Business Segment Results](#) on pages 27 through 31 of [Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#) for a discussion of the impact of these factors by segment.

INCOME TAXES

A net income tax provision of \$245 million was recorded for 2020, including a tax benefit of \$32 million related to the settlement of tax audits. Excluding this item, a \$74 million net tax benefit for other special items and a \$10 million tax expense related to non-operating pension income, the operational tax provision was \$341 million, or 25% of pre-tax earnings before equity earnings.

A net income tax provision of \$634 million was recorded for 2019, including tax expense of \$203 million related to a foreign deferred tax valuation allowance, a tax benefit of \$53 million related to internal investment restructuring, tax expense of \$9 million related to a non U.S. tax rate change, tax expense of \$3 million related to foreign tax audits and a tax benefit of \$3 million related to state income tax legislative changes. Excluding these items, a \$53 million net tax benefit for other special items and a \$8 million tax benefit related to non-operating pension expense, the operational tax provision was \$536 million, or 26% of pre-tax earnings before equity earnings.

EQUITY EARNINGS, NET OF TAXES

Equity earnings, net of taxes, consisted principally of the Company's share of earnings from its 50% investment in Ilim of \$48 million and \$207 million in 2020 and 2019, respectively, and from its 15.0% ownership interest at December 31, 2020 in GPIP of \$40 million in 2020, and from its 20.5% ownership interest at December 31, 2019 of \$46 million in 2019 (see page 30).

INTEREST EXPENSE AND NONCONTROLLING INTEREST

Net corporate interest expense totaled \$444 million in 2020 and \$491 million in 2019. Net interest expense in 2020 includes \$2 million of interest income associated with a foreign value-added tax refund accrual. Net interest expense in 2019 includes \$3 million of interest income associated with a foreign value-added tax refund accrual and \$1 million of interest expense related to foreign tax audits. The decrease in 2020 compared with 2019 was due to lower average outstanding debt.

Net earnings attributable to noncontrolling interests were zero in 2020, compared with a loss of \$5 million in 2019. The loss in 2019 includes the allocation of loss of \$9 million associated with the impairment of the net assets of our India Papers business.

SPECIAL ITEMS

Pre-tax special items totaling \$764 million and \$420 million were recorded in 2020 and 2019, respectively. Details of these charges were as follows:

Special Items		
<i>In millions</i>	2020	2019
Business Segments		
Net loss on sales and impairments of businesses	\$ 467	\$ 205
Abandoned property removal	14 (a)	50 (a)
Environmental remediation reserve adjustments	7 (b)	—
Riverdale mill conversion accelerated depreciation	1 (b)	5 (b)
Restructuring and other, net	(1)	25
Antitrust fines	—	32 (c)
Multi-employer pension plan exit liability	—	9 (c)
Gain on sale of previously closed Albany, Oregon mill site	—	(9) (c)
Other	2 (d)	(1) (d)
	490	316
Corporate		
Restructuring and other, net	\$ 196	\$ 32
Asbestos litigation reserve adjustment	43	—
Environmental remediation reserve adjustments	41	25
India investment	11	3
Printing Papers business spin-off costs	9	—
Litigation reserves	—	41
India transaction costs	—	3
Gain on sale of portion of equity investment in Graphic Packaging	(33)	—
Net gain on sales and impairments of businesses	(2)	—
Other	9	—
	274	104
Total	\$ 764	\$ 420

(a) Includes \$9 million and \$35 million recorded in the Industrial Packaging business segment for 2020 and 2019, respectively; \$5 million and \$12 million recorded in the Global Cellulose Fibers business segment for 2020 and 2019, respectively; \$3 million recorded in the Printing Papers business segment for 2019.

(b) Recorded in the Printing Papers business segment.

(c) Recorded in the Industrial Packaging business segment.

(d) Includes expense of \$2 million for 2019 recorded in the Industrial Packaging business segment and expense of \$2 million and income of \$3 million for 2020 and 2019, respectively, recorded in the Printing Papers business segment.

Net losses on sales and impairments of businesses included in special items totaled a pre-tax loss of \$465 million and \$205 million in 2020 and 2019, respectively. Details of these losses were as follows:

Net Loss on Sales and Impairments of Businesses		
<i>In millions</i>	2020	2019
Brazil Packaging impairment	\$ 348	\$ —
EMEA Packaging impairment - Turkey	123	—
India Papers impairment	—	159
Global Cellulose Fibers goodwill impairment	—	52
Gain on sale of EMEA Packaging box plant	—	(6)
Other	(6)	—
Total	\$ 465	\$ 205

See [Note 8 Divestitures and Impairments](#) on pages 59 through 61 of [Item 8. Financial Statements and Supplementary Data](#) for further discussion.

International Paper continually evaluates its operations for improvement opportunities targeted to (a) focus our portfolio on our core businesses, (b) realign capacity to operate fewer facilities with the same revenue capability, (c) close high cost facilities, and (d) reduce costs. Additionally, the Company is committed to its capital allocation framework to maintain a strong balance sheet including reducing debt to maximize value creation and maintain our current investment grade credit rating.

During 2020 and 2019, pre-tax restructuring and other charges, net, totaling \$195 million and \$57 million were recorded. Details of these charges were as follows:

Restructuring and Other, Net		
<i>In millions</i>	2020	2019
Business Segments		
EMEA Packaging optimization	\$ —	\$ 15 (a)
Overhead reduction initiative	—	10 (b)
Other	(1) (a)	—
	(1)	25
Corporate		
Early debt extinguishment costs (see Note 16)	\$ 196	\$ 21
Overhead reduction initiative	—	11
	196	32
Total	\$ 195	\$ 57

(a) Recorded in the Industrial Packaging business segment.

(b) Includes \$6 million recorded in the Printing Papers business segment and \$4 million recorded in the Global Cellulose Fibers business segment.

DESCRIPTION OF BUSINESS SEGMENTS

International Paper's business segments discussed below are consistent with the internal structure used to manage these businesses. All segments are differentiated on a common product, common customer basis consistent with the business segmentation generally used in the forest products industry.

INDUSTRIAL PACKAGING

International Paper is the largest manufacturer of containerboard in the United States. Our U.S. production capacity is over 13 million tons annually. Our products include linerboard, medium, whitetop, recycled linerboard, recycled medium and saturating kraft. About 80% of our production is converted into corrugated boxes and other packaging by our 174 North American container plants. Additionally, we recycle approximately one million tons of OCC and mixed and white paper through our 18 recycling plants. Our container plants are supported by regional design centers, which offer total packaging solutions and supply chain initiatives. In EMEA, our operations include one recycled fiber containerboard mill in Morocco, a recycled containerboard mill in Spain and 27 container plants in France, Italy, Spain, Morocco, Turkey and Portugal. On January 5, 2021, the Company announced that it had entered into an agreement with Mondi Group to sell its 90.38% ownership interest in Olmuksan International Paper, a corrugated packaging business in Turkey. See [Note 8 Divestitures and Impairments of Businesses](#) on pages 59 through 61 of [Item 8. Financial Statements and Supplementary Data](#).

International Paper also produces high quality coated paperboard for a variety of packaging end uses with 443,000 tons of annual capacity at our mills in Poland and Russia.

GLOBAL CELLULOSE FIBERS

Our cellulose fibers product portfolio includes fluff, market and specialty pulps. International Paper is the largest producer of fluff pulp which is used to make absorbent hygiene products like baby diapers, feminine care, adult incontinence and other non-woven products. Our market pulp is used for tissue and paper products. We continue to invest in exploring new innovative uses for our products, such as our specialty pulps, which are used for non-absorbent end uses including textiles, filtration, construction material, paints and coatings, reinforced plastics and more. Our products are made in the United States, Canada, France, Poland, and Russia and are sold around the world. International Paper facilities have annual dried pulp capacity of about 4 million metric tons.

PRINTING PAPERS

International Paper is one of the world's largest producers of printing and writing papers. The primary product in this segment is uncoated papers. This business produces papers for use in copiers, desktop and laser printers and digital imaging. End-use applications include advertising and promotional materials such as brochures, pamphlets, greeting cards, books, annual reports and direct mail. Uncoated papers also produces a variety of grades that are converted by our customers into envelopes, tablets, business forms and file folders. Uncoated papers are sold under private label and International Paper brand names that include *Hammermill, Springhill, Williamsburg, Postmark, Accent, Great White, Chamex, Ballet, Rey, Pol, and Svetocopy*. The mills producing uncoated papers are located in the United States, France, Poland, Russia and Brazil. The mills have uncoated paper production capacity of over 4 million tons annually. Brazilian operations function through International Paper do Brasil, Ltda, which owns or manages approximately 314,000 acres of forestlands in Brazil. On December 3, 2020, the Company announced a plan to pursue a spin-off of the Printing Papers segment into SpinCo, a standalone, publicly-traded company. The transaction will be implemented through the distribution of SpinCo shares to International Paper shareholders. We expect the transaction to be tax-free for International Paper's shareholders for U.S. federal income tax purposes. International Paper will retain approximately 19.9% of the shares of SpinCo at the time of the separation, with the intent to monetize and provide additional proceeds to International Paper. The transaction is expected to close late in the third quarter of 2021 and is subject to customary conditions, including final approval by the International Paper board of directors and the filing and effectiveness of a Form 10 registration statement with the SEC. See further discussion in [Note 8 Divestitures and Impairments of Businesses](#) on pages 59 through 61 of [Item 8. Financial Statements and Supplementary Data](#).

ILIM

In October 2007, International Paper and Ilim completed a 50:50 joint venture to operate a pulp and paper business located in Russia. Ilim's facilities include three paper mills located in Bratsk, Ust-Ilimsk, and Koryazhma, Russia, with combined total pulp and paper capacity of over 3.6 million metric tons. Ilim has exclusive harvesting rights on timberland and forest areas exceeding 19.8 million acres (8.01 million hectares).

GPIP

On January 1, 2018, the Company completed the transfer of its North American Consumer Packaging business, which includes its North American Coated Paperboard and Foodservice businesses, to Graphic Packaging International Partners, LLC ("GPIP"), a subsidiary of Graphic Packaging Holding Company, in exchange for a 20.5% ownership interest in GPIP. GPIP subsequently transferred the North American Consumer Packaging business to Graphic Packaging International, LLC ("GPI"), a wholly-owned subsidiary of GPIP that holds the assets of the combined business.

On January 29, 2020, the Company exchanged 15,150,784 units of the aggregate units owned by the Company for an aggregated price of \$250 million, resulting in a pre-tax gain of \$33 million (\$25 million after taxes) which was recorded in the first quarter of 2020. On August 7, 2020, the Company exchanged 17,399,414 units of the aggregate units owned by the Company for an aggregated price of \$250 million, resulting in an immaterial gain which was recorded in the third quarter of 2020. After these transactions, the Company's ownership percentage in GPIP is approximately 15%. See [Note 11 Equity Method Investments](#) on pages 62 and 63 and [Note 23 Subsequent Events](#) on page 88 of [Item 8. Financial Statements and Supplementary Data](#) for further information.

Products and brand designations appearing in italics are trademarks of International Paper or a related company.

[BUSINESS SEGMENT RESULTS](#)

The following tables present net sales and operating profit (loss) which is the Company's measure of segment profitability.

INDUSTRIAL PACKAGING

Demand for Industrial Packaging products is closely correlated with non-durable industrial goods production, as well as with demand for e-commerce, processed foods, poultry, meat and agricultural products. In addition to prices and volumes, major factors affecting the profitability of Industrial Packaging are raw material and energy costs, freight costs, mill outage costs, manufacturing efficiency and product mix.

Industrial Packaging		
<i>In millions</i>	2020	2019
Net Sales	\$ 15,033	\$ 15,326
Operating Profit (Loss)	\$ 1,819	\$ 2,076

Industrial Packaging net sales for 2020 decreased 2% to \$15.0 billion compared with \$15.3 billion in 2019. Operating profits in 2020 were 12% lower than in 2019. Comparing 2020 with 2019, benefits from higher sales volumes (\$66 million), lower input costs (\$125 million) and lower maintenance outage costs (\$56 million) were more than offset by lower average sales price and an unfavorable mix (\$431 million) and higher operating costs (\$73 million).

North American Industrial Packaging		
<i>In millions</i>	2020	2019
Net Sales (a)	\$ 13,318	\$ 13,509
Operating Profit (Loss)	\$ 1,722	\$ 2,043

(a) Includes intra-segment sales of \$116 million for 2020 and \$118 million for 2019.

North American Industrial Packaging's sales volumes increased in 2020 compared with 2019 for boxes driven by strong demand in certain customer segments including e-commerce and shipping and distribution, reflecting the impacts of the COVID-19 pandemic. Export containerboard sales volumes also increased. Total maintenance and economic downtime was about 942,000 tons lower in 2020 compared with 2019, primarily due to economic downtime. Average sales prices were lower for both export containerboard and box. Operating costs increased primarily due to inflation and costs related to the Riverdale conversion. Planned maintenance downtime costs were \$60 million lower in 2020 than in 2019. Input costs were lower, driven by lower wood and energy costs partially offset by higher recovered fiber costs.

Looking ahead to the first quarter of 2021, compared with the fourth quarter of 2020, sales volumes for boxes are expected to be stable, with strong box demand offset by one less shipping day in the first quarter. Average sales margins are expected to be higher. Operating costs are expected to be lower. Planned maintenance downtime costs are expected to be \$87 million higher. Input costs are expected to be higher primarily for recovered fiber, wood and energy.

EMEA Industrial Packaging		
<i>In millions</i>	2020	2019
Net Sales	\$ 1,317	\$ 1,335
Operating Profit (Loss)	\$ 38	\$ (17)

EMEA Industrial Packaging's sales volumes in 2020 were higher than in 2019, despite the negative demand impact of the COVID-19 pandemic which was more than offset by improved economic conditions in Turkey and the full-year impact of 2019 acquisitions. Average sales margins improved

significantly in all regions driven by lower containerboard costs and stable sales prices for boxes. Operating costs were lower, driven by the ramp-up of the Madrid, Spain mill and improved box plant operations partially offset by inflation in Turkey. Planned maintenance outage costs were \$3 million higher in 2020 compared with 2019. Other input costs were lower. Earnings were negatively affected by unfavorable foreign currency impacts in Turkey.

Entering the first quarter of 2021, compared with the fourth quarter of 2020, sales volumes are expected to be seasonally higher. Average sales margins are expected to be lower, reflecting higher input costs. Operating costs are expected to be lower. Planned maintenance outage costs are expected to be flat due to no outages in the fourth quarter and no planned outages in the first quarter. Input costs are expected to be stable.

Brazilian Industrial Packaging		
<i>In millions</i>	2020	2019
Net Sales	\$ 148	\$ 235
Operating Profit (Loss)	\$ (3)	\$ (14)

On October 14, 2020, the Company closed the previously announced sale of its Brazilian Packaging business. See [Note 8 Divestitures and Impairments](#) on pages 59 through 61 of [Item 8. Financial Statements and Supplementary Data](#) for further discussion.

European Coated Paperboard		
<i>In millions</i>	2020	2019
Net Sales	\$ 366	\$ 365
Operating Profit (Loss)	\$ 62	\$ 64

European Coated Paperboard's sales volumes in 2020 compared with 2019 were stable as higher volumes in Russia were offset by lower volumes in Europe. Average sales margins were slightly higher as higher sales prices in Russia and a favorable mix in Europe were mostly offset by an unfavorable mix in Russia. Operating costs were higher. Planned maintenance outage costs were \$3 million higher in 2020 compared with 2019. Input costs were lower, driven by purchased pulp, wood and energy costs in Europe. In Russia, input costs were slightly higher, primarily for wood. Earnings benefited from favorable foreign currency impacts in Russia, partially offset by unfavorable impacts in Europe.

Looking forward to the first quarter of 2021, compared with the fourth quarter of 2020, sales volumes are expected to be stable in both regions. Average sales margins are expected to be slightly higher, driven by a favorable mix in Russia. Operating costs are expected to be lower. Planned maintenance outage costs are expected to be flat due to no outages in the fourth quarter and no planned outages in the first

quarter. Input costs are expected to be higher driven by purchased pulp, wood and energy in Europe.

GLOBAL CELLULOSE FIBERS

Demand for Cellulose Fibers products is closely correlated with changes in demand for absorbent hygiene products, primarily driven by the demographics and income growth in various geographic regions. It is further affected by changes in currency rates that can benefit or hurt producers in different geographic regions. Principal cost drivers include manufacturing efficiency, raw material and energy costs, mill outage costs, and freight costs.

Global Cellulose Fibers		
<i>In millions</i>	2020	2019
Net Sales	\$ 2,319	\$ 2,551
Operating Profit (Loss)	\$ (237)	\$ (6)

Global Cellulose Fibers net sales for 2020 decreased 9% to \$2.3 billion, compared with \$2.6 billion in 2019. Operating profits in 2020 were significantly lower than in 2019. Comparing 2020 with 2019, benefits from higher sales volumes (\$1 million), lower operating costs (\$15 million), lower input costs (\$33 million) and lower maintenance outage costs (\$2 million) were more than offset by lower average sales price, net of mix (\$282 million).

Sales volumes in 2020 compared with 2019 were slightly higher as higher volumes in North America were mostly offset by lower volumes in Europe and Russia. Total maintenance and economic downtime was about 104,000 tons lower in 2020 compared with 2019, primarily due to economic downtime. Average sales margins were significantly lower, reflecting lower average fluff and market pulp prices driven by the flow through of 2019 price decreases. Operating costs increased primarily due to inflation. Planned maintenance outage costs were \$2 million lower in 2020. Input costs were lower, driven by wood, chemicals and energy.

Entering the first quarter of 2021, compared with the fourth quarter of 2020, sales volumes are expected to be stable. Average sales margins are expected to be higher. Operating costs are expected to be lower, reflecting the non-repeat of unfavorable items in the fourth quarter of 2020. Planned maintenance outage costs are expected to be \$6 million lower than in the fourth quarter of 2020. Input costs are expected to be seasonally higher, primarily for wood, chemicals and energy.

PRINTING PAPERS

Demand for Printing Papers products is closely correlated with changes in commercial printing and advertising activity, direct mail volumes and, for uncoated cut-size products, with changes in white-collar employment levels and work location that affect the usage of copy and laser printer paper. Principal cost drivers include manufacturing efficiency, raw material and energy costs, mill outage costs and freight costs.

Printing Papers		
<i>In millions</i>	2020	2019
Net Sales	\$ 3,036	\$ 4,291
Operating Profit (Loss)	\$ 228	\$ 529

Printing Papers net sales for 2020 of \$3.0 billion decreased 29%, compared with \$4.3 billion in 2019. Operating profits in 2020 were 57% lower than in 2019. Comparing 2020 with 2019, benefits from lower input costs (\$63 million) and lower planned maintenance outage costs (\$6 million), were more than offset by lower average sales price realizations and an unfavorable of mix (\$194 million), lower sales volumes (\$162 million) and higher operating costs (\$14 million).

North American Printing Papers		
<i>In millions</i>	2020	2019
Net Sales	\$ 1,436	\$ 1,956
Operating Profit (Loss)	\$ 53	\$ 211

North American Printing Papers' sales volumes for 2020 were significantly lower across all grades for uncoated freesheet paper than in 2019 driven by the unprecedented demand decline due to the COVID-19 pandemic. The Riverdale conversion also negatively impacted volumes. Total maintenance and economic downtime was about 281,000 tons higher in 2020 compared with 2019, primarily due to demand conditions. Average sales margins were lower, reflecting lower sales prices for cutsize paper and rolls, net of a favorable geographic mix. Operating costs were lower, reflecting cost reduction initiatives and strong cost management. Planned maintenance outage costs were flat in 2020 compared with 2019. Input costs were lower, primarily for wood and chemicals.

Entering the first quarter of 2021, compared with the fourth quarter of 2020, sales volumes are expected to be stable. Average sales margins are also expected to be stable. Operating costs are expected to be higher due to seasonality and inflation. Planned maintenance outage costs are expected to be about \$4 million higher in the first quarter of 2021. Input

costs are expected to be higher, primarily for wood and chemicals.

Brazilian Papers		
<i>In millions</i>	2020	2019
Net Sales (a)	\$ 632	\$ 967
Operating Profit (Loss)	\$ 83	\$ 155

(a) Includes intra-segment sales of \$8 million for 2020 and \$42 million for 2019.

Brazilian Papers' sales volumes for uncoated freesheet paper in 2020 were significantly lower compared with 2019 for both export and domestic markets reflecting the unprecedented negative demand impact of the COVID-19 pandemic. Earnings were negatively impacted by economic downtime in 2020 due to the COVID-19 demand impact. Average sales margins were lower, driven by lower average export sales prices and an unfavorable geographic mix. Operating costs were lower. Planned maintenance outage costs were \$1 million lower in 2020. Input costs were favorable, primarily for pulp and virgin fiber.

Looking ahead to the first quarter of 2021, compared with the fourth quarter of 2020, sales volumes for uncoated freesheet paper are expected to be seasonally lower. Average sales margins are expected to be higher. Operating costs are expected to be flat. Planned maintenance outage costs are expected to be flat with no outages in either the fourth quarter of 2020 or the first quarter of 2021. Input costs are expected to be slightly higher, primarily for chemicals.

European Papers		
<i>In millions</i>	2020	2019
Net Sales	\$ 976	\$ 1,250
Operating Profit (Loss)	\$ 92	\$ 144

European Papers' sales volumes for uncoated freesheet paper in 2020 were significantly lower in both Europe and Russia compared with 2019, driven by the unprecedented negative demand impact of the COVID-19 pandemic. Earnings in both regions were negatively impacted by economic downtime in 2020 due to the COVID-19 demand impact. Average sales margins decreased for uncoated freesheet paper in both regions, reflecting lower average sales prices and an unfavorable mix. Operating costs were lower. Planned maintenance outage costs were \$2 million lower in 2020 than in 2019. Input costs were lower in Europe primarily for wood, energy and pulp. In Russia, input costs were slightly higher driven by wood costs. Earnings benefited from favorable foreign currency impacts in both regions.

Entering 2021, sales volumes for uncoated freesheet paper in the first quarter are expected to be flat in Europe and seasonally lower in Russia, compared to the fourth quarter of 2020. Average sales margins are expected to be slightly lower in Europe and stable in Russia. Operating costs are expected to be higher in both regions. Planned maintenance outage costs are expected to be about \$2 million lower in the first quarter. Input costs are expected to be higher in both regions, primarily for wood, energy and chemicals.

Indian Papers		
<i>In millions</i>	2020	2019
Net Sales	\$ —	\$ 160
Operating Profit (Loss)	\$ —	\$ 19

On May 29, 2019, International Paper announced it had entered into an agreement to sell its controlling interest in its Indian Papers business. The transaction closed on October 30, 2019. See [Note 8 Divestitures and Impairments](#) on pages 59 through 61 of [Item 8. Financial Statements and Supplementary Data](#) for further discussion.

EQUITY EARNINGS, NET OF TAXES - ILLIM

International Paper accounts for its investment in Ilim, a separate reportable industry segment, using the equity method of accounting.

The Company recorded equity earnings, net of taxes, related to Ilim of \$48 million in 2020, compared with earnings of \$207 million in 2019. Operating results recorded in 2020 included an after-tax non-cash foreign exchange loss of \$50 million, compared with an after-tax foreign exchange gain of \$32 million in 2019, primarily on the remeasurement of Ilim's U.S. dollar denominated net debt.

Driven by the newly modernized Ust Ilimsk pulp line and the upgraded Bratsk containerboard machine, sales volumes for the joint venture increased by 9% in 2020, primarily for softwood pulp shipments to China, Russia and other export markets, partially offset by lower shipments of hardwood pulp to China and Russia. Average sales price margins were significantly lower for sales of softwood pulp, hardwood pulp and containerboard in all areas. Input costs were higher, primarily for wood. Distribution costs were negatively impacted by transportation tariffs and inflation. Maintenance and repair expenses were higher. The Company received cash dividends from the joint venture of \$141 million in 2020 and \$246 million in 2019.

Entering the first quarter of 2021, sales volumes are expected to be lower than in the fourth quarter of 2020, due to the New Year holidays in China and other seasonal factors. Based on results to date in

the current quarter, average margins are expected to increase for softwood pulp, hardwood pulp and containerboard. Input costs and distribution costs are projected to be relatively flat.

EQUITY EARNINGS - GPIIP

International Paper recorded equity earnings of \$40 million in 2020 and \$46 million in 2019 on its ownership position in GPIIP. The Company received cash dividends from the investment of \$20 million in 2020 and \$27 million in 2019. See Description of Business Segments on pages 26 and 27 for further detail regarding our ownership interest in GPIIP.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

A major factor in International Paper's liquidity and capital resource planning is its generation of operating cash flow, which is highly sensitive to changes in the pricing and demand for our major products. While changes in key operating cash costs, such as raw material, energy, mill outage and distribution, do have an effect on operating cash generation, we believe that our focus on commercial and operational excellence, as well as our ability to tightly manage costs and working capital has improved our cash flow generation over an operating cycle.

Use of cash during 2020 was primarily focused on capital spending, debt reduction and returning cash to shareholders through dividends.

CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operations totaled \$3.1 billion in 2020, compared with \$3.6 billion for 2019. Cash provided by working capital components (accounts receivable, contract assets and inventory less accounts payable and accrued liabilities, interest payable and other) totaled \$324 million in 2020, compared with cash provided by working capital components of \$342 million in 2019. Cash dividends received from equity investments were \$162 million in 2020, compared with \$273 million in 2019.

INVESTMENT ACTIVITIES

Cash outflows from investment activities in 2020 decreased from 2019, as 2019 included higher capital spending. The Company made a concerted effort to control spending in 2020 and will continue to do so throughout 2021. Capital spending was \$751 million in 2020, or 58% of depreciation and amortization, compared with \$1.3 billion in 2019, or 98% of depreciation and amortization. Across our segments, capital spending as a percentage of depreciation and amortization ranged from 35.8% to 63.6% in 2020.

The following table shows capital spending by business segment for the years ended December 31, 2020 and 2019:

<i>In millions</i>	2020	2019
Industrial Packaging	\$ 525	\$ 922
Global Cellulose Fibers	97	162
Printing Papers	116	172
Subtotal	738	1,256
Corporate and other	13	20
Capital Spending	\$ 751	\$ 1,276

Capital spending in 2021 is expected to be approximately \$800 million, or 61% of depreciation and amortization.

The Company also had total proceeds of \$500 million related to first quarter and third quarter 2020 transactions where the Company sold a portion of its units in GPIIP. See [Note 11 Equity Method Investments](#) on pages 62 and 63 of [Item 8. Financial Statements and Supplementary Data](#) for further information.

Acquisitions

See [Note 7 Acquisitions](#) on page 59 of [Item 8. Financial Statements and Supplementary Data](#) for a discussion of the Company's acquisitions.

FINANCING ACTIVITIES

Financing activities during 2020 included debt issuance of \$583 million and reductions of \$2.3 billion for a net decrease of \$1.7 billion. Financing activities during 2019 included debt issuances of \$534 million and reductions of \$1.5 billion for a net decrease of \$973 million.

Amounts related to early debt extinguishment during the years ended December 31, 2020 and 2019 were as follows:

<i>In millions</i>	2020	2019
Early debt reductions (a)	\$ 1,640	\$ 614
Pre-tax early debt extinguishment costs (b)	196	21

(a) *Reductions related to notes with interest rates ranging from 3.00% to 9.50% with original maturities from 2021 to 2048 for the years ended December 31, 2020 and 2019.*

(b) *Amounts are included in Restructuring and other charges in the accompanying consolidated statements of operations.*

The Company's early debt reductions in 2020 were comprised of debt tenders of \$406 million with an interest rate of 7.50% due in 2021, \$658 million with an interest rate of 3.65% due in 2024, \$127 million with an interest rate of 3.80% due in 2026, and \$297 million with an interest rate of 3.00% due in 2027. In

addition to these debt tenders, the Company had early debt extinguishments of approximately \$152 million from open market repurchases related to debt with interest rates ranging from 3.00% to 4.40% and maturities dates from 2026 to 2048.

The Company had debt issuances in 2020 of \$583 million related primarily to the AR securitization program and international debt. In addition to the early debt reductions, the Company had debt reductions of \$638 million in 2020 related primarily to the AR securitization program, commercial paper, and international debt.

Other financing activities during 2020 included the net issuance of approximately one million shares of treasury stock. Repurchases of common stock and payments of restricted stock withholding taxes totaled \$42 million, including \$14 million related to shares repurchased under the Company's share repurchase program. The Company has repurchased 69.3 million shares at an average price of \$47.17, for a total of approximately \$3.3 billion, since the repurchase program began in September 2013 through December 31, 2020. The Company paid cash dividends totaling \$806 million during 2020.

Other financing activities during 2019 included the net repurchase of approximately 8.5 million shares of treasury stock, including restricted stock tax withholding. Repurchases of common stock and payments of restricted stock withholding taxes totaled \$535 million, including \$485 million related to shares repurchased under the Company's share repurchase program. The Company paid cash dividends totaling \$796 million during 2019.

Interest Rate Swaps

Our policy is to manage interest cost using a mixture of fixed-rate and variable-rate debt. To manage this risk, International Paper utilizes interest rate swaps to change the mix of fixed and variable rate debt. During the first quarter of 2020, International Paper terminated its interest rate swaps with a notional amount of \$700 million and maturities ranging from 2024 to 2026 with an approximate fair value of \$85 million. Subsequent to the termination of the interest rate swaps, the fair value basis adjustment is amortized to earnings as interest income over the same period as a debt premium on the previously hedged debt (see [Note 17 Derivatives and Hedging Activities](#) on pages 73 through 77 of [Item 8, Financial Statements and Supplementary Data](#)). At December 31, 2019 the Company had interest rate swaps with a notional amount of \$700 million and during 2019, the inclusion of the offsetting interest income from short term investments reduced the effective interest rate from 4.8% to 4.4%.

Variable Interest Entities

Information concerning variable interest entities is set forth in [Note 15 Variable Interest Entities](#) on pages 70 through 72 of [Item 8, Financial Statements and Supplementary Data](#). In connection with the 2006 International Paper installment sale of forestlands, we received \$4.8 billion of installment notes. These installment notes were used by variable interest entities as collateral for borrowings from third-party lenders. These variable interest entities were restructured in 2015 when the installment notes and third-party loans were extended. The restructured variable interest entities hold installment notes of \$4.8 billion that mature in August 2021 and third-party loans of \$4.2 billion, which, as a result of an extension in November 2020, mature in August 2021. These installment notes and third-party loans are shown in Current nonrecourse financial assets of variable interest entities and Current nonrecourse financial liabilities of variable interest entities, respectively, on the accompanying consolidated balance sheet. We will settle the third-party loans at their maturity in August 2021 with the proceeds from the installment notes which also mature in August 2021 resulting in expected cash proceeds of approximately \$0.6 billion representing our equity in the variable interest entities. Maturity of the installment notes and termination of the monetization structure is expected to result in a \$75 million cash tax payment in 2021.

LIQUIDITY AND CAPITAL RESOURCES OUTLOOK FOR 2021

We expect another year of solid cash generation in 2021. Furthermore, we intend to continue to make choices for the use of cash that are consistent with our capital allocation framework to drive long-term value creation. These include maintaining a strong balance sheet and investment grade credit rating, returning meaningful cash to shareholders through dividends and share repurchases and making organic investments to maintain our world-class system and strengthen our packaging business.

Under our share repurchase program most recently approved by our Board of Directors on October 9, 2018, which does not have an expiration date, approximately \$1.73 billion aggregate amount of shares of common stock remains authorized for purchase under this program. We may continue to repurchase shares under such authorization in open market transactions (including block trades), privately negotiated transactions or otherwise, subject to prevailing market conditions, our liquidity requirements, restrictions in our debt documents, applicable securities laws requirements and other factors. In addition, we pay regular quarterly cash dividends and expect to continue to pay regular quarterly cash dividends in the foreseeable future.

Each quarterly dividend is subject to review and approval by our Board of Directors, and is subject to restrictions in our debt documents.

Capital Expenditures and Long-Term Debt

Capital spending for 2021 is planned at approximately \$800 million, or about 61% of depreciation and amortization.

At December 31, 2020, International Paper's credit agreements totaled \$2.8 billion, which is comprised of the \$750 million contractually committed revolving credit agreement, the \$1.5 billion contractually committed bank credit agreement, and up to \$550 million under the receivables securitization program. Management believes these credit agreements are adequate to cover expected operating cash flow variability during the current economic cycle. The credit agreements generally provide for interest rates at a floating rate index plus a pre-determined margin dependent upon International Paper's credit rating. At December 31, 2020, the Company had no borrowings outstanding under the \$750 million revolving credit agreement, the \$1.5 billion credit agreement, or the \$550 million receivables securitization program. The Company's credit agreements are not subject to any restrictive covenants other than the financial covenants as disclosed on pages 72 and 73 in [Note 16 - Debt and Lines of Credit](#) of [Item 8. Financial Statements and Supplementary Data](#), and the borrowings under the receivables securitization program being limited by eligible receivables. The Company was in compliance with all its debt covenants at December 31, 2020 and was well below the thresholds stipulated under the covenants as defined in the credit agreements. Further the financial covenants do not restrict any borrowings under the credit agreements. After considering the Company's liquidity position in relation to COVID-19 and the current economic environment, the Company's receivable securitization program was amended from a committed financing arrangement to an uncommitted financing arrangement in February 2021 with the borrowing limit and expiration date remaining unchanged."

In addition to the \$2.8 billion in credit agreements, International Paper has a commercial paper program with a borrowing capacity of \$1.0 billion. Under the terms of the program, individual maturities on borrowings may vary, but not exceed one year from the date of issue. Interest bearing notes may be issued either as fixed or floating rate notes. The Company had no borrowings outstanding as of December 31, 2020, and \$30 million of borrowings outstanding as of December 31, 2019, under this program.

International Paper expects to be able to meet projected capital expenditures, service existing debt and meet working capital and dividend requirements for the next 12 months with current cash balances and cash from operations, supplemented as required by its existing credit facilities. The Company will continue to rely on debt and capital markets for the majority of any necessary long-term funding not provided by operating cash flows. Funding decisions will be guided by our capital structure planning objectives. The primary goals of the Company's capital structure planning are to maximize financial flexibility and maintain appropriate levels of liquidity to meet our needs while managing balance sheet debt and interest expense. The majority of International Paper's debt is accessed through global public capital markets where we have a wide base of investors. During 2020, management took various actions to further strengthen the Company's liquidity position in response to the COVID-19 pandemic. This included the Company amending its receivable securitization program from an uncommitted financing arrangement to a committed financing arrangement in April 2020 and also deferring the payment of our payroll taxes as allowed under CARES Act. The CARES Act allows for the deferral of the payment of the employer portion of Social Security taxes accrued between March 27, 2020, and December 31, 2020. Under the CARES Act 50% of the deferred payroll taxes will be paid by December 31, 2021 and the remainder will be paid by December 31, 2022. We believe that our credit agreements, commercial paper program, and the actions taken in response to COVID-19 provide us with sufficient liquidity to operate in this uncertain environment; however, an extended period of economic disruption could impact our access to additional sources of liquidity.

Maintaining an investment grade credit rating is an important element of International Paper's financing strategy. At December 31, 2020, the Company held long-term credit ratings of BBB (stable outlook) and Baa2 (stable outlook) by S&P and Moody's, respectively.

Contractual obligations for future payments under existing debt and lease commitments and purchase obligations at December 31, 2020, were as follows:

<i>In millions</i>	2021	2022	2023	2024	2025	Thereafter
Debt maturities	\$ 29	\$ 199	\$ 361	\$ 152	\$ 209	\$ 7,143
Lease obligations	175	133	88	53	36	161
Purchase obligations (a)	2,768	540	441	329	317	1,308
Total (b)	\$ 2,972	\$ 872	\$ 890	\$ 534	\$ 562	\$ 8,612

(a) Includes \$945 million relating to fiber supply agreements entered into at the time of the 2006 Transformation Plan forestland sales and in conjunction with the 2008 acquisition of Weyerhaeuser Company's Containerboard, Packaging and Recycling business. Also includes \$993 million relating

to fiber supply agreements assumed in conjunction with the 2016 acquisition of Weyerhaeuser's pulp business.

- (b) Not included in the above table due to the uncertainty of the amount and timing of the payment are unrecognized tax benefits of approximately \$163 million. Also not included in the above table is \$117 million of Deemed Repatriation Transition Tax associated with the 2017 Tax Cuts and Jobs Act which will be settled from 2021 - 2026.

We consider the undistributed earnings of our foreign subsidiaries as of December 31, 2020, to be permanently reinvested and, accordingly, no U.S. income taxes have been provided thereon (see [Note 13 Income Taxes](#) on pages 65 through 68 of [Item 8. Financial Statements and Supplementary Data](#)). We do not anticipate the need to repatriate funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

The Company expects significant cash generation through various transactions in 2021 including the sale of the Kwidzyn, Poland mill, further monetization of our investment in Graphic Packaging, the Printing Papers spin-off, the unwind of the 2005 timber monetization structure and the sale of its ownership interest in Olmuksan International Paper. We will deploy this cash in a manner consistent with our capital allocation framework by maintaining a strong balance sheet, returning cash to shareholders and investing in opportunities that generate returns above our cost of capital and grow earnings and cash.

Pension Obligations and Funding

At December 31, 2020, the projected benefit obligation for the Company's U.S. defined benefit plans determined under U.S. GAAP was approximately \$1.0 billion higher than the fair value of plan assets, excluding non-U.S. plans. Approximately \$595 million of this amount relates to plans that are subject to minimum funding requirements. Under current IRS funding rules, the calculation of minimum funding requirements differs from the calculation of the present value of plan benefits (the "projected benefit obligation") for accounting purposes. In December 2008, the Worker, Retiree and Employer Recovery Act of 2008 ("WERA") was passed by the U.S. Congress which provided for pension funding relief and technical corrections. Funding contributions depend on the funding method selected by the Company, and the timing of its implementation, as well as on actual demographic data and the targeted funding level. The Company continually reassesses the amount and timing of any discretionary contributions and elected not to make any voluntary contributions in 2018, 2019 or 2020. At this time, we do not expect to have any required contributions to our plans in 2021, although the Company may elect to make future voluntary contributions. The timing and

amount of future contributions, which could be material, will depend on a number of factors, including the actual earnings and changes in values of plan assets and changes in interest rates.

ILIM SHAREHOLDER'S AGREEMENT

In October 2007, in connection with the formation of the Ilim joint venture, International Paper entered into a shareholder's agreement that includes provisions relating to the reconciliation of disputes among the partners. This agreement provides that at any time, either the Company or its partners may commence procedures specified under the deadlock agreement. If these or any other deadlock procedures under the shareholder's agreement are commenced, although it is not obligated to do so, the Company may in certain situations choose to purchase its partners' 50% interest in Ilim. Any such transaction would be subject to review and approval by Russian and other relevant antitrust authorities. Based on the provisions of the agreement, the Company estimates that the current purchase price for its partners' 50% interests would be approximately \$700 million, which could be satisfied by payment of cash or International Paper common stock, or some combination of the two, at the Company's option. The purchase by the Company of its partners' 50% interest in Ilim would result in the consolidation of Ilim's financial position and results of operations in all subsequent periods. The parties have informed each other that they have no current intention to commence procedures specified under the deadlock provisions of the shareholder's agreement.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires International Paper to establish accounting policies and to make estimates that affect both the amounts and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require subjective judgments about matters that are inherently uncertain.

Accounting policies whose application may have a significant effect on the reported results of operations and financial position of International Paper, and that can require judgments by management that affect their application, include the accounting for contingencies, impairment or disposal of long-lived assets and goodwill, pensions and income taxes. The Company has discussed the selection of critical accounting policies and the effect of significant estimates with the Audit and Finance Committee of

the Company's Board of Directors and with its independent registered public accounting firm.

While we have taken into account certain impacts arising from COVID-19 in connection with the accounting estimates reflected in this Annual Report on Form 10-K, the full impact of COVID-19 is unknown and cannot be reasonably estimated. However, we have made appropriate accounting estimates based on the facts and circumstances available as of the reporting date. To the extent there are differences between these estimates and actual results, our consolidated financial statements may be affected.

CONTINGENT LIABILITIES

Accruals for contingent liabilities, including personal injury, product liability, environmental, asbestos and other legal matters, are recorded when it is probable that a liability has been incurred or an asset impaired and the amount of the loss can be reasonably estimated. Liabilities accrued for legal matters require judgments regarding projected outcomes and range of loss based on historical litigation and settlement experience and recommendations of legal counsel and, if applicable, other experts. Liabilities for environmental matters require evaluations of relevant environmental regulations and estimates of future remediation alternatives and costs. Liabilities for asbestos-related matters require reviews of recent and historical claims data. The Company utilizes its in-house legal and environmental experts to develop estimates of its legal, environmental and asbestos obligations, supplemented as needed by third-party specialists to analyze its most complex contingent liabilities.

We calculate our workers' compensation reserves based on estimated actuarially calculated development factors. The workers' compensation reserves are reviewed at least quarterly to determine the adequacy of the accruals and related financial statement disclosure. While we believe that our assumptions are appropriate, the ultimate settlement of workers' compensation reserves may differ significantly from amounts we have accrued in our consolidated financial statements.

IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL

An impairment of a long-lived asset exists when the asset's carrying amount exceeds its fair value, and is recorded when the carrying amount is not recoverable through undiscounted cash flows from future operations or disposals. A goodwill impairment exists when the carrying amount of goodwill exceeds its fair value. Assessments of possible impairments of long-lived assets and goodwill are made when events or changes in circumstances indicate that the carrying

value of the asset may not be recoverable through future operations. Additionally, evaluation for possible impairment of goodwill is required annually. The amount and timing of any impairment charges based on these assessments may require the estimation of future cash flows or the fair market value of the related assets based on management's best estimates of certain key factors, including future selling prices and volumes, operating, raw material, energy and freight costs, various other projected operating economic factors and other intended uses of the assets. As these key factors change in future periods, the Company will update its impairment analysis to reflect its latest estimates and projections.

ASU 2011-08, "Intangibles - Goodwill and Other," allows entities testing goodwill for impairment the option of performing a qualitative assessment before performing the quantitative goodwill impairment test. If a qualitative assessment is performed, an entity is not required to perform the quantitative goodwill impairment test unless the entity determines that, based on that qualitative assessment, it is more likely than not that its fair value is less than its carrying value.

The Company performed its annual testing of its reporting units for possible goodwill impairments by performing the quantitative goodwill impairment test for its North America Industrial Packaging, EMEA Industrial Packaging, European Papers, Russian Papers, and Brazilian Papers reporting units as of October 1, 2020. The Company elected to perform the quantitative goodwill impairment test for its reporting units due to the current economic environment. The quantitative goodwill impairment test was performed by comparing the carrying amount of each respective reporting unit to its estimated fair value. The Company calculated the estimated fair value of each of the reporting units with goodwill using a weighted approach based on discounted future cash flows, market multiples and transaction multiples. The determination of fair value using the discounted cash flow approach requires management to make significant estimates and assumptions related to forecasts of future revenues, operating profit margins, and discount rates. The determination of fair value using market multiples and transaction multiples requires management to make significant assumptions related to revenue multiples and adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA") multiples. The results of our annual impairment test indicated that the carrying amount did not exceed the estimated fair value of any reporting units. For our EMEA Packaging reporting unit, the fair value exceeded the carrying amount by 13%. While the reporting unit's forecasted results support the fair value, significant changes in or inability to achieve the forecasts could result in the impairment of all or a portion of the reporting unit's \$70 million goodwill balance as of December 31, 2020. While the Printing Papers

segment has experienced a significant decline in demand for its products in the current year as a result of COVID-19, the Company has determined the fair values for those reporting units have not been materially impacted based on management's cumulative long-term outlook and forecasts, which are inherently subjective given the uncertainty around the duration and magnitude of the economic impact of COVID-19. Currently all of our Printing Papers reporting units fair values exceed carrying values by more than 85%.

In addition, the Company considered whether there were any events or circumstances outside of the annual evaluation that would reduce the fair value of its reporting units below their carrying amounts and necessitate a goodwill impairment evaluation. In consideration of all relevant factors, there were no indicators that would require goodwill impairment subsequent to October 1, 2020.

In the fourth quarter of 2019, in conjunction with the annual testing of its reporting units for possible goodwill impairments, the Company calculated the estimated fair value of the Global Cellulose Fibers reporting unit, and it was determined that all of the goodwill in the reporting unit, totaling \$52 million, was impaired. This impairment charge was recognized during the fourth quarter of 2019. The decline in the fair value of Global Cellulose Fibers and resulting impairment charge was due to a change in the outlook of the Global Cellulose Fibers reporting unit's operations.

PENSION BENEFIT OBLIGATIONS

The charges recorded for pension benefit obligations are determined annually in conjunction with International Paper's consulting actuary, and are dependent upon various assumptions including the expected long-term rate of return on plan assets, discount rates, projected future compensation increases and mortality rates.

The calculations of pension obligations and expenses require decisions about a number of key assumptions that can significantly affect liability and expense amounts, including the expected long-term rate of return on plan assets and the discount rate used to calculate plan liabilities.

Benefit obligations and fair values of plan assets as of December 31, 2020, for International Paper's pension plan were as follows:

<i>In millions</i>	Benefit Obligation	Fair Value of Plan Assets
U.S. qualified pension	\$ 12,613	\$ 12,018
U.S. nonqualified pension	407	—
Non-U.S. pension	264	190

The table below shows the discount rate used by International Paper to calculate U.S. pension obligations for the years shown:

	2020	2019	2018
Discount rate	2.60 %	3.40 %	4.30 %

International Paper determines these actuarial assumptions, after consultation with our actuaries, on December 31 of each year or more frequently if required, to calculate liability information as of that date and pension expense for the following year. The expected long-term rate of return on plan assets is based on projected rates of return for current asset classes in the plan's investment portfolio. The discount rate assumption was determined based on a hypothetical settlement portfolio selected from a universe of high quality corporate bonds.

The expected long-term rate of return on U.S. pension plan assets used to determine net periodic cost for the year ended December 31, 2020 was 7.00%.

Increasing (decreasing) the expected long-term rate of return on U.S. plan assets by an additional 0.25% would decrease (increase) 2021 pension expense by approximately \$28 million, while a (decrease) increase of 0.25% in the discount rate would (increase) decrease pension expense by approximately \$27 million.

Actual rates of return earned on U.S. pension plan assets for each of the last 10 years were:

Year	Return	Year	Return
2020	24.7 %	2015	1.3 %
2019	23.9 %	2014	6.4 %
2018	(3.0) %	2013	14.1 %
2017	19.3 %	2012	14.1 %
2016	7.1 %	2011	2.5 %

The 2012, 2013 and 2014 returns above represent weighted averages of International Paper and Temple-Inland asset returns. International Paper and Temple-Inland assets were combined in October 2014. The annualized time-weighted rate of return earned on U.S. pension plan assets was 13.9% and 10.7% for the past five and ten years, respectively.

ASC 715, "Compensation – Retirement Benefits," provides for delayed recognition of actuarial gains and losses, including amounts arising from changes in the estimated projected plan benefit obligation due to changes in the assumed discount rate, differences between the actual and expected return on plan assets, and other assumption changes. These net gains and losses are recognized in pension expense

prospectively over a period that approximates the average remaining service period of active employees expected to receive benefits under the plans to the extent that they are not offset by gains and losses in subsequent years.

Net periodic pension plan expenses, calculated for all of International Paper's plans, were as follows:

<i>In millions</i>	2020	2019	2018	2017	2016
Pension expense					
U.S. plans	\$ 32	\$ 93	\$ 632	\$ 717	\$ 809
Non-U.S. plans	5	6	4	5	4
Net expense	\$ 37	\$ 99	\$ 636	\$ 722	\$ 813

The decrease in 2020 pension expense primarily reflects a higher return on assets and lower interest costs slightly offset by higher service cost.

Assuming that discount rates, expected long-term returns on plan assets and rates of future compensation increases remain the same as of December 31, 2020, projected future net periodic pension plan expense (income) would be as follows:

<i>In millions</i>	2022	2021
Pension expense (income)		
U.S. plans	\$ (181)	\$ (114)
Non-U.S. plans	4	5
Net (income) expense	\$ (177)	\$ (109)

The Company estimates that it will record net pension income of approximately \$114 million for its U.S. defined benefit plans in 2021, compared to expense of \$32 million in 2020. The estimated decrease in net pension expense in 2021 is primarily due to higher return on assets, lower interest cost and lower amortization of actuarial losses partially offset by higher service cost.

The market value of plan assets for International Paper's U.S. qualified pension plan at December 31, 2020 totaled approximately \$12.0 billion, consisting of approximately 40% equity securities, 48% debt securities, 7% real estate funds and 5% other assets. The Company's funding policy for its qualified pension plans is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that the Company may determine to be appropriate considering the funded status of the plan, tax deductibility, the cash flows generated by the Company, and other factors. The Company continually reassesses the amount and timing of any discretionary contributions and could elect to make voluntary contributions in the future. There were no required contributions to the U.S. qualified plan in 2020. The nonqualified defined benefit plans are funded to the extent of benefit payments, which

totaled \$31 million for the year ended December 31, 2020.

INCOME TAXES

International Paper records its global tax provision based on the respective tax rules and regulations for the jurisdictions in which it operates. Where the Company believes that a tax position is supportable for income tax purposes, the item is included in its income tax returns. Where treatment of a position is uncertain, liabilities are recorded based upon the Company's evaluation of the "more likely than not" outcome considering technical merits of the position based on specific tax regulations and facts of each matter. Changes to recorded liabilities are only made when an identifiable event occurs that changes the likely outcome, such as settlement with the relevant tax authority, the expiration of statutes of limitation for the subject tax year, change in tax laws, or recent court cases that are relevant to the matter.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Significant judgment is required in evaluating the need for and magnitude of appropriate valuation allowances against deferred tax assets. The realization of these assets is dependent on generating future taxable income, as well as successful implementation of various tax planning strategies.

While International Paper believes that these judgments and estimates are appropriate and reasonable under the circumstances, actual resolution of these matters may differ from recorded estimated amounts.

LEGAL PROCEEDINGS

Information concerning the Company's environmental and legal proceedings is set forth in [Note 14 Commitments and Contingent Liabilities](#) on pages 68 through 70 of [Item 8. Financial Statements and Supplementary Data](#).

RECENT ACCOUNTING DEVELOPMENTS

See [Note 2 Recent Accounting Developments](#) on pages 54 and 55 of [Item 8. Financial Statements and Supplementary Data](#) for a discussion of new accounting pronouncements.

EFFECT OF INFLATION

While inflationary increases in certain input costs, such as energy, wood fiber and chemical costs, have an impact on the Company's operating results, changes in general inflation have had minimal impact

on our operating results in each of the last three years. Sales prices and volumes are more strongly influenced by economic supply and demand factors in specific markets and by exchange rate fluctuations than by inflationary factors.

FOREIGN CURRENCY EFFECTS

International Paper has operations in a number of countries. Its operations in those countries also export to, and compete with, imports from other regions. As such, currency movements can have a number of direct and indirect impacts on the Company's financial statements. Direct impacts include the translation of international operations' local currency financial statements into U.S. dollars and the remeasurement impact associated with non-functional currency financial assets and liabilities. Indirect impacts include the change in competitiveness of imports into, and exports out of, the United States (and the impact on local currency pricing of products that are traded internationally). In general, a weaker U.S. dollar and stronger local currency is beneficial to International Paper. The currencies that have the most impact are the Euro, the Brazilian real, the Polish zloty and the Russian ruble.

MARKET RISK

We use financial instruments, including fixed and variable rate debt, to finance operations, for capital spending programs and for general corporate purposes. Additionally, financial instruments, including various derivative contracts, are used to hedge exposures to interest rate, commodity and foreign currency risks. We do not use financial instruments for trading purposes. Information related to International Paper's debt obligations is included in [Note 16 Debt and Lines of Credit](#) on pages 72 and 73 of [Item 8. Financial Statements and Supplementary Data](#). A discussion of derivatives and hedging activities is included in [Note 17 Derivatives and Hedging Activities](#) on pages 73 through 77 of [Item 8. Financial Statements and Supplementary Data](#).

The fair value of our debt and financial instruments varies due to changes in market interest and foreign currency rates and commodity prices since the inception of the related instruments. We assess this market risk utilizing a sensitivity analysis. The sensitivity analysis measures the potential loss in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in interest and currency rates and commodity prices.

INTEREST RATE RISK

Our exposure to market risk for changes in interest rates relates primarily to short- and long-term debt obligations and investments in marketable securities. We invest in investment-grade securities of financial institutions and money market mutual funds with a minimum rating of AAA and limit exposure to any one issuer or fund. Our investments in marketable securities at December 31, 2020 and 2019 are stated at cost, which approximates market due to their short-term nature. Our interest rate risk exposure related to these investments was not material.

We issue fixed and floating rate debt in a proportion that management deems appropriate based on current and projected market conditions. Derivative instruments, such as, interest rate swaps, may be used to execute this strategy. At December 31, 2020 and 2019, the fair value of the net liability of financial instruments with exposure to interest rate risk was approximately \$9.3 billion and \$9.8 billion, respectively. The potential increase in fair value resulting from a 10% adverse shift in quoted interest rates would have been approximately \$443 million and \$511 million at December 31, 2020 and 2019, respectively.

COMMODITY PRICE RISK

The objective of our commodity exposure management is to minimize volatility in earnings due to large fluctuations in the price of commodities. Commodity swap or forward purchase contracts may be used to manage risks associated with market fluctuations in energy prices. At both December 31, 2020 and 2019, the net fair value of these contracts was immaterial and the potential loss in fair value from a 10% adverse change in quoted commodity prices for these contracts was also immaterial.

FOREIGN CURRENCY RISK

International Paper transacts business in many currencies and is also subject to currency exchange rate risk through investments and businesses owned and operated in foreign countries. Our objective in managing the associated foreign currency risks is to minimize the effect of adverse exchange rate fluctuations on our after-tax cash flows. We address these risks on a limited basis by entering into cross-currency interest rate swaps, or foreign exchange contracts. At December 31, 2020 and 2019, the net fair value of financial instruments with exposure to foreign currency risk was approximately a \$3 million liability and a \$16 million asset, respectively. The

potential loss in fair value for such financial instruments from a 10% adverse change in quoted foreign currency exchange rates would have been approximately \$26 million and \$87 million at December 31, 2020 and 2019, respectively.

[ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK](#)

See the preceding discussion and [Note 17 Derivatives and Hedging Activities](#) on pages 73 through 77 of [Item 8. Financial Statements and Supplementary Data](#).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF MANAGEMENT ON:

Financial Statements

The management of International Paper Company is responsible for the preparation of the consolidated financial statements in this annual report. The consolidated financial statements have been prepared using accounting principles generally accepted in the United States of America considered appropriate in the circumstances to present fairly the Company's consolidated financial position, results of operations and cash flows on a consistent basis. Management has also prepared the other information in this annual report and is responsible for its accuracy and consistency with the consolidated financial statements.

As can be expected in a complex and dynamic business environment, some financial statement amounts are based on estimates and judgments. Even though estimates and judgments are used, measures have been taken to provide reasonable assurance of the integrity and reliability of the financial information contained in this annual report. We have formed a Disclosure Committee to oversee this process.

The accompanying consolidated financial statements have been audited by the independent registered public accounting firm Deloitte & Touche LLP. During its audits, Deloitte & Touche LLP was given unrestricted access to all financial records and related data, including minutes of all meetings of stockholders and the board of directors and all committees of the board. Management believes that all representations made to the independent auditors during their audits were valid and appropriate.

Internal Control Over Financial Reporting

The management of International Paper Company is also responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules (13a-15(e) and 15d-15(e) under the Exchange Act). Internal control over financial reporting is the process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore can provide only reasonable assurance

of achieving the designed control objectives. The Company's internal control system is supported by written policies and procedures, contains self-monitoring mechanisms, and is audited by the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified. Our procedures for financial reporting include the active involvement of senior management, our Audit and Finance Committee and our staff of highly qualified financial and legal professionals.

The Company has assessed the effectiveness of its internal control over financial reporting as of December 31, 2020. In making this assessment, it used the criteria described in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management believes that, as of December 31, 2020, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued its report on the effectiveness of the Company's internal control over financial reporting. The report appears on pages 44 and 45.

Internal Control Environment And Board Of Directors Oversight

Our internal control environment includes an enterprise-wide attitude of integrity and control consciousness that establishes a positive "tone at the top." This is exemplified by our ethics program that includes long-standing principles and policies on ethical business conduct that require employees to maintain the highest ethical and legal standards in the conduct of International Paper business, which have been distributed to all employees; a toll-free telephone helpline whereby any employee may anonymously report suspected violations of law or International Paper's policy; and an office of ethics and business practice. The internal control system further includes careful selection and training of supervisory and management personnel, appropriate delegation of authority and division of responsibility, dissemination of accounting and business policies throughout International Paper, and an extensive program of internal audits with management follow-up.

The Board of Directors, assisted by the Audit and Finance Committee ("Committee"), monitors the integrity of the Company's financial statements and financial reporting procedures, the performance of the Company's internal audit function and independent auditors, and other matters set forth in its charter. The Committee, which consists of independent directors,

meets regularly with representatives of management, and with the independent auditors and the Internal Auditor, with and without management representatives in attendance, to review their activities. The Committee's Charter takes into account the New York Stock Exchange rules relating to Audit Committees and the SEC rules and regulations promulgated as a result of the Sarbanes-Oxley Act of 2002. The Committee has reviewed and discussed the consolidated financial statements for the year ended December 31, 2020, including critical accounting policies and significant management judgments, with management and the independent auditors. The Committee's report recommending the inclusion of such financial statements in this Annual Report on Form 10-K will be set forth in our Proxy Statement.



MARK S. SUTTON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER



TIMOTHY S. NICHOLLS
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of International Paper Company:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of International Paper Company and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the

amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the Audit and Finance Committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill — Printing Papers Reportable Segment — Refer to Note 12 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill associated with the Printing Papers reportable segment for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Company determines the fair value of its reporting units using the discounted cash flow model and the market approach. The determination of the fair value using the discounted cash flow model requires management to make significant estimates and assumptions related to forecasts of future revenues, operating profit margins, and discount rates. The determination of the fair value using the market approach requires management to make significant assumptions related to revenue multiples and adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) multiples. The Company performed its annual impairment assessment of each reporting unit as of October 1, 2020. Because the estimated fair values exceeded their carrying values, no impairments were recorded. As of December 31, 2020, the Printing Papers reportable segment's goodwill was \$201 million.

We identified the Company's impairment evaluations of goodwill for the Printing Papers reportable segment, specifically related to the Brazil Papers and European Papers reporting units, as a critical audit matter. Given reductions in cash flows caused by a substantial decline in demand for printing papers across all geographic regions and given the uncertainty regarding the duration and magnitude of

the economic impact of the COVID-19 pandemic, a high degree of auditor judgment and an increased extent of effort was required when performing audit procedures to evaluate the reasonableness of management and its specialists' estimates and assumptions related to the discount rate, forecasted future revenues and operating margins, and revenue and adjusted EBITDA multiples, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future revenues and operating profit margins ("forecasts"), revenue and adjusted EBITDA multiples, and selection of discount rates for the Brazil Papers and European Papers reporting units, included the following, among others:

- We tested the effectiveness of controls over goodwill, including those over the determination of fair value, such as controls related to management's selection of the discount rate and forecasts of future revenue and operating margin.
- We evaluated management's ability to accurately forecast future revenues and operating margins by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts by comparing the forecasts to (1) historical results, (2) internal communications to management and the Board of Directors, and (3) forecasted information included in Company press releases as well as in analyst and industry reports of the Company and companies in its peer group.
- We considered the impact of changes in the operating environment on management's forecasts, including the impact of the COVID-19 pandemic on the long-term demand for the Company's products.
- With the assistance of our fair value specialists, we evaluated the discount rates, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rates selected by management.
- With the assistance of our fair value specialists, we evaluated the revenue and adjusted EBITDA multiples, including testing the underlying source information and

mathematical accuracy of the calculations, and comparing the multiples selected by management to its guideline companies.

Retirement Plans — Plan Assets — Refer to Note 19 to the financial statements

Critical Audit Matter Description

As of December 31, 2020, the Company's Pension Plans held approximately \$2.5 billion in investments whose reported value is determined based on net asset value ("NAV"). The strategic asset allocation policy prescribed by the Company's Pension Plan includes permissible investments in certain hedge funds, private equity funds, and real estate funds whose reported values are determined based on the estimated NAV of each investment.

These NAVs are generally determined by the Pension Plan's third-party administrators or fund managers and are subject to review and oversight by management of the Company and its third-party investment advisors.

Given a lack of a readily determinable value of these investments and the subjective nature of the valuation methodologies and unobservable inputs used in these methodologies, auditing the NAV associated with these investments requires a high degree of auditor judgment and an increased extent of effort, including the need to involve professionals in our firm having expertise in alternative investments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the determination of NAV associated with the Company's Pension Plan's investments in hedge funds, private equity funds, and real estate funds included the following, among others:

- We tested the effectiveness of controls over the Company's determination and evaluation of NAV, including those related to the reliability of NAVs reported by third-party administrators and fund managers.
- We inquired of management and the investment advisors regarding changes to the investment portfolio and investment strategies.
- We obtained a confirmation from the third-party custodian as of December 31, 2020 of all individual investments held in trust for the Pension Plan to confirm the existence of each individual asset held in trust.

- For each selected investment fund with a fiscal year end of December 31, we performed a retrospective review in which we compared the estimated fair value recorded by the Company in the December 31, 2019 financial statements, to the actual fair value of the fund (using the per-share NAV disclosed in the fund's subsequently issued audited financial statements), to evaluate the appropriateness of management's estimation process.
- With the assistance of professionals in our firm having expertise in alternative investments, we rolled forward the valuation from the selected funds' most recently audited financial statements to December 31, 2020. This roll forward procedure included consideration of the Company's transactions in the fund during the period, as well as an estimate of the funds' returns based on an appropriate, independently obtained benchmark or index. We then compared our independent fund valuation estimate to the December 31, 2020, balance recorded by the Company. For certain selected funds, our roll forward procedures included alternative procedures, such as inspecting trust statements for observable transactions near year-end to compare to the estimated fair value.

/s/ Deloitte & Touche LLP

Memphis, Tennessee
February 19, 2021

We have served as the Company's auditor since 2002.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of International Paper Company":

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of International Paper Company and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in

Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 19, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and

expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Memphis, Tennessee
February 19, 2021

CONSOLIDATED STATEMENT OF OPERATIONS

<i>In millions, except per share amounts, for the years ended December 31</i>	2020	2019	2018
NET SALES	\$ 20,580	\$ 22,376	\$ 23,306
COSTS AND EXPENSES			
Cost of products sold	14,373	15,268	15,555
Selling and administrative expenses	1,520	1,647	1,723
Depreciation, amortization and cost of timber harvested	1,287	1,306	1,328
Distribution expenses	1,551	1,560	1,567
Taxes other than payroll and income taxes	171	170	171
Restructuring and other charges, net	195	57	29
Net (gains) losses on sales and impairments of businesses	465	205	122
Net (gains) losses on sales of equity method investments	(35)	—	—
Antitrust fines	—	32	—
Interest expense, net	444	491	536
Non-operating pension (income) expense	(41)	36	494
EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY EARNINGS (LOSSES)	650	1,604	1,781
Income tax provision (benefit)	245	634	445
Equity earnings (loss), net of taxes	77	250	336
EARNINGS (LOSS) FROM CONTINUING OPERATIONS	482	1,220	1,672
Discontinued operations, net of taxes	—	—	345
NET EARNINGS (LOSS)	482	1,220	2,017
Less: Net earnings (loss) attributable to noncontrolling interests	—	(5)	5
NET EARNINGS (LOSS) ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY	\$ 482	\$ 1,225	\$ 2,012
BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS			
Earnings (loss) from continuing operations	\$ 1.23	\$ 3.10	\$ 4.07
Discontinued operations, net of taxes	—	—	0.84
Net earnings (loss)	\$ 1.23	\$ 3.10	\$ 4.91
DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS			
Earnings (loss) from continuing operations	\$ 1.22	\$ 3.07	\$ 4.02
Discontinued operations, net of taxes	—	—	0.83
Net earnings (loss)	\$ 1.22	\$ 3.07	\$ 4.85

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

<i>In millions for the years ended December 31</i>	2020	2019	2018
NET EARNINGS (LOSS)	\$ 482	\$ 1,220	\$ 2,017
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Amortization of pension and postretirement prior service costs and net loss:			
U.S. plans (less tax of \$56, \$54 and \$196)	170	163	588
Non-U.S. plans (less tax of \$0, \$0 and \$0)	—	1	1
Pension and postretirement liability adjustments:			
U.S. plans (less tax of \$76, \$7 and \$6)	229	22	18
Non-U.S. plans (less tax of \$1, \$3 and \$1)	(2)	(20)	4
Change in cumulative foreign currency translation adjustment (less tax of \$1, \$1 and \$1)	8	116	(473)
Net gains/losses on cash flow hedging derivatives:			
Net gains (losses) arising during the period (less tax of \$15, \$2 and \$5)	(34)	4	(10)
Reclassification adjustment for (gains) losses included in net earnings (less tax of \$13, \$2 and \$1)	26	4	2
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	397	290	130
Comprehensive Income (Loss)	879	1,510	2,147
Net (Earnings) Loss Attributable to Noncontrolling Interests	—	5	(5)
Other Comprehensive (Income) Loss Attributable to Noncontrolling Interests	—	—	3
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY	\$ 879	\$ 1,515	\$ 2,145

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

<i>In millions, except per share amounts, at December 31</i>	2020	2019
ASSETS		
Current Assets		
Cash and temporary investments	\$ 595	\$ 511
Accounts and notes receivable (less allowances of \$76 in 2020 and \$73 in 2019)	3,064	3,280
Contract assets	355	393
Inventories	2,050	2,208
Current financial assets of variable interest entities (Note 15)	4,850	—
Assets held for sale	138	—
Other current assets	184	247
Total Current Assets	11,236	6,639
Plants, Properties and Equipment, net	12,217	13,004
Forestlands	311	391
Investments	1,178	1,721
Long-Term Financial Assets of Variable Interest Entities (Note 15)	2,257	7,088
Goodwill	3,315	3,347
Right of Use Assets	459	434
Deferred Charges and Other Assets	745	847
TOTAL ASSETS	\$ 31,718	\$ 33,471
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable and current maturities of long-term debt	\$ 29	\$ 168
Current nonrecourse financial liabilities of variable interest entities (Note 15)	4,220	4,220
Accounts payable	2,320	2,423
Accrued payroll and benefits	466	466
Liabilities held for sale	181	—
Other current liabilities	1,068	1,369
Total Current Liabilities	8,284	8,646
Long-Term Debt	8,064	9,597
Long-Term Nonrecourse Financial Liabilities of Variable Interest Entities (Note 15)	2,092	2,085
Deferred Income Taxes	2,743	2,633
Pension Benefit Obligation	1,055	1,578
Postretirement and Postemployment Benefit Obligation	251	270
Long-Term Lease Obligations	315	304
Other Liabilities	1,046	640
Commitments and Contingent Liabilities (Note 14)		
Equity		
Common stock \$1 par value, 2020 - 448.9 shares and 2019 - 448.9 shares	449	449
Paid-in capital	6,325	6,297
Retained earnings	8,070	8,408
Accumulated other comprehensive loss	(4,342)	(4,739)
	10,502	10,415
Less: Common stock held in treasury, at cost, 2020 – 55.8 shares and 2019 – 56.8 shares	2,648	2,702
Total International Paper Shareholders' Equity	7,854	7,713
Noncontrolling interests	14	5
Total Equity	7,868	7,718
TOTAL LIABILITIES AND EQUITY	\$ 31,718	\$ 33,471

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions for the years ended December 31</i>	2020	2019	2018
OPERATING ACTIVITIES			
Net earnings (loss)	\$ 482	\$ 1,220	\$ 2,017
Depreciation, amortization, and cost of timber harvested	1,287	1,306	1,328
Deferred income tax provision (benefit), net	9	212	133
Restructuring and other charges, net	195	57	29
Periodic pension expense, net	32	93	632
Net gain on transfer of North American Consumer Packaging business	—	—	(488)
Net (gains) losses on sales and impairments of businesses	465	205	122
Net (gains) losses on sales of equity method investments	(35)	—	—
Antitrust fines	—	32	—
Equity method dividends received	162	273	153
Equity (earnings) losses, net	(77)	(250)	(336)
Other, net	219	120	75
Changes in current assets and liabilities			
Accounts and notes receivable	59	246	(342)
Contract assets	35	2	(32)
Inventories	35	(1)	(236)
Accounts payable and accrued liabilities	141	139	151
Interest payable	(55)	(19)	(8)
Other	109	(25)	28
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	3,063	3,610	3,226
INVESTMENT ACTIVITIES			
Invested in capital projects, net of insurance recoveries	(751)	(1,276)	(1,572)
Acquisitions, net of cash acquired	(65)	(103)	(8)
Proceeds from sales of equity method investments	500	—	—
Net settlement on transfer of North American Consumer Packaging business	—	—	(40)
Proceeds from sales of businesses, net of cash divested	40	81	—
Proceeds from sale of fixed assets	8	18	23
Other	(1)	(20)	28
CASH PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES	(269)	(1,300)	(1,569)
FINANCING ACTIVITIES			
Repurchases of common stock and payments of restricted stock tax withholding	(42)	(535)	(732)
Issuance of debt	583	534	490
Reduction of debt	(2,278)	(1,507)	(1,008)
Change in book overdrafts	35	(66)	(1)
Dividends paid	(806)	(796)	(789)
Net debt tender premiums paid	(188)	(18)	(6)
Other	(4)	(1)	—
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(2,700)	(2,389)	(2,046)
Cash Included in Assets Held for Sale	(2)	—	—
Effect of Exchange Rate Changes on Cash	(8)	1	(40)
Change in Cash and Temporary Investments	84	(78)	(429)
Cash and Temporary Investments			
Beginning of the period	511	589	1,018
End of the period	\$ 595	\$ 511	\$ 589

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In millions</i>	Common Stock Issued	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Held In Treasury, At Cost	Total International Paper Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, JANUARY 1, 2018	\$ 449	\$ 6,206	\$ 6,180	\$ (4,633)	\$ 1,680	\$ 6,522	\$ 19	\$ 6,541
Adoption of ASC 606 revenue from contracts with customers	—	—	73	—	—	73	—	73
Issuance of stock for various plans, net	—	62	—	—	(80)	142	—	142
Repurchase of stock	—	—	—	—	732	(732)	—	(732)
Dividends (\$1.925 per share)	—	—	(800)	—	—	(800)	—	(800)
Transactions of equity method investees	—	12	—	—	—	12	—	12
Comprehensive income (loss)	—	—	2,012	133	—	2,145	2	2,147
BALANCE, DECEMBER 31, 2018	449	6,280	7,465	(4,500)	2,332	7,362	21	7,383
Adoption of ASU 2018-02 reclassification of stranded tax effects resulting from Tax Reform	—	—	529	(529)	—	—	—	—
Issuance of stock for various plans, net	—	(18)	—	—	(165)	147	—	147
Repurchase of stock	—	—	—	—	535	(535)	—	(535)
Dividends (\$2.013 per share)	—	—	(811)	—	—	(811)	—	(811)
Transactions of equity method investees	—	35	—	—	—	35	—	35
Divestiture of noncontrolling interests	—	—	—	—	—	—	(11)	(11)
Comprehensive income (loss)	—	—	1,225	290	—	1,515	(5)	1,510
BALANCE, DECEMBER 31, 2019	449	6,297	8,408	(4,739)	2,702	7,713	5	7,718
Adoption of ASU 2016-13 measurement of credit losses on financial instruments	—	—	(2)	—	—	(2)	—	(2)
Issuance of stock for various plans, net	—	(8)	—	—	(96)	88	—	88
Repurchase of stock	—	—	—	—	42	(42)	—	(42)
Dividends (\$2.050 per share)	—	—	(818)	—	—	(818)	—	(818)
Transactions of equity method investees	—	36	—	—	—	36	—	36
Transactions with noncontrolling interest holders	—	—	—	—	—	—	9	9
Comprehensive income (loss)	—	—	482	397	—	879	—	879
BALANCE, DECEMBER 31, 2020	\$ 449	\$ 6,325	\$ 8,070	\$ (4,342)	\$ 2,648	\$ 7,854	\$ 14	\$ 7,868

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

International Paper (the "Company") is a global paper and packaging company with primary markets and manufacturing operations in North America, Europe, Latin America, North Africa and Russia. Substantially all of our businesses have experienced, and are likely to continue to experience, cycles relating to available industry capacity and general economic conditions.

FINANCIAL STATEMENTS

On March 11, 2020 the World Health Organization (WHO) declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Since that time, most of our manufacturing and converting facilities have remained open and operational during the pandemic. The health and safety of our employees and contractors is our most important responsibility as we manage through the COVID-19 pandemic. We have implemented work-systems across the Company, including hygiene, social distancing, site cleaning, contact tracing, and other measures, as recommended by the Centers for Disease Control (CDC) and WHO. Our COVID-19 measures are proving to be effective and we have not had any material disruptions to our operations.

We have seen a significant negative impact on demand for our printing papers products. Demand for our pulp, containerboard and corrugated box products has not been negatively impacted by COVID-19 to date, but our operations in Industrial Packaging experienced higher supply chain costs due to the impacts of COVID-19. The recent resurgence of the virus in many areas has led to additional governmental measures, such as stay-at-home orders or business and school closures, negatively impacting our supply chain, and therefore our production.

There continue to be significant uncertainties associated with the COVID-19 pandemic, including with respect to the various economic reopening plans and the resurgence of the virus in many areas; additional actions that may be taken by governmental authorities and private businesses to attempt to contain the COVID-19 outbreak or to mitigate its impact; the extent and duration of social distancing and stay-at-home orders; the efficacy and availability of various vaccines; and the ongoing impact of COVID-19 on unemployment, economic activity and consumer confidence. Developments related to

COVID-19 are significantly adversely affecting portions of our business, and could have a material adverse effect on our financial condition, results of operations and cash flows, particularly if negative global economic conditions persist for a significant period of time or deteriorate.

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States that require the use of management's estimates. Actual results could differ from management's estimates.

CONSOLIDATION

The consolidated financial statements include the accounts of International Paper and subsidiaries for which we have a controlling financial interest, including variable interest entities for which we are the primary beneficiary. All significant intercompany balances and transactions are eliminated.

EQUITY METHOD INVESTMENTS

The equity method of accounting is applied for investments when the Company has significant influence over the investee's operations, or when the investee is structured with separate capital accounts. Our material equity method investments are described in [Note 11](#).

BUSINESS COMBINATIONS

The Company allocates the total consideration of the assets acquired and liabilities assumed based on their estimated fair value as of the business combination date. In developing estimates of fair values for long-lived assets, including identifiable intangible assets, the Company utilizes a variety of inputs including forecasted cash flows, anticipated growth rates, discount rates, estimated replacement costs and depreciation and obsolescence factors. Determining the fair value for specifically identified intangible assets such as customer lists and developed technology involves judgment. We may refine our estimates and make adjustments to the assets acquired and liabilities assumed over a measurement period, not to exceed one year. Upon the conclusion of the measurement period or the final determination of the values of assets acquired and liabilities assumed, whichever comes first, any subsequent adjustments are charged to the consolidated statement of operations. Subsequent actual results of the underlying business activity supporting the specifically identified intangible assets could change, requiring us to record impairment charges or adjust their economic lives in future periods. See [Note 7](#) for further details.

DISCONTINUED OPERATIONS

A discontinued operation may include a component or a group of components of the Company's operations. A disposal of a component or a group of components is reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results when the following occurs: (1) a component (or group of components) meets the criteria to be classified as held for sale; (2) the component or group of components is disposed of by sale; or (3) the component or group of components is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spin-off). For any component classified as held for sale or disposed of by sale or other than by sale, qualifying for presentation as a discontinued operation, the Company reports the results of operations of the discontinued operations (including any gain or loss recognized on the disposal or loss recognized on classification as held for sale of a discontinued operation), less applicable income taxes (benefit), as a separate component in the consolidated statement of operations for current and all prior periods presented.

RESTRUCTURING LIABILITIES AND COSTS

For operations to be closed or restructured, a liability and related expense is recorded in the period when operations cease. For termination costs associated with employees covered by a written or substantive plan, a liability is recorded when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated. For termination costs associated with employees not covered by a written and broadly communicated policy covering involuntary termination benefits (severance plan), a liability is recorded for costs to terminate employees (one-time termination benefits) when the termination plan has been approved and committed to by management, the employees to be terminated have been identified, the termination plan benefit terms are communicated, the employees identified in the plan have been notified and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The timing and amount of an accrual is dependent upon the type of benefits granted, the timing of communication and other provisions that may be provided in the benefit plan. The accounting for each termination is evaluated individually. See [Note 6](#) for further details.

REVENUE RECOGNITION

Generally, the Company recognizes revenue on a point-in-time basis when the customer takes title to the goods and assumes the risks and rewards for the

goods. For customized goods where the Company has a legally enforceable right to payment for the goods, the Company recognizes revenue over time, which generally is, as the goods are produced.

The Company's revenue is primarily derived from fixed consideration; however, we do have contract terms that give rise to variable consideration, primarily volume rebates, early payment discounts and other customer refunds. The Company estimates its volume rebates at the individual customer level based on the most likely amount method outlined in ASC 606. The Company estimates early payment discounts and other customer refunds based on the historical experience across the Company's portfolio of customers to record reductions in revenue which is consistent with the expected value method outlined in ASC 606. Management has concluded that these methods result in the best estimate of the consideration the Company will be entitled to from its customers.

The Company has elected to present all sales taxes on a net basis, account for shipping and handling activities as fulfillment activities, recognize the incremental costs of obtaining a contract as expense when incurred if the amortization period of the asset the Company would recognize is one year or less, and not record interest income or interest expense when the difference in timing of control or transfer and customer payment is one year or less. See [Note 3](#) for further details.

TEMPORARY INVESTMENTS

Temporary investments with an original maturity of three months or less and money market funds with greater than three month maturities but with the right to redeem without notice are treated as cash equivalents and are stated at cost, which approximates market value. See [Note 9](#) for further details.

INVENTORIES

Inventories are valued at the lower of cost or market value and include all costs directly associated with manufacturing products: materials, labor and manufacturing overhead. In the United States, costs of raw materials and finished pulp and paper products, are generally determined using the last-in, first-out method. Other inventories are valued using the first-in, first-out or average cost methods. See [Note 9](#) for further details.

LEASED ASSETS

Operating lease ROU assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over

the lease term. The Company's leases may include options to extend or terminate the lease. These options to extend are included in the lease term when it is reasonably certain that we will exercise that option. Some leases have variable payments, however, because they are not based on an index or rate, they are not included in the ROU assets and liabilities. Variable payments for real estate leases primarily relate to common area maintenance, insurance, taxes and utilities. Variable payments for equipment, vehicles, and leases within supply agreements primarily relate to usage, repairs and maintenance. As the implicit rate is not readily determinable for most of the Company's leases, the Company applies a portfolio approach using an estimated incremental borrowing rate to determine the initial present value of lease payments over the lease terms on a collateralized basis over a similar term, which is based on market and company specific information. We use the unsecured borrowing rate and risk-adjust that rate to approximate a collateralized rate, and apply the rate based on the currency of the lease, which is updated on a quarterly basis for measurement of new lease liabilities. Leases having a lease term of twelve months or less are not recorded on the balance sheet and the related lease expense is recognized on a straight-line basis over the term of the lease. In addition, the Company has applied the practical expedient to account for the lease and non-lease components as a single lease component for all of the Company's leases. See [Note 10](#) for further details.

PLANTS, PROPERTIES AND EQUIPMENT

Plants, properties and equipment are stated at cost, less accumulated depreciation. Expenditures for betterments are capitalized, whereas normal repairs and maintenance are expensed as incurred. The units-of-production method of depreciation is used for pulp and paper mills, and the straight-line method is used for other plants and equipment. See [Note 9](#) for further details.

GOODWILL

Annual evaluation for possible goodwill impairment is performed as of the beginning of the fourth quarter of each year, with additional interim evaluation performed when management believes that it is more likely than not, that events or circumstances have occurred that would result in the impairment of a reporting unit's goodwill.

The Company has the option to evaluate goodwill for impairment by first performing a qualitative assessment of events and circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or

circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amounts, then the quantitative goodwill impairment test is not required to be performed. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or if the Company does not elect the option to perform an initial qualitative assessment, the Company is required to perform the quantitative goodwill impairment test. In performing this evaluation, the Company estimates the fair value of its reporting unit using a weighted approach based on discounted future cash flows, market multiples and transaction multiples. The determination of fair value using the discounted cash flow approach requires management to make significant estimates and assumptions related to forecasts of future revenues, operating profit margins, and discount rates. The determination of fair value using market multiples and transaction multiples requires management to make significant assumptions related to revenue multiples and adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA") multiples. The results of our annual impairment test indicated that the carrying amount did not exceed the estimated fair value of any reporting units. For reporting units whose carrying amount is in excess of their estimated fair value, the reporting unit will record an impairment charge by the amount that the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. See [Note 12](#) for further discussion.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances that indicate that the carrying value of the assets may not be recoverable. A recoverability test is performed based on undiscounted cash flows, requiring judgments as to whether assets are held and used or held for sale, the weighting of operational alternatives being considered by management and estimates of the amount and timing of expected future cash flows from the use of the long-lived assets generated by their use. Impaired assets are recorded at their estimated fair value. See [Note 8](#) for further discussion.

INCOME TAXES

International Paper uses the asset and liability method of accounting for income taxes whereby deferred income taxes are recorded for the future tax consequences attributable to differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those

temporary differences are expected to be recovered or settled. Deferred tax assets and liabilities are remeasured to reflect new tax rates in the periods rate changes are enacted.

International Paper records its worldwide tax provision based on the respective tax rules and regulations for the jurisdictions in which it operates. Where the Company believes that a tax position is supportable for income tax purposes, the item is included in its income tax returns. Where treatment of a position is uncertain, liabilities are recorded based upon the Company's evaluation of the "more likely than not" outcome considering the technical merits of the position based on specific tax regulations and the facts of each matter. Changes to recorded liabilities are made only when an identifiable event occurs that changes the likely outcome, such as settlement with the relevant tax authority, the expiration of statutes of limitation for the subject tax year, a change in tax laws, or a recent court case that addresses the matter.

While the judgments and estimates made by the Company are based on management's evaluation of the technical merits of a matter, assisted as necessary by consultation with outside consultants, historical experience and other assumptions that management believes are appropriate and reasonable under current circumstances, actual resolution of these matters may differ from recorded estimated amounts, resulting in adjustments that could materially affect future financial statements. See [Note 13](#) for further details.

International Paper uses the flow-through method to account for investment tax credits earned on eligible open-loop biomass facilities and combined heat and power system expenditures. Under this method, the investment tax credits are recognized as a reduction to income tax expense in the year they are earned rather than a reduction in the asset basis.

ENVIRONMENTAL REMEDIATION COSTS

Costs associated with environmental remediation obligations are accrued when such costs are probable and reasonably estimable. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are discounted to their present value when the amount and timing of expected cash payments are reliably determinable. See [Note 14](#) for further details.

TRANSLATION OF FINANCIAL STATEMENTS

Balance sheets of international operations are translated into U.S. dollars at year-end exchange rates, while statements of operations are translated at average rates. Adjustments resulting from financial statement translations are included as cumulative translation adjustments in Accumulated other comprehensive loss.

[NOTE 2 RECENT ACCOUNTING DEVELOPMENTS](#)

Other than as described below, no new accounting pronouncement issued or effective during the fiscal year has had or is expected to have a material impact on the consolidated financial statements.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Income Taxes

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." This guidance removes certain exceptions from recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. It also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The Company early adopted the provisions of this guidance in the fourth quarter of 2020 with no material impact.

Financial Instruments - Credit Losses

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This guidance replaces the current incurred loss impairment method with a method that reflects expected credit losses. The Company adopted this guidance using the modified retrospective approach on January 1, 2020. As a result of using this approach, the Company recognized a cumulative effect adjustment of \$2 million to the opening balance of retained earnings representing the adjustment to our opening allowance for doubtful accounts required to state our trade receivables and contract assets net of their expected credit losses, net of deferred taxes.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This guidance provides companies with

optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. This guidance is effective upon issuance and generally can be applied through December 31, 2022. The Company is currently evaluating the provisions of this guidance.

NOTE 3 - REVENUE RECOGNITION

DISAGGREGATED REVENUE

A geographic disaggregation of revenues across our company segmentation in the following tables provides information to assist in evaluating the nature, timing and uncertainty of revenue and cash flows and how they may be impacted by economic factors.

Reportable Segments	2020					Total
	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Corporate & Intersegment		
Primary Geographical Markets (a)						
United States	\$ 12,537	\$ 1,993	\$ 1,425	\$ 192		\$ 16,147
EMEA	1,675	235	1,025	(15)		2,920
Pacific Rim and Asia	57	91	26	28		202
Americas, other than U.S.	764	—	560	(13)		1,311
Total	\$ 15,033	\$ 2,319	\$ 3,036	\$ 192		\$ 20,580
Operating Segments						
North American Industrial Packaging	\$ 13,318	\$ —	\$ —	\$ —		\$ 13,318
EMEA Industrial Packaging	1,317	—	—	—		1,317
Brazilian Industrial Packaging	148	—	—	—		148
European Coated Paperboard	366	—	—	—		366
Global Cellulose Fibers	—	2,319	—	—		2,319
North American Printing Papers	—	—	1,436	—		1,436
Brazilian Papers	—	—	632	—		632
European Papers	—	—	976	—		976
Intra-segment Eliminations	(116)	—	(8)	—		(124)
Corporate & Inter-segment Sales	—	—	—	192		192
Total	\$ 15,033	\$ 2,319	\$ 3,036	\$ 192		\$ 20,580

(a) Net sales are attributed to countries based on the location of the reportable segment making the sale.

	2019				
Reportable Segments	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Corporate & Intersegment	Total
Primary Geographical Markets (a)					
United States	\$ 12,668	\$ 2,148	\$ 1,912	\$ 220	\$ 16,948
EMEA	1,692	254	1,323	(11)	3,258
Pacific Rim and Asia	65	149	189	12	415
Americas, other than U.S.	901	—	867	(13)	1,755
Total	\$ 15,326	\$ 2,551	\$ 4,291	\$ 208	\$ 22,376
Operating Segments					
North American Industrial Packaging	\$ 13,509	\$ —	\$ —	\$ —	\$ 13,509
EMEA Industrial Packaging	1,335	—	—	—	1,335
Brazilian Industrial Packaging	235	—	—	—	235
European Coated Paperboard	365	—	—	—	365
Global Cellulose Fibers	—	2,551	—	—	2,551
North American Printing Papers	—	—	1,956	—	1,956
Brazilian Papers	—	—	967	—	967
European Papers	—	—	1,250	—	1,250
Indian Papers	—	—	160	—	160
Intra-segment Eliminations	(118)	—	(42)	—	(160)
Corporate & Inter-segment Sales	—	—	—	208	208
Total	\$ 15,326	\$ 2,551	\$ 4,291	\$ 208	\$ 22,376

(a) Net sales are attributed to countries based on the location of the reportable segment making the sale.

	2018				
Reportable Segments	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Corporate & Intersegment	Total
Primary Geographical Markets (a)					
United States	\$ 13,167	\$ 2,336	\$ 1,903	\$ 203	\$ 17,609
EMEA	1,704	304	1,330	(17)	3,321
Pacific Rim and Asia	142	179	245	39	605
Americas, other than U.S.	887	—	897	(13)	1,771
Total	\$ 15,900	\$ 2,819	\$ 4,375	\$ 212	\$ 23,306
Operating Segments					
North American Industrial Packaging	\$ 14,187	\$ —	\$ —	\$ —	\$ 14,187
EMEA Industrial Packaging	1,355	—	—	—	1,355
Brazilian Industrial Packaging	232	—	—	—	232
European Coated Paperboard	359	—	—	—	359
Global Cellulose Fibers	—	2,819	—	—	2,819
North American Printing Papers	—	—	1,956	—	1,956
Brazilian Papers	—	—	978	—	978
European Papers	—	—	1,252	—	1,252
Indian Papers	—	—	202	—	202
Intra-segment Eliminations	(233)	—	(13)	—	(246)
Corporate & Inter-segment Sales	—	—	—	212	212
Total	\$ 15,900	\$ 2,819	\$ 4,375	\$ 212	\$ 23,306

(a) Net sales are attributed to countries based on the location of the reportable segment making the sale.

REVENUE CONTRACT BALANCES

A contract asset is created when the Company recognizes revenue on its customized products prior to having an unconditional right to payment from the customer, which generally does not occur until title and risk of loss passes to the customer.

A contract liability is created when customers prepay for goods prior to the Company transferring those goods to the customer. The contract liability is reduced once control of the goods is transferred to the customer. The majority of our customer prepayments are received during the fourth quarter each year for goods that will be transferred to customers over the following twelve months. Current liabilities of \$31 million and \$56 million are included in Other current liabilities in the accompanying condense consolidated balance sheets as of December 31, 2020 and 2019, respectively.

The difference between the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the difference between the price and quantity at comparable points in time for goods which we have an unconditional right to payment or receive prepayment from the customer, respectively.

PERFORMANCE OBLIGATIONS AND SIGNIFICANT JUDGEMENTS

International Paper's principal business is to manufacture and sell fiber-based packaging, pulp and paper goods. As a general rule, none of our businesses provide equipment installation or other ancillary services outside of producing and shipping packaging, pulp and paper goods to customers.

The nature of the Company's contracts can vary based on the business, customer type and region; however, in all instances it is International Paper's customary business practice to receive a valid order from the customer, in which each parties' rights and related payment terms are clearly identifiable.

Contracts or purchase orders with customers could include a single type of product or it could include

multiple types/grades of products. Regardless, the contracted price with the customer is agreed to at the individual product level outlined in the customer contracts or purchase orders. The Company does not

bundle prices; however, we do negotiate with customers on pricing and rebates for the same products based on a variety of factors (e.g. level of contractual volume, geographical location, etc.). Management has concluded that the prices negotiated with each individual customer are representative of the stand-alone selling price of the product.

NOTE 4 EARNINGS PER SHARE ATTRIBUTABLE TO INTERNATIONAL PAPER COMPANY COMMON SHAREHOLDERS

Basic earnings per share is computed by dividing earnings by the weighted average number of common shares outstanding. Diluted earnings per share is computed assuming that all potentially dilutive securities were converted into common shares.

There are no adjustments required to be made to net income for purposes of computing basic and diluted EPS.

A reconciliation of the amounts included in the computation of basic earnings (loss) per share from continuing operations, and diluted earnings (loss) per share from continuing operations is as follows:

<i>In millions, except per share amounts</i>	2020	2019	2018
Earnings (loss) from continuing operations attributable to International Paper common shareholders	\$ 482	\$ 1,225	\$ 1,667
Weighted average common shares outstanding	393.0	395.3	409.1
Effect of dilutive securities:			
Restricted performance share plan	2.7	3.5	5.1
Weighted average common shares outstanding – assuming dilution	395.7	398.8	414.2
Basic earnings (loss) per share from continuing operations	\$ 1.23	\$ 3.10	\$ 4.07
Diluted earnings (loss) per share from continuing operations	\$ 1.22	\$ 3.07	\$ 4.02

NOTE 5 OTHER COMPREHENSIVE INCOME

The following table presents changes in AOCI, net of tax, reported in the consolidated financial statements for the years ended December 31:

<i>In millions</i>	2020	2019	2018
Defined Benefit Pension and Postretirement Adjustments			
Balance at beginning of period	\$ (2,277)	\$ (1,916)	\$ (2,527)
Other comprehensive income (loss) before reclassifications	227	2	22
Reclassification of stranded tax effects	—	(527)	—
Amounts reclassified from accumulated other comprehensive income	170	164	589
Balance at end of period	(1,880)	(2,277)	(1,916)
Change in Cumulative Foreign Currency Translation Adjustments			
Balance at beginning of period	(2,465)	(2,581)	(2,111)
Other comprehensive income (loss) before reclassifications	(319)	14	(475)
Amounts reclassified from accumulated other comprehensive income	327	102	2
Other Comprehensive Income (Loss) Attributable to Noncontrolling Interest	—	—	3
Balance at end of period	(2,457)	(2,465)	(2,581)
Net Gains and Losses on Cash Flow Hedging Derivatives			
Balance at beginning of period	3	(3)	5
Other comprehensive income (loss) before reclassifications	(34)	4	(10)
Reclassification of stranded tax effects	—	(2)	—
Amounts reclassified from accumulated other comprehensive income	26	4	2
Balance at end of period	(5)	3	(3)
Total Accumulated Other Comprehensive Income (Loss) at End of Period	\$ (4,342)	\$ (4,739)	\$ (4,500)

Reclassifications out of AOCI for the three years ended December 31 were as follows:

<i>In millions</i>	Amount Reclassified from Accumulated Other Comprehensive Income			Location of Amount Reclassified from AOCI
	2020	2019	2018	
Defined benefit pension and postretirement items:				
Prior-service costs	\$ (19)	\$ (10)	(11)	(a) Non-operating pension expense
Actuarial gains/(losses)	(207)	(208)	(774)	(a) Non-operating pension expense
Total pre-tax amount	(226)	(218)	(785)	
Tax (expense)/benefit	56	54	196	
Net of tax	(170)	(164)	(589)	
Reclassification of stranded tax effects	—	527	—	Retained Earnings
Total, net of tax	(170)	363	(589)	
Change in cumulative foreign currency translation adjustments:				
Business acquisitions/divestiture	(327)	(102)	(2)	Net (gains) losses on sales and impairment of businesses and Discontinued operations, net of taxes
Tax (expense)/benefit	—	—	—	
Net of tax	(327)	(102)	(2)	
Net gains and losses on cash flow hedging derivatives:				
Foreign exchange contracts	(39)	(6)	(3)	(b) Cost of products sold
Total pre-tax amount	(39)	(6)	(3)	
Tax (expense)/benefit	13	2	1	
Net of tax	(26)	(4)	(2)	
Reclassification of stranded tax effects	—	2	—	Retained Earnings
Total, net of tax	(26)	(2)	(2)	
Total reclassifications for the period, net of tax	\$ (523)	\$ 259	(593)	

(a) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see [Note 19](#) for additional details).

(b) This accumulated other comprehensive income component is included in our derivatives and hedging activities (see [Note 17](#) for additional details).
an equity method investment.

NOTE 6 RESTRUCTURING CHARGES AND OTHER ITEMS

2020: During 2020, restructuring and other charges, net, totaling \$195 million before taxes were recorded. The charges included:

<i>In millions</i>	2020	
Early debt extinguishment costs (see Note 16)	\$	196
Other restructuring items		(1)
Total	\$	195

2019: During 2019, restructuring and other charges, net, totaling \$57 million before taxes were recorded. These charges included:

<i>In millions</i>	2019	
Overhead cost reduction initiative (a)	\$	21
EMEA packaging restructuring (b)		15
Early debt extinguishment costs (see Note 16)		21
Total	\$	57

(a) Includes pre-tax charges of \$11 million, \$6 million and \$4 million in Corporate, the Printing Papers segment and the Global Cellulose Fibers segment, respectively, for severance related to an overhead cost reduction initiative. The majority of the severance charges were paid in 2020.

(b) Includes \$14 million of severance and \$1 million in other charges in conjunction with the restructuring of our EMEA Packaging business. The majority of the severance charges were paid in 2020.

2018: During 2018, restructuring and other charges, net, totaling \$29 million before taxes were recorded. These charges included:

<i>In millions</i>	2018	
EMEA packaging restructuring (a)	\$	47
Gain on sale of investment in Liaison Technologies Inc.		(31)
Early debt extinguishment costs (see Note 16)		10
Riverdale mill conversion severance		3
Total	\$	29

(a) Includes \$33 million of severance, \$6 million in accelerated depreciation, \$2 million in accelerated amortization and \$6 million in other charges in conjunction with the optimization of our EMEA Packaging business. The majority of the severance charges recorded were paid throughout 2018.

NOTE 7 ACQUISITIONS

2020: In May 2020, the Company increased its noncontrolling interest in an entity that produces corrugated sheets from a 7% interest to a 40% interest. The equity purchase price was \$56 million. The Company is party to various agreements with the entity which includes a containerboard supply agreement. The Company accounts for its interest as

2019: On June 28, 2019, the Company completed the acquisition of two packaging businesses located in Portugal (Ovar) and France (Torigni and Cabourg) from DS Smith Packaging. The total purchase consideration, inclusive of working capital adjustments, was approximately €71 million (approximately \$81 million at June 30, 2019 exchange rates).

The following table summarizes the final fair value assigned to assets and liabilities assumed as of June 28, 2019:

<i>In millions</i>	June 28, 2019	
Cash and temporary investments	\$	2
Accounts and notes receivable		22
Inventory		8
Plants, properties and equipment		37
Goodwill		27
Intangible assets		14
Right of use assets		3
Deferred charges and other assets		2
Total assets acquired		115
Short-term debt		2
Accounts payable and accrued liabilities		17
Other current liabilities		5
Deferred income taxes		4
Long-term debt		1
Postretirement and postemployment benefit obligation		3
Long-term lease obligations		2
Total liabilities assumed		34
Net assets acquired	\$	81

NOTE 8 DIVESTITURES AND IMPAIRMENTS OF BUSINESSES

PRINTING PAPERS SPIN-OFF

2020: On December 3, 2020, the Company announced a plan to pursue a spin-off of the Company's Printing Papers segment into a standalone, publicly-traded company. The transaction will be implemented through the distribution of shares of the standalone company to International Paper shareholders. International Paper will retain up to 19.9% of the shares of the standalone company at the time of the separation, with the intent to monetize its investment and to provide additional proceeds to the Company. The Company expects the separation to be tax-free for the Company and its shareholders for U.S. federal income tax purposes and plans to complete the spin-off late in the third quarter of 2021, subject to the receipt of required regulatory approvals. See [Note 23](#) for further discussion.

BRAZIL PACKAGING

2020: On October 14, 2020, the Company closed the previously announced sale of its Brazilian Industrial Packaging business for R\$330 million (\$58.5 million U.S. dollars), with R\$280 million (\$49.6 million U.S. dollars) paid at closing and R\$50 million (\$8.9 million U.S. dollars) to be paid one year from closing. This business includes three containerboard mills and four box plants and the agreement follows International Paper's previously announced strategic review of the Brazilian Industrial Packaging business.

In conjunction with the announced agreement, net pre-tax charges of \$347 million (\$340 million after taxes) were recorded in 2020. These charges included \$327 million related to the cumulative foreign currency translation loss and a \$20 million loss related the write down of the long-lived assets of the Brazilian Industrial Packaging business to their estimated fair value. These charges are included in Net (gains) losses on sales and impairments of businesses in the accompanying consolidated statement of operations and is included in the results for the Industrial Packaging segment.

2018: During 2018, a determination was made that the current carrying value of the long-lived assets of the Brazil Packaging business exceeded their estimated fair value due to a change in the outlook for the business. Management engaged a third party to assist with determining the fair value of the business and the fixed assets. The fair value of the business was calculated using a probability-weighted approach based on discounted future cash flows, market multiples, and transaction multiples and the fair value of the fixed assets was determined using a market approach. As a result, a pre-tax charge of \$122 million (\$81 million, net of tax) was recorded related to the impairment of an intangible asset and fixed assets. This charge is included in Net (gains) losses on sales and impairments of businesses in the accompanying consolidated statement of operations and is included in the results for the Industrial Packaging segment.

OLMUKSAN INTERNATIONAL PAPER

2020: On January 5, 2021, the Company announced that it had entered into an agreement with Mondi Group to sell its 90.38% ownership interest in Olmuksan International Paper, a corrugated packaging business in Turkey, for €66 million (approximately \$81 million using the December 31, 2020 exchange rate). The transaction is expected to be completed in the first half of 2021 subject to satisfaction of customary closing conditions and regulatory approvals.

In conjunction with the announced agreement, a determination was made that the current book value of the Olmuksan International Paper disposal group exceeded its estimated fair value of \$79 million which was based on the agreed upon transaction price. As a result, a preliminary charge of \$123 million (before and after taxes) was recorded during the fourth quarter of 2020 related to the cumulative foreign currency translation loss. This charge is included in the Net (gains) losses on sales and impairments of businesses in the accompanying consolidated statement of operations and is included in the results for the Industrial Packaging segment.

At December 31, 2020, all assets and liabilities related to Olmuksan International Paper are classified as current assets held for sale and current liabilities held for sale in the accompanying consolidated balance sheet.

The following summarizes the major classes of assets and liabilities of Olmuksan International Paper reconciled to total Assets held for sale and total Liabilities held for sale in the accompanying consolidated balance sheet.

<i>In millions</i>	December 31, 2020
Cash and temporary investments	\$ 2
Accounts and notes receivable	62
Inventories	18
Other current assets	5
Plants, properties and equipment (net of impairment)	38
Goodwill	6
Deferred charges and other assets	7
Total Assets Held for Sale	138
Accounts payable and accrued liabilities	29
Other current liabilities	24
Deferred income taxes	1
Other liabilities	4
Impairment reserve	123
Total Liabilities Held for Sale	181

INTERNATIONAL PAPER APPM LIMITED

2019: On October 30, 2019, the Company closed on the sale of its controlling interest in International Paper APPM Limited ("APPM") to West Coast Paper Mills Limited ("WCPM"). The net proceeds received for the sale totaled \$82 million.

As a result of the transaction, a net pre-tax impairment charge of \$159 million (\$157 million after taxes) was recorded during 2019. This charge is included in the Net (gains) losses on sales and impairments of businesses in the accompanying consolidated statement of operations and is included

in the results for the Printing Papers segment. A loss of \$9 million (before and after taxes) has been allocated to the noncontrolling interest related to the impairment of the long-lived assets of APPM.

During 2020, the Company sold its remaining investment in APPM and recorded an immaterial loss.

[NOTE 9 SUPPLEMENTARY FINANCIAL STATEMENT INFORMATION](#)

TEMPORARY INVESTMENTS

Temporary investments with an original maturity of three months or less and money market funds with greater than three month maturities but with the right to redeem without notices are treated as cash equivalents and are stated at cost. Temporary investments totaled \$358 million and \$335 million at December 31, 2020 and 2019, respectively.

ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable, net, by classification were:

<i>In millions at December 31</i>	2020	2019
Accounts and notes receivable:		
Trade	\$ 2,776	\$ 3,020
Other	288	260
Total	\$ 3,064	\$ 3,280

The allowance for expected credit losses was \$76 million at December 31, 2020 and the allowance for doubtful accounts was \$73 million at December 31, 2019. Based on the Company's accounting estimates and the facts and circumstances available as of the reporting date, we believe our allowance for expected credit losses is adequate. While we have taken into account certain impacts of COVID-19 in connection with our estimate of the allowance for expected credit losses, it is possible that additional expected credit losses in excess of such allowance could occur if additional containment and mitigation measures are required or negative economic conditions persist or deteriorate as a result of COVID-19.

INVENTORIES

<i>In millions at December 31</i>	2020	2019
Raw materials	\$ 268	\$ 298
Finished pulp, paper and packaging products	1,091	1,192
Operating supplies	627	659
Other	64	59
Inventories	\$ 2,050	\$ 2,208

The last-in, first-out inventory method is used to value most of International Paper's U.S. inventories. Approximately 74% of total raw materials and finished

products inventories were valued using this method. The last-in, first-out inventory reserve was \$242 million and \$295 million at December 31, 2020 and 2019, respectively.

PLANTS, PROPERTIES AND EQUIPMENT

<i>In millions at December 31</i>	2020	2019
Pulp, paper and packaging facilities	\$ 32,439	\$ 32,292
Other properties and equipment	1,156	1,224
Gross cost	33,595	33,516
Less: Accumulated depreciation	21,378	20,512
Plants, properties and equipment, net	\$ 12,217	\$ 13,004

Non-cash additions to plants, property and equipment included within accounts payable were \$41 million, \$164 million and \$135 million at December 31, 2020, 2019 and 2018, respectively.

Amounts invested in capital projects in the accompanying condensed consolidated statement of cash flows are presented net of insurance recoveries of \$42 million received during the year ended December 31, 2020. There were no insurance recoveries received during the years ended December 31, 2019 and 2018.

Annual straight-line depreciable lives generally are, for buildings - 20 to 40 years, and for machinery and equipment - 3 to 20 years. Depreciation expense was \$1.2 billion for the each of the years ended December 31, 2020, 2019 and 2018. Cost of products sold excludes depreciation and amortization expense.

INTEREST

Interest payments of \$686 million, \$754 million and \$772 million were made during the years ended December 31, 2020, 2019 and 2018, respectively.

Amounts related to interest were as follows:

<i>In millions</i>	2020	2019	2018
Interest expense	\$ 600	\$ 706	\$ 734
Interest income	156	215	198
Capitalized interest costs	31	29	30

ASSET RETIREMENT OBLIGATIONS

At December 31, 2020 and 2019, we had recorded liabilities of \$116 million and \$96 million, respectively, related to asset retirement obligations.

[NOTE 10 LEASES](#)

International Paper leases various real estate, including certain operating facilities, warehouses, office space and land. The Company also leases material handling equipment, vehicles, and certain

other equipment. The Company's leases have remaining lease terms of one year to 96 years.

COMPONENTS OF LEASE EXPENSE

<i>In millions</i>	2020	2019
Operating lease costs, net	\$ 145	\$ 132
Variable lease costs	61	70
Short-term lease costs, net	52	59
Finance lease cost		
Amortization of lease assets	14	12
Interest on lease liabilities	5	5
Total lease cost, net	\$ 277	\$ 278

SUPPLEMENTAL BALANCE SHEET INFORMATION RELATED TO LEASES

<i>In millions</i>	Classification	2020	2019
Assets			
Operating lease assets	Right of use assets	\$ 459	\$ 434
Finance lease assets	Plants, properties and equipment, net (a)	95	103
Total leased assets		\$ 554	\$ 537
Liabilities			
Current			
Operating	Other current liabilities	\$ 148	\$ 134
Finance	Notes payable and current maturities of long-term debt	13	12
Noncurrent			
Operating	Long-term lease obligations	315	304
Finance	Long-term debt	82	88
Total lease liabilities		\$ 558	\$ 538

(a) Finance leases are recorded net of accumulated amortization of \$53 million and \$40 million at December 31, 2020 and 2019, respectively.

LEASE TERM AND DISCOUNT RATE

<i>In millions</i>	2020	2019
Weighted average remaining lease term (years)		
Operating leases	9.7 years	9.8 years
Finance leases	9.9 years	10.9 years
Weighted average discount rate		
Operating leases	2.56 %	3.06 %
Finance leases	4.52 %	4.69 %

SUPPLEMENTAL CASH FLOW INFORMATION RELATED TO LEASES

<i>In millions</i>	2020	2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows related to operating leases	\$ 162	\$ 147
Operating cash flows related to financing leases	5	5
Financing cash flows related to finance leases	10	9
Right of use assets obtained in exchange for lease liabilities		
Operating leases	179	162
Finance leases	11	11

MATURITY OF LEASE LIABILITIES

<i>In millions</i>	Operating Leases	Financing Leases	Total
2021	\$ 158	\$ 17	\$ 175
2022	117	16	133
2023	74	14	88
2024	42	11	53
2025	26	10	36
Thereafter	105	56	161
Total lease payments	522	124	646
Less imputed interest	59	29	88
Present value of lease liabilities	\$ 463	\$ 95	\$ 558

NOTE 11 EQUITY METHOD INVESTMENTS

The Company accounts for the following investments under the equity method of accounting.

GRAPHIC PACKAGING INTERNATIONAL PARTNERS, LLC

In January 2018, the Company completed the transfer of its North American Consumer Packaging business in exchange for a 20.5% ownership interest (79,911,511 units) in Graphic Packaging International Partners, LLC ("GPIP"). GPIP subsequently transferred the North American Consumer Packaging business to Graphic Packaging International, LLC ("GPI"), a wholly-owned subsidiary of GPIP that holds the assets of the combined business. On January 29, 2020, the Company exchanged 15,150,784 units of the aggregate units owned by the Company for an aggregated price of \$250 million, resulting in a pre-tax

gain of \$33 million (\$25 million after taxes) which was recorded in the first quarter of 2020. On August 7, 2020, the Company exchanged 17,399,414 units of the aggregated units owned by the Company for an aggregated price of \$250 million, resulting in an immaterial gain which was recorded in the third quarter of 2020. As of December 31, 2020, the Company's ownership percentage in GPIIP was 15.0%. The Company recorded equity earnings of \$40 million, \$46 million and \$46 million for the years ended December 31, 2020, 2019 and 2018, respectively. The Company received cash dividends from GPIIP of \$20 million and \$27 million in 2020 and 2019, respectively. The Company's investment in GPIIP was \$702 million and \$1.1 billion at December 31, 2020 and 2019, respectively, which was \$345 million and \$529 million more than the Company's proportionate share of the entity's underlying net assets at December 31, 2020 and 2019, respectively. The difference primarily relates to the basis difference between the fair value of our investment and the underlying net assets and is generally amortized in equity earnings over a period consistent with the underlying long-lived assets.

The Company is party to various agreements with GPI under which it sells fiber and other products to GPI. Sales under these agreements were \$253 million, \$274 million and \$240 million for the years ended December 31, 2020, 2019 and 2018 respectively.

Summarized financial information for GPIIP is presented in the following tables:

Balance Sheet

<i>In millions</i>	2020		2019	
Current assets	\$	2,011	\$	1,796
Noncurrent assets		5,784		5,482
Current liabilities		1,827		1,178
Noncurrent liabilities		3,594		3,244

Income Statement

<i>In millions</i>	2020		2019		2018	
Net sales	\$	6,560	\$	6,160	\$	6,023
Gross profit		1,100		1,093		946
Income from continuing operations		232		333		336
Net income		233		334		337

ILIM S.A. ("Ilim")

The Company also holds a 50% equity interest in Ilim, which has subsidiaries whose primary operations are in Russia. The Company recorded equity earnings, net of taxes, of \$48 million, \$207 million, and \$290 million in 2020, 2019, and 2018, respectively, for Ilim. Equity earnings includes an after-tax foreign exchange (loss) gain of \$(50) million, \$32 million, and \$(82) million in 2020, 2019 and 2018, respectively, primarily on the remeasurement of U.S. dollar-denominated net debt. The Company received cash dividends from the joint venture of \$141 million and \$246 million in 2020 and 2019, respectively. At December 31, 2020 and 2019, the Company's investment in Ilim, which is recorded in Investments in the consolidated balance sheet, was \$393 million and \$508 million, respectively, which was \$127 million and \$136 million, respectively, more than the Company's proportionate share of the joint venture's underlying net assets. The differences primarily relate to currency translation adjustments and the basis difference between the fair value of our investment at acquisition and the underlying net assets. The Company is party to a joint marketing agreement with JSC Ilim Group, a subsidiary of Ilim, under which the Company purchases, markets and sells paper produced by JSC Ilim Group. Purchases under this agreement were \$174 million, \$215 million and \$214 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Summarized financial information for Ilim is presented in the following tables:

Balance Sheet

<i>In millions</i>	2020		2019	
Current assets	\$	739	\$	804
Noncurrent assets		2,733		2,813
Current liabilities		674		1,015
Noncurrent liabilities		2,249		1,844
Noncontrolling interests		17		16

Income Statement

<i>In millions</i>	2020		2019		2018	
Net sales	\$	2,015	\$	2,189	\$	2,713
Gross profit		838		1,025		1,549
Income from continuing operations		115		438		592
Net income		113		424		571

The Company's remaining equity method investments are not material.

NOTE 12 GOODWILL AND OTHER INTANGIBLES

GOODWILL

The following table presents changes in the goodwill balances as allocated to each business segment for the years ended December 31, 2020 and 2019:

<i>In millions</i>	Industrial Packaging	Global Cellulose Fibers	Printing Papers	Total
Balance as of December 31, 2018				
Goodwill	\$ 3,379	\$ 52	\$ 2,116	\$ 5,547
Accumulated impairment losses	(296)	—	(1,877)	(2,173)
	3,083	52	239	3,374
Currency translation and other (a)	—	—	(6)	(6)
Goodwill additions/reductions	31 (b)(c)	—	(112) (d)	(81)
Accumulated impairment loss additions/reductions	—	(52) (e)	112 (d)	60
Balance as of December 31, 2019				
Goodwill	3,410	52	1,998	5,460
Accumulated impairment losses	(296)	(52)	(1,765)	(2,113)
	3,114	—	233	3,347
Currency translation and other (a)	5	—	(33)	(28)
Goodwill additions/reductions	(5) (b)(c)	—	1	(4)
Balance as of December 31, 2020				
Goodwill	3,410	52	1,966	5,428
Accumulated impairment losses	(296)	(52)	(1,765)	(2,113)
Total	\$ 3,114	\$ —	\$ 201	\$ 3,315

(a) Represents the effects of foreign currency translations and reclassifications.

(b) Reflects a reduction from tax benefits generated by the deduction of goodwill amortization for tax purposes in the U.S.

(c) Reflects the goodwill for the acquisitions and divestitures of Industrial Packaging box plants in EMEA.

(d) Reflects the reclassification of India goodwill and related impairment losses to held for sale prior to the sale of the business.

(e) Reflects the impairment of the Global Cellulose Fibers reporting unit.

The Company performed its annual testing of its reporting units for possible goodwill impairments by applying the quantitative goodwill impairment test to its North America Industrial Packaging, EMEA Industrial Packaging, European Papers, Russian Papers, and Brazilian Papers reporting units as of October 1, 2020. The Company elected to perform the quantitative goodwill impairment test due to the current economic environment. The quantitative goodwill impairment test was performed by comparing the carrying amount of each respective reporting unit to its estimated fair value. The Company calculated the estimated fair value of each of its reporting units with goodwill using a weighted approach based on discounted future cash flows, market multiples and transaction multiples. The carrying amount did not exceed the estimated fair value of any reporting units.

In addition, the Company considered whether there were any events or circumstances outside of the annual evaluation that would reduce the fair value of its reporting units below their carrying amounts and necessitate a goodwill impairment evaluation. In consideration of all relevant factors, there were no indicators that would require goodwill impairment subsequent to October 1, 2020.

In the fourth quarter of 2019, in conjunction with the annual testing of its reporting units for possible goodwill impairments, the Company calculated the estimated fair value of the Global Cellulose Fibers reporting unit, and it was determined that all of the goodwill in the reporting unit, totaling \$52 million, was impaired. This impairment charge was recognized during the fourth quarter of 2019.

OTHER INTANGIBLES

Identifiable intangible assets comprised the following:

<i>In millions at December 31</i>	2020			2019		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets
Customer relationships and lists	\$ 542	\$ 294	\$ 248	\$ 560	\$ 275	\$ 285
Tradenames, patents and trademarks, and developed technology	170	117	53	170	102	68
Land and water rights	8	2	6	8	2	6
Software	25	24	1	26	25	1
Other	19	10	9	18	10	8
Total	\$ 764	\$ 447	\$ 317	\$ 782	\$ 414	\$ 368

The Company recognized the following amounts as amortization expense related to intangible assets:

<i>In millions</i>	2020	2019	2018
Amortization expense related to intangible assets	\$ 60	\$ 58	\$ 59

Based on current intangibles subject to amortization, estimated amortization expense for each of the succeeding years is as follows: 2021 – \$51 million, 2022 – \$46 million, 2023 – \$41 million, 2024 – \$41 million, 2025 – \$36 million, and cumulatively thereafter – \$96 million.

NOTE 13 INCOME TAXES

The components of International Paper's earnings from continuing operations before income taxes and equity earnings by taxing jurisdiction were as follows:

<i>In millions</i>	2020	2019	2018
Earnings (loss)			
U.S.	\$ 727	\$ 1,342	\$ 1,450
Non-U.S.	(77)	262	331
Earnings (loss) from continuing operations before income taxes and equity earnings (losses)	\$ 650	\$ 1,604	\$ 1,781

The provision (benefit) for income taxes from continuing operations (excluding noncontrolling interests) by taxing jurisdiction was as follows:

<i>In millions</i>	2020	2019	2018
Current tax provision (benefit)			
U.S. federal	\$ 124	\$ 271	\$ 227
U.S. state and local	35	29	37
Non-U.S.	77	122	165
	\$ 236	\$ 422	\$ 429
Deferred tax provision (benefit)			
U.S. federal	\$ (6)	\$ 44	\$ 12
U.S. state and local	1	(23)	50
Non-U.S.	14	191	(46)
	\$ 9	\$ 212	\$ 16
Income tax provision (benefit)	\$ 245	\$ 634	\$ 445

The Company's deferred income tax provision (benefit) includes a \$2 million benefit, a \$44 million benefit and a \$13 million benefit for 2020, 2019 and 2018, respectively, for the effect of various changes in non-U.S. and U.S. federal and state tax rates.

International Paper made income tax payments, net of refunds, of \$162 million, \$349 million and \$388 million in 2020, 2019 and 2018, respectively.

A reconciliation of income tax expense using the statutory U.S. income tax rate compared with the actual income tax provision follows:

<i>In millions</i>	2020	2019	2018
Earnings (loss) from continuing operations before income taxes and equity earnings	\$ 650	\$ 1,604	\$ 1,781
Statutory U.S. income tax rate	21 %	21 %	21 %
Tax expense (benefit) using statutory U.S. income tax rate	137	337	374
State and local income taxes	28	6	72
Impact of rate differential on non-U.S. permanent differences and earnings	22	31	35
Foreign valuation allowance	—	203	—
Tax expense (benefit) on manufacturing activities	—	—	(1)
Non-deductible business expenses	5	7	6
Non-deductible impairments	92	31	—
Non-deductible compensation	11	3	11
Tax audits	(38)	—	28
Deemed repatriation, net of foreign tax credits	14	1	(25)
U.S. federal tax rate change	7	—	(13)
Foreign derived intangible income deduction	—	2	(25)
US tax on non-U.S. earnings (GILTI and Subpart F)	11	36	19
Foreign tax credits	(4)	(2)	(15)
General business and other tax credits	(45)	(33)	(26)
Tax expense (benefit) on equity earnings	8	10	10
Other, net	(3)	2	(5)
Income tax provision (benefit)	\$ 245	\$ 634	\$ 445
Effective income tax rate	38 %	40 %	25 %

The tax effects of significant temporary differences, representing deferred income tax assets and liabilities at December 31, 2020 and 2019, were as follows:

<i>In millions</i>	2020	2019
Deferred income tax assets:		
Postretirement benefit accruals	\$ 91	\$ 90
Pension obligations	288	421
Tax credits	296	290
Net operating and capital loss carryforwards	590	621
Compensation reserves	179	181
Lease obligations	114	106
Environmental reserves	117	93
Other	218	126
Gross deferred income tax assets	\$ 1,893	\$ 1,928
Less: valuation allowance (a)	(685)	(691)
Net deferred income tax asset	\$ 1,208	\$ 1,237
Deferred income tax liabilities:		
Intangibles	\$ (159)	\$ (152)
Investments	(251)	(265)
Right of use assets	(114)	(106)
Plants, properties and equipment	(1,958)	(1,866)
Forestlands, related installment sales, and investment in subsidiary	(1,400)	(1,407)
Gross deferred income tax liabilities	\$ (3,882)	\$ (3,796)
Net deferred income tax liability	\$ (2,674)	\$ (2,559)

(a) The net change in the total valuation allowance for the years ended December 31, 2020 and 2019 was a decrease of \$(6) million and an increase of \$250 million, respectively. The net change in the prior year is primarily due to tax law changes in foreign jurisdictions impacting future utilization of deferred tax assets of \$203 million.

Deferred income tax assets and liabilities are recorded in the accompanying consolidated balance sheet under the captions Deferred charges and other assets and Deferred income taxes. Of the \$1.4 billion of deferred tax liabilities for forestlands, related installment sales, and investment in subsidiary, \$887 million is attributable to an investment in subsidiary and relates to a 2006 International Paper installment sale of forestlands and \$488 million is attributable to a 2007 Temple-Inland installment sale of forestlands (see [Note 15](#)).

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2020, 2019 and 2018 is as follows:

<i>In millions</i>	2020	2019	2018
Balance at January 1	\$ (189)	\$ (220)	\$ (188)
(Additions) reductions for tax positions related to current year	(10)	(5)	(7)
(Additions) for tax positions related to prior years	(10)	(6)	(37)
Reductions for tax positions related to prior years	30	5	5
Settlements	13	31	2
Expiration of statutes of limitations	1	3	2
Currency translation adjustment	(1)	3	3
Balance at December 31	\$ (166)	\$ (189)	\$ (220)

If the Company were to prevail on the unrecognized tax benefits recorded, substantially all of the balances at December 31, 2020, 2019 and 2018 would benefit the effective tax rate.

The Company accrues interest on unrecognized tax benefits as a component of interest expense. Penalties, if incurred, are recognized as a component of income tax expense. The Company had approximately \$17 million and \$21 million accrued for the payment of estimated interest and penalties associated with unrecognized tax benefits at December 31, 2020 and 2019, respectively.

The major jurisdictions where the Company files income tax returns are the United States, Brazil, France, Poland and Russia. Generally, tax years 2007 through 2019 remain open and subject to examination by the relevant tax authorities. The Company frequently faces challenges regarding the amount of taxes due. These challenges include positions taken by the Company related to the timing, nature, and amount of deductions and the allocation of income among various tax jurisdictions. Pending audit settlements and the expiration of statute of limitations could reduce the uncertain tax positions by \$16 million during the next twelve months.

The Brazilian Federal Revenue Service has challenged the deductibility of goodwill amortization generated in a 2007 acquisition by International Paper do Brasil Ltda., a wholly-owned subsidiary of the Company. The Company received assessments for the tax years 2007-2015 totaling approximately \$114 million in tax, and \$367 million in interest, penalties, and fees as of December 31, 2020 (adjusted for variation in currency exchange rates). After a previous favorable ruling challenging the basis for these assessments, we received other subsequent unfavorable decisions from the Brazilian Administrative Council of Tax Appeals. The Company has appealed and intends to further appeal these and any future unfavorable administrative judgments to the Brazilian federal courts; however, this tax litigation matter may take many years to resolve. The Company believes that it has appropriately evaluated the transaction underlying these assessments, and has concluded based on Brazilian tax law, that its tax position would be sustained. The Company intends to vigorously defend its position against the current assessments and any similar assessments that may be issued for tax years subsequent to 2015.

The Company provides for foreign withholding taxes and any applicable U.S. state income taxes on earnings intended to be repatriated from non-U.S. subsidiaries, which we believe will be limited in the future to each year's current earnings. No provision for these taxes on approximately \$2.3 billion of undistributed earnings of non-U.S. subsidiaries as of December 31, 2020 has been made, as these earnings are considered indefinitely invested. Determination of the amount of taxes that might be paid on these undistributed earnings if eventually remitted in a taxable manner is not practicable.

If management decided to monetize the Company's foreign investments, we would recognize the tax cost related to the excess of the book value over the tax basis of those investments. This would include foreign withholding taxes and any applicable U.S. Federal and state income taxes. Determination of the

tax cost that would be incurred upon monetization of the Company's foreign investments is not practicable; however, we do not believe it would be material.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act ("the CARES Act"). The CARES Act provides various types of economic relief for individuals and businesses due to the COVID-19 pandemic, including temporary corporate tax relief. We currently do not believe there to be a material impact to the income tax provision resulting from the CARES Act.

The following details the scheduled expiration dates of the Company's net operating loss and income tax credit carryforwards:

<i>In millions</i>	2021 Through 2030	2031 Through 2040	Indefinite	Total
U.S. federal and non-U.S. NOLs	\$ 2	\$ 53	\$ 457	\$ 512
State taxing jurisdiction NOLs (a)	61	16	—	77
U.S. federal, non-U.S. and state tax credit carryforwards (a)	169	8	119	296
Total	\$ 232	\$ 77	\$ 576	\$ 885
Less: valuation allowance (a)	(145)	(49)	(410)	(604)
Total, net	\$ 87	\$ 28	\$ 166	\$ 281

(a) State amounts are presented net of federal benefit.

NOTE 14 COMMITMENTS AND CONTINGENT LIABILITIES

GUARANTEES

In connection with sales of businesses, property, equipment, forestlands and other assets, International Paper commonly makes representations and warranties relating to such businesses or assets, and may agree to indemnify buyers with respect to tax and environmental liabilities, breaches of representations and warranties, and other matters. Where liabilities for such matters are determined to be probable and reasonably estimable, accrued liabilities are recorded at the time of sale as a cost of the transaction.

ENVIRONMENTAL AND LEGAL PROCEEDINGS

Environmental

International Paper has been named as a potentially responsible party ("PRP") in environmental remediation actions under various federal and state laws, including the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). Many of these proceedings involve the

cleanup of hazardous substances at large commercial landfills that received waste from many different sources. While joint and several liability is authorized under CERCLA and equivalent state laws, as a practical matter, liability for CERCLA cleanups is typically allocated among the many PRPs. There are other remediation costs typically associated with the cleanup of hazardous substances at the Company's current, closed or formerly-owned facilities, and recorded as liabilities in the balance sheet.

Remediation costs are recorded in the consolidated financial statements when they become probable and reasonably estimable. International Paper has estimated the probable liability associated with these environmental remediation matters, including those described herein, to be approximately \$185 million (\$194 million undiscounted) in the aggregate as of December 31, 2020. Other than as described below, completion of required environmental remedial actions is not expected to have a material effect on our consolidated financial statements.

Cass Lake: One of the matters included above arises out of a closed wood-treatment facility located in Cass Lake, Minnesota. In June 2011, the United States Environmental Protection Agency (EPA) selected and published a proposed soil remedy at the site with an estimated cost of \$45 million as of December 31, 2020. In April 2020, the EPA issued a final plan concerning clean-up standards at a portion of the site, the estimated cost of which is included within the reserve referenced above. In October 2012, the Natural Resource Trustees for this site provided notice to International Paper and other PRPs of their intent to perform a Natural Resource Damage Assessment. It is premature to predict the outcome of the assessment or to estimate a loss or range of loss, if any, in excess of the applicable reserve referenced above, which may be incurred.

Kalamazoo River: The Company is a PRP with respect to the Allied Paper, Inc./Portage Creek/Kalamazoo River Superfund Site in Michigan. The EPA asserts that the site is contaminated by polychlorinated biphenyls ("PCBs") primarily as a result of discharges from various paper mills located along the Kalamazoo River, including a paper mill (the "Allied Paper Mill") formerly owned by St. Regis Paper Company ("St. Regis"). The Company is a successor in interest to St. Regis.

- Operable Unit 5, Area 1: In March 2016, the Company and other PRPs received a special notice letter from the EPA (i) inviting participation in implementing a remedy for a portion of the site known as Operable Unit 5, Area 1, and (ii) demanding reimbursement of EPA past costs totaling \$37 million, including \$19 million in past costs previously demanded by the EPA. The Company responded to the special notice letter. In December 2016, the EPA issued a unilateral administrative order to the Company and other

PRPs to perform the remedy. The Company responded to the unilateral administrative order, agreeing to comply with the order subject to its sufficient cause defenses.

- Operable Unit 5, Area 2: In September 2017, the EPA issued a Record of Decision selecting the final remedy for a portion of the site known as Operable Unit 5, Area 2, but has not yet issued a special notice letter for implementing the remedy.
- Operable Unit 1: In October 2016, the Company and another PRP received a special notice letter from the EPA inviting participation in the remedial design component of the landfill remedy for the Allied Paper Mill, which is also known as Operable Unit 1. The Record of Decision establishing the final landfill remedy for the Allied Paper Mill was issued by the EPA in September 2016. The Company responded to the Allied Paper Mill special notice letter in December 2016. In February 2017, the EPA informed the Company that it would make other arrangements for the performance of the remedial design.

In addition, in December 2019, the United States published notice in the Federal Register of a proposed consent decree with NCR Corporation (one of the parties to the allocation/apportionment litigation described below), the State of Michigan and natural resource trustees under which NCR would make payments of more than \$100 million and perform work at the Site at an estimated cost of \$135.7 million. On December 2, 2020, the Federal District Court approved the proposed consent decree, as submitted. NCR will deposit the settlement funds into a Court Registry Account.

The Company's CERCLA liability has not been finally determined with respect to these or any other portions of the site, and except as noted above, the Company has declined to perform any work or reimburse the EPA at this time. As noted below, the Company is involved in allocation/apportionment litigation with regard to the site. Accordingly, it is premature to predict the outcome or estimate our maximum reasonably possible loss or range of loss with respect to this site. We have recorded a liability for future remediation costs at the site that are probable and reasonably estimable, and it remains reasonably possible that additional losses in excess of this recorded liability could be material.

The Company was named as a defendant by Georgia-Pacific Consumer Products LP, Fort James Corporation and Georgia Pacific LLC in a contribution and cost recovery action for alleged pollution at the site. NCR Corporation and Weyerhaeuser Company are also named as defendants in the suit. The suit seeks contribution under CERCLA for costs purportedly expended by plaintiffs (\$79 million as of the filing of the complaint) and for future remediation

costs. In June 2018, the Court issued its Final Judgment and Order, which fixed the past cost amount at approximately \$50 million (plus interest to be determined) and allocated to the Company a 15% share of responsibility for those past costs. The Court did not address responsibility for future costs in its decision. In July 2018, the Company and each of the other parties filed notices appealing the Final Judgment and prior orders incorporated into that Judgment. The proposed consent decree by NCR described above will result in the termination of NCR's involvement in the appeal.

Harris County: International Paper and McGinnis Industrial Maintenance Corporation ("MIMC"), a subsidiary of Waste Management, Inc. ("WMI"), are PRPs at the San Jacinto River Waste Pits Superfund Site in Harris County, Texas. The PRPs have been actively participating in the activities at the site and share the costs of these activities.

In October 2017, the EPA issued a Record of Decision ("ROD") selecting the final remedy for the site: removal and relocation of the waste material from both the northern and southern impoundments. The EPA did not specify the methods or practices needed to perform this work. The EPA's selected remedy was accompanied by a cost estimate of approximately \$115 million (\$105 million for the northern impoundment, and \$10 million for the southern impoundment). Subsequent to the issuance of the ROD, there have been numerous meetings between the EPA and the PRPs, and the Company continues to work with the EPA and MIMC/WMI to develop the remedial design.

To this end, in April 2018, the PRPs entered into an Administrative Order on Consent ("AOC") with the EPA, agreeing to work together to develop the remedial design until April 2021. The AOC does not include any agreement to perform waste removal or other construction activity at the site. Rather, it involves adaptive management techniques and a pre-design investigation, the objectives of which include filling data gaps (including but not limited to post-Hurricane Harvey technical data generated prior to the ROD and not incorporated into the selected remedy), refining areas and volumes of materials to be addressed, determining if an excavation remedy is able to be implemented in a manner protective of human health and the environment, and investigating potential impacts of remediation activities to infrastructure in the vicinity.

During the first quarter of 2020, through a series of meetings among the Company, MIMC/WMI, our consultants, the EPA and the Texas Commission on Environmental Quality ("TCEQ"), progress was made to resolve key technical issues previously preventing the Company from determining the manner in which the selected remedy for the northern impoundment would be feasibly implemented. As a result of these developments the Company reserved the following amounts in relation to remediation at this site: (a) \$10 million for the southern impoundment; and (b) \$55 million for the northern impoundment, which

represents the Company's 50% share of our estimate of the low end of the range of probable remediation costs.

Although key technical issues have been resolved, we still face significant challenges remediating the northern impoundment in a cost-efficient manner and without a release to the environment and therefore our discussions with the EPA on the best approach to remediation will continue. Because of ongoing questions regarding cost effectiveness, timing and gathering other technical data, additional losses in excess of our recorded liability are possible. We are currently unable to reasonably estimate any further adjustment to our recorded liability or any loss or range of loss in excess of such liability; however, we believe it is unlikely any adjustment would be material.

Asbestos-Related Matters

We have been named as a defendant in various asbestos-related personal injury litigation, in both state and federal court, primarily in relation to the prior operations of certain companies previously acquired by the Company. The Company regularly conducts a comprehensive legal review of its asbestos liabilities and reviews recent and historical claims data. During the second quarter of 2020, as previously disclosed, we adjusted our estimated net liability associated with asbestos-related litigation concerning products sold by Champion International Corporation prior to our acquisition of Champion in 2000 to revise the time period associated with anticipated future claims through 2059, a commonly viewed end point when such claims are more predictable. We concluded the adjustment of \$43 million to increase this net liability, which resulted in a liability of \$75 million, net of estimated insurance recoveries, was not material to any period. As of December 31, 2020, the Company's total recorded liability with respect to pending and future asbestos-related claims was \$115 million, net of estimated insurance recoveries. While it is reasonably possible that the Company may incur losses in excess of its recorded liability with respect to asbestos-related matters, we do not believe material losses are probable.

Antitrust

Italy: In March 2017, the Italian Competition Authority ("ICA") commenced an investigation into the Italian packaging industry to determine whether producers of corrugated sheets and boxes violated the applicable European competition law. In April 2019, the ICA concluded its investigation and issued initial findings alleging that over 30 producers, including our Italian packaging subsidiary ("IP Italy"), improperly coordinated the production and sale of corrugated sheets and boxes. On August 6, 2019, the ICA issued its decision and assessed IP Italy a fine of €29 million (approximately \$32 million at current exchange rates) which was recorded in the third quarter of 2019.

However, we are vigorously appealing this decision of the ICA to the Italian courts and have numerous and strong bases for our appeal.

Taxes Other Than Payroll and Income Taxes

In 2017, the Brazilian Federal Supreme Court decided that the state value-added tax ("VAT") should not be included in the basis of federal VAT calculations. In 2018 and 2019, the Brazilian tax authorities published both an internal consultation and a normative ruling with a narrow interpretation of the effects of the case. We have determined that any related federal VAT refunds should be recognized when they are both probable and reasonably estimable. Based upon the best information available to us, we have determined that the amount of refund that is probable of being realized is limited to that determined by the tax authorities' narrow interpretation, for which we have recognized a receivable of \$12 million as of December 31, 2020. It is possible that future court decisions and guidance from the tax authorities could expand the scope of the federal VAT refunds.

General

The Company is involved in various other inquiries, administrative proceedings and litigation relating to environmental and safety matters, personal injury, product liability, labor and employment, contracts, sales of property, intellectual property, tax, and other matters, some of which allege substantial monetary damages. See [Note 13](#) for details regarding a tax matter. Assessments of lawsuits and claims can involve a series of complex judgments about future events, can rely heavily on estimates and assumptions, and are otherwise subject to significant uncertainties. As a result, there can be no certainty that the Company will not ultimately incur charges in excess of presently recorded liabilities. The Company believes that loss contingencies arising from pending matters including the matters described herein, will not have a material effect on the consolidated financial position or liquidity of the Company. However, in light of the inherent uncertainties involved in pending or threatened legal matters, some of which are beyond the Company's control, and the large or indeterminate damages sought in some of these matters, a future adverse ruling, settlement, unfavorable development, or increase in accruals with respect to these matters could result in future charges that could be material to the Company's results of operations or cash flows in any particular reporting period.

NOTE 15 VARIABLE INTEREST ENTITIES

In connection with the 2006 sale of approximately 5.6 million acres of forestlands, International Paper received installment notes (the "Timber Notes") totaling approximately \$4.8 billion. The Timber Notes were used as collateral for borrowings from third party lenders, which effectively monetized the Timber

Notes through the creation of newly formed special purposes entities (the "Entities"). The monetization structure preserved the tax deferral that resulted from the 2006 forestlands sales. As of December 31, 2020, this deferred tax liability was \$887 million.

During 2015, International Paper initiated a series of actions in order to extend the 2006 monetization structure and maintain the long-term nature of the deferred tax liability. The Entities, with assets and liabilities primarily consisting of the Timber Notes and third-party bank loans (the "Extension Loans"), were restructured which resulted in the formation of wholly-owned, bankruptcy-remote special purpose entities (the "2015 Financing Entities").

The Timber Notes are shown in Current financial assets of variable interest entities on the accompanying consolidated balance sheet and mature in August 2021. These notes, which do not require principal payments prior to their maturity, are supported by approximately \$4.8 billion of irrevocable letters of credit.

During the fourth quarter of 2020, the Extension Loans were amended to extend the maturity dates to August 2021. The Extension Loans are shown in Current nonrecourse financial liabilities of variable interest entities on the accompanying consolidated balance sheet. These bank loans, totaling approximately \$4.2 billion, are nonrecourse to the Company, and are secured by approximately \$4.8 billion of Timber Notes, the irrevocable letters of credit supporting the Timber Notes, and approximately \$150 million of International Paper debt obligations. The \$150 million of International Paper debt obligations are eliminated in the consolidation of the 2015 Financing Entities and are not reflected in the Company's consolidated balance sheet. Provisions of loan agreements related to approximately \$1.1 billion of the Extension Loans require the bank issuing letters of credit supporting the Timber Notes pledged as collateral to maintain a credit rating at or above a specified threshold. In the event the credit rating of the letter of credit bank is downgraded below the specified threshold, the letters of credit must be replaced within 60 days with letters of credit from a qualifying financial institution.

As of both December 31, 2020 and 2019, the fair value of the Timber Notes was \$4.9 billion, and the fair value of the Extension Loans was \$4.2 billion and \$4.3 billion for the years ended 2020 and 2019. The Timber Notes and Extension Loans are classified as Level 2 within the fair value hierarchy, which is further defined in [Note 17](#).

Activity between the Company and the 2015 Financing Entities was as follows:

<i>In millions</i>	2020	2019	2018
Revenue (a)	\$ 95	\$ 95	\$ 95
Expense (a)	122	128	128
Cash receipts (b)	95	95	95
Cash payments (c)	157	128	128

- (a) *The revenue and expense are included in Interest expense, net in the accompanying consolidated statement of operations.*
- (b) *The cash receipts are interest received on the Financial assets of variable interest entities.*
- (c) *The cash payments represent interest paid on Current nonrecourse financial liabilities of variable interest entities.*

In connection with the acquisition of Temple-Inland in February 2012, two special purpose entities became wholly-owned subsidiaries of International Paper. The use of the two wholly-owned special purpose entities discussed below preserved the tax deferral that resulted from the 2007 Temple-Inland timberlands sales. As of December 31, 2020, this deferred tax liability was \$488 million, which will be settled with the maturity of the notes in 2027.

In October 2007, Temple-Inland sold 1.55 million acres of timberland for \$2.4 billion. The total consideration consisted almost entirely of notes due in 2027 issued by the buyer of the timberland, which Temple-Inland contributed to two wholly-owned, bankruptcy-remote special purpose entities. The notes are shown in Long-term financial assets of variable interest entities in the accompanying consolidated balance sheet and are supported by \$2.4 billion of irrevocable letters of credit issued by three banks, which are required to maintain minimum credit ratings on their long-term debt.

In December 2007, Temple-Inland's two wholly-owned special purpose entities borrowed \$2.1 billion which is shown in Long-term nonrecourse financial liabilities of variable interest entities. The loans are repayable in 2027 and are secured by the \$2.4 billion of notes and the irrevocable letters of credit securing the notes, and are nonrecourse to us. The loan agreements provide that if a credit rating of any of the banks issuing the letters of credit is downgraded below the specified threshold, the letters of credit issued by that bank must be replaced within 30 days with letters of credit from another qualifying financial institution.

As of both December 31, 2020 and 2019, the fair value of the notes receivable was \$2.3 billion. As of both December 31, 2020 and 2019, the fair value of this debt was \$2.1 billion. The notes receivable and

debt are classified as Level 2 within the fair value hierarchy, which is further defined in [Note 17](#).

Activity between the Company and the 2007 financing entities was as follows:

<i>In millions</i>	2020	2019	2018
Revenue (a)	\$ 41	\$ 79	\$ 72
Expense (b)	43	76	67
Cash receipts (c)	29	62	48
Cash payments (d)	40	69	57

- (a) *The revenue is included in Interest expense, net, in the accompanying consolidated statement of operations and includes approximately \$19 million for the years ended December 31, 2020, 2019 and 2018, respectively, of accretion income for the amortization of the purchase accounting adjustment on the Financial assets of variable interest entities.*
- (b) *The expense is included in Interest expense, net, in the accompanying consolidated statement of operations and includes approximately \$7 million for the years ended December 31, 2020, 2019 and 2018 respectively, of accretion expense for the amortization of the purchase accounting adjustment on the Long-term nonrecourse financial liabilities of variable interest entities.*
- (c) *The cash receipts are interest received on the Financial assets of special purpose entities.*
- (d) *The cash payments are interest paid on Nonrecourse financial liabilities of special purpose entities.*

NOTE 16 DEBT AND LINES OF CREDIT

Amounts related to early debt extinguishment during the years ended December 31, 2020, 2019 and 2018 were as follows:

<i>In millions</i>	2020	2019	2018
Early debt reductions (a)	\$ 1,640	\$ 614	\$ 780
Pre-tax early debt extinguishment costs (b)	196	21	10

- (a) *Reductions related to notes with interest rates ranging from 3.00% to 9.50% with original maturities from 2021 to 2048 for the years ended December 31, 2020, 2019 and 2018.*
- (b) *Amounts are included in Restructuring and other charges in the accompanying consolidated statements of operations.*

The Company's early debt reductions in 2020 were comprised of debt tenders of \$406 million with an interest rate of 7.50% due in 2021, \$658 million with an interest rate of 3.65% due in 2024, \$127 million with an interest rate of 3.80% due in 2026, and \$297 million with an interest rate of 3.00% due in 2027. In addition to these debt tenders, the Company had early debt extinguishments of approximately

\$152 million in open market repurchases related to debt with interest rates ranging from 3.00% to 4.40% and maturities dates from 2026 to 2048.

The Company had debt issuances in 2020 of \$583 million related primarily to the AR securitization program and international debt. In addition to the early debt reductions, the Company had debt reductions of \$638 million in 2020 related primarily to the AR securitization program, commercial paper, and international debt. The borrowing capacity of the Company's commercial paper program is \$1.0 billion. Under the terms of this program, individual maturities on borrowings may vary, but not exceed one year from the date of issue. Interest bearing notes may be issued either as fixed or floating rate notes. The Company had no borrowings outstanding as of December 31, 2020, and \$30 million of borrowings outstanding as of December 31, 2019, under this program.

In March 2020, the Company entered into a \$750 million contractually committed 364-day revolving credit agreement with a syndicate of banks and other financial institutions which augments the Company's access to liquidity due to macroeconomic conditions at that time and supplements the Company's \$1.5 billion five-year credit agreement. In October 2020, the Company extended the expiration date of the \$1.5 billion credit agreement from December 2021 to December 2022. As of December 31, 2020, the Company had no borrowings outstanding under either the \$750 million revolving credit agreement or the \$1.5 billion credit agreement.

In April 2020, the Company's receivable securitization program was amended from an uncommitted financing arrangement to a committed financing arrangement with a borrowing limit up to \$550 million based on eligible receivables balances that expires in April 2022. This was done in response to the economic environment related to COVID-19 to further strengthen the Company's liquidity position. As of December 31, 2020, the Company had no borrowings outstanding under the program. After considering the Company's liquidity position in relation to COVID-19 and the current economic environment, the Company's receivable securitization program was amended from a committed financing arrangement to an uncommitted financing arrangement in February 2021 with the borrowing limit and expiration date remaining unchanged.

A summary of long-term debt follows:

<i>In millions at December 31</i>	2020	2019
7.500% notes – due 2021	\$ —	\$ 406
6.875% notes – due 2023	94	94
3.650% notes – due 2024	—	658
7.350% notes – due 2025	44	44
7.750% notes – due 2025	31	31
3.800% notes – due 2026	517	645
7.200% notes – due 2026	58	58
6.400% notes – due 2026	5	5
3.000% notes – due 2027	477	803
7.150% notes – due 2027	7	7
3.550% notes – due 2029	200	200
6.875% notes – due 2029	37	37
5.000% notes – due 2035	600	600
6.650% notes – due 2037	4	4
8.700% notes – due 2038	265	265
7.300% notes – due 2039	722	722
6.000% notes – due 2041	585	585
4.800% notes – due 2044	800	800
5.150% notes – due 2046	700	700
4.400% notes – due 2047	1,084	1,158
4.350% notes – due 2048	938	986
Floating rate notes – due 2020 – 2024 (a)	245	339
Environmental and industrial development bonds – due 2022 – 2035 (b)	579	552
Total principal	7,992	9,699
Capitalized leases	95	100
Premiums, discounts, and debt issuance costs	(80)	(88)
Terminated interest rate swaps	80	—
Interest rate swaps	—	46
Other (c)	6	8
Total (d)	8,093	9,765
Less: current maturities	29	168
Long-term debt	\$ 8,064	\$ 9,597

- (a) The weighted average interest rate on these notes was 1.3% in 2020 and 3.1% in 2019.
- (b) The weighted average interest rate on these bonds was 3.5% in 2020 and 4.4% in 2019.
- (c) Includes \$4 million and \$7 million of fair market value adjustments as of December 31, 2020 and 2019, respectively.
- (d) The fair market value was approximately \$10.5 billion at December 31, 2020 and \$10.9 billion at December 31, 2019.

At December 31, 2020, contractual obligations for future payments of debt maturities (including finance lease liabilities disclosed in [Note 10 - Leases](#) and excluding the timber monetization structures disclosed in [Note 15 - Variable Interest Entities](#)) by calendar year were as follows over the next five years: 2021 – \$29 million; 2022 – \$199 million; 2023 – \$361 million; 2024 – \$152 million; and 2025 – \$209 million.

The Company's financial covenants require the maintenance of a minimum net worth, as defined in our debt agreements, of \$9 billion and a total debt-to-capital ratio of less than 60%. Net worth is defined as the sum of common stock, paid-in capital and retained earnings, less treasury stock plus any cumulative goodwill impairment charges. The calculation also excludes accumulated other comprehensive income/loss and both the current and long-term Nonrecourse Financial Liabilities of Variable Interest Entities. The total debt-to-capital ratio is defined as total debt divided by the sum of total debt plus net worth. As of December 31, 2020, we were in compliance with our debt covenants.

NOTE 17 DERIVATIVES AND HEDGING ACTIVITIES

International Paper periodically uses derivatives and other financial instruments to hedge exposures to interest rate, commodity and currency risks. International Paper does not hold or issue financial instruments for trading purposes. For hedges that meet the hedge accounting criteria at inception, International Paper formally designates and documents the instrument as a fair value hedge, a cash flow hedge or a net investment hedge of a specific underlying exposure.

INTEREST RATE RISK MANAGEMENT

Our policy is to manage interest cost using a mixture of fixed-rate and variable-rate debt. To manage this risk in a cost-efficient manner, we enter into interest rate swaps whereby we agree to exchange with the counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to a notional amount.

Interest rate swaps that meet specific accounting criteria are accounted for as fair value or cash flow hedges. For fair value hedges, the changes in the fair value of both the hedging instruments and the underlying debt obligations are immediately recognized in interest expense. For cash flow hedges, the effective portion of the changes in the fair value of the hedging instrument is reported in Accumulated other comprehensive income (AOCI) and reclassified into interest expense over the life of the underlying debt. The ineffective portion for both cash flow and fair value hedges, which is not material for any year presented, is immediately recognized in earnings.

FOREIGN CURRENCY RISK MANAGEMENT

We manufacture and sell our products and finance operations in a number of countries throughout the

world and, as a result, are exposed to movements in foreign currency exchange rates. The purpose of our foreign currency hedging program is to manage the volatility associated with the changes in exchange rates.

To manage this exchange rate risk, we have historically utilized a combination of forward contracts, options and currency swaps. Contracts that qualify are designated as cash flow hedges of certain forecasted transactions denominated in foreign currencies or net investment hedges of foreign denominated subsidiaries. For cash flow hedges, the effective portion of the changes in fair value of these instruments is reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the related hedged transactions affect earnings. The ineffective portion, which is not material for any year presented, is immediately recognized in earnings. For net investment hedges, all changes in the fair value of these instruments are recorded in AOCI, offsetting the currency translation adjustment of the related investment that is also recorded in AOCI.

The change in value of certain non-qualifying instruments used to manage foreign exchange exposure of intercompany financing transactions and certain balance sheet items subject to revaluation is immediately recognized in earnings, substantially offsetting the foreign currency mark-to-market impact of the related exposure.

COMMODITY RISK MANAGEMENT

Certain raw materials used in our production processes are subject to price volatility caused by weather, supply conditions, political and economic variables and other unpredictable factors. To manage the volatility in earnings due to price fluctuations, we may utilize swap contracts or forward purchase contracts.

Derivative instruments are reported in the consolidated balance sheets at their fair values, unless the derivative instruments qualify for the normal purchase normal sale ("NPNS") exception under GAAP and such exception has been elected. If the NPNS exception is elected, the fair values of such contracts are not recognized on the balance sheet.

Contracts that qualify are designated as cash flow hedges of forecasted commodity purchases. The effective portion of the changes in fair value for these instruments is reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the hedged transactions affect earnings. The ineffective and non-qualifying portions, which are not material for any year presented, are immediately recognized in earnings. The change in the fair value of certain non-qualifying instruments used to reduce commodity price volatility is immediately recognized in earnings.

The notional amounts of qualifying and non-qualifying instruments used in hedging transactions were as follows:

<i>In millions</i>	December 31, 2020	December 31, 2019
Derivatives in Cash Flow Hedging Relationships:		
Foreign exchange contracts (a)	313	407
Derivatives in Fair Value Hedging Relationships:		
Interest rate contracts	—	700
Derivatives in Net Investment Hedging Relationships:		
Interest rate contracts	—	475
Derivatives Not Designated as Hedging Instruments:		
Electricity contract	7	16
Foreign exchange contracts	—	7

(a) These contracts had maturities of two years or less as of December 31, 2020.

During the first quarter of 2020, International Paper terminated its interest rate contracts in fair value hedging relationships. These contracts had a notional value of \$700 million and an approximate fair value of \$85 million at the time of termination. Subsequent to the termination of the interest rate swaps, the fair value basis adjustment is amortized to earnings as interest income over the same period as a debt premium on the previously hedged debt. During the first and second quarter of 2020, International Paper also terminated interest rate contracts in net investment hedging relationships with a notional value of \$475 million. These contracts had an approximate fair value of \$33 million at the time of termination.

Subsequent to the termination of the net investment hedges, the fair value is accounted for in other comprehensive income as cumulative translation adjustment for the previously hedged net investment.

The amounts of gains and losses recognized in the consolidated statement of operations on qualifying and non-qualifying financial instruments used in hedging transactions were as follows:

<i>In millions</i>	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)			Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
	2020	2019	2018	
Derivatives in Cash Flow Hedging Relationships:				
Foreign exchange contracts	\$ (25)	\$ (3)	\$ (1)	Cost of products sold
Interest rate contracts	(1)	(1)	(1)	Interest expense, net
Total	\$ (26)	\$ (4)	\$ (2)	

<i>In millions</i>	Gain (Loss) Recognized in Income			Location of Gain (Loss) in Consolidated Statement of Operations
	2020	2019	2018	
Derivatives in Fair Value Hedging Relationships:				
Interest rate contracts	\$ 38	\$ 30	\$ 16	Interest expense, net
Debt	(38)	(30)	(16)	Interest expense, net
Total	\$ —	\$ —	\$ —	
Derivatives in Net Investment Hedging Relationships:				
Foreign exchange contracts	\$ 2	\$ —	\$ —	Net (gains) losses on sales and impairments of businesses
Total	\$ 2	\$ —	\$ —	
Derivatives Not Designated as Hedging Instruments:				
Electricity Contracts	\$ (2)	\$ 3	\$ 2	Cost of products sold
Foreign exchange contracts	—	(2)	1	Cost of products sold
Total	\$ (2)	\$ 1	\$ 3	

The following table shows gains or losses recognized in AOCI, net of tax, related to derivative instruments:

<i>In millions</i>	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)		
	2020	2019	2018
Derivatives in Cash Flow Hedging Relationships:			
Foreign exchange contracts	\$ (34)	\$ 4	\$ (10)
Derivatives in Net Investment Hedging Relationships:			
Interest rate contracts	\$ 25	\$ 7	\$ —

During the next 12 months, the amount of the December 31, 2020 AOCI balance, after tax, that is expected to be reclassified to earnings is a loss of \$2 million.

Fair Value Measurements

International Paper's financial assets and liabilities that are recorded at fair value consist of derivative contracts, including interest rate swaps, foreign currency forward contracts, options and other financial instruments that are used to hedge exposures to interest rate, commodity and currency risks. For these financial instruments, fair value is determined at each balance sheet date using an income approach.

The guidance for fair value measurements and disclosures sets out a fair value hierarchy that groups fair value measurement inputs into the following three classifications:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability reflecting the reporting entity's own assumptions or external inputs from inactive markets.

Transfers between levels are recognized at the end of the reporting period. All of International Paper's derivative fair value measurements use Level 2 inputs.

Below is a description of the valuation calculation and the inputs used for each class of contract:

Interest Rate Contracts

Interest rate contracts are valued using swap curves obtained from an independent market data provider.

The market value of each contract is the sum of the fair value of all future interest payments between the contract counterparties, discounted to present value.

The fair value of the future interest payments is determined by comparing the contract rate to the derived forward interest rate and present valued using the appropriate derived interest rate curve.

Foreign Exchange Contracts

Foreign currency forward and option contracts are valued using standard valuation models. Significant inputs used in these standard valuation models are foreign currency forward and interest rate curves and a volatility measurement. The fair value of each contract is present valued using the applicable interest rate. All significant inputs are readily available in public markets, or can be derived from observable market transactions.

Electricity Contract

The Company is party to an electricity contract used to manage market fluctuations in energy pricing. The Company's electricity contract is valued using the Mid-C index forward curve obtained from the Intercontinental Exchange. The market value of the contract is the sum of the fair value of all future purchase payments between the contract counterparties, discounted to present value. The fair value of the future purchase payments is determined by comparing the contract price to the forward price and present valued using International Paper's cost of capital.

Since the volume and level of activity of the markets that each of the above contracts are traded in has been normal, the fair value calculations have not been adjusted for inactive markets or disorderly transactions.

The following table provides a summary of the impact of our derivative instruments in the consolidated balance sheet:

Fair Value Measurements
Level 2 – Significant Other Observable Inputs

<i>In millions</i>	Assets		Liabilities	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Derivatives designated as hedging instruments				
Foreign exchange contracts – cash flow	\$ 5	\$ 10	\$ 8	\$ 4
Interest rate contracts - net investment	—	11	—	—
Interest rate contracts – fair value	—	47	—	—
Total derivatives designated as hedging instruments	5	68	8	4
Derivatives not designated as hedging instruments				
Electricity contract	—	—	1	2
Foreign exchange contracts	—	—	—	1
Total derivatives not designated as hedging instruments	—	—	1	3
Total derivatives	\$ 5 (a)	\$ 68 (b)	\$ 9 (c)	\$ 7 (d)

(a) Includes \$5 million recorded in Other current assets in the accompanying consolidated balance sheet.

(b) Included \$14 million recorded in Other current assets and \$54 million Deferred charges recorded in the accompanying consolidated balance sheet.

(c) Included \$7 million recorded in Other current liabilities and \$2 million recorded in Other liabilities the accompanying consolidated balance sheet.

(d) Included \$6 million recorded in Other current liabilities and \$1 million recorded in Other liabilities in the accompanying consolidated balance sheet.

The above contracts are subject to enforceable master netting arrangements that provide rights of offset with each counterparty when amounts are payable on the same date in the same currency or in the case of certain specified defaults. Management has made an accounting policy election to not offset the fair value of recognized derivative assets and derivative liabilities in the consolidated balance sheet. The amounts owed to the counterparties and owed to the Company are considered immaterial with respect to each counterparty and in the aggregate with all counterparties.

Credit-Risk-Related Contingent Features

International Paper evaluates credit risk by monitoring its exposure with each counterparty to ensure that exposure stays within acceptable policy limits. Credit risk is also mitigated by contractual provisions with the majority of our banks. Certain of the contracts include a credit support annex that requires the posting of collateral by the counterparty or International Paper based on each party's rating and level of exposure. Based on the Company's current credit rating, the collateral threshold is generally \$15 million.

If the lower of the Company's credit rating by Moody's or S&P were to drop below investment grade, the Company would be required to post collateral for all of its derivatives in a net liability position, although no derivatives would terminate. The fair value of derivative instruments containing credit-risk-related contingent features in a net liability position was \$5 million and \$1 million as of December 31, 2020 and December 31, 2019, respectively. The Company was not required to post any collateral as of December 31, 2020 or 2019.

NOTE 18 CAPITAL STOCK

The authorized capital stock at both December 31, 2020 and 2019, consisted of 990,850,000 shares of common stock, \$1 par value; 400,000 shares of cumulative \$4 preferred stock, without par value (stated value \$100 per share); and 8,750,000 shares of serial preferred stock, \$1 par value. The serial preferred stock is issuable in one or more series by the Board of Directors without further shareholder action.

The following is a rollforward of shares of common stock for the three years ended December 31, 2020, 2019 and 2018:

<i>In thousands</i>	Common Stock	
	Issued	Treasury
Balance at January 1, 2018	448,916	35,975
Issuance of stock for various plans, net	—	(1,721)
Repurchase of stock	—	14,056
Balance at December 31, 2018	448,916	48,310
Issuance of stock for various plans, net	—	(3,416)
Repurchase of stock	—	11,906
Balance at December 31, 2019	448,916	56,800
Issuance of stock for various plans, net	—	(2,010)
Repurchase of stock	—	1,027
Balance at December 31, 2020	448,916	55,817

NOTE 19 RETIREMENT PLANS

International Paper sponsors and maintains the Retirement Plan of International Paper Company (the "Pension Plan"), a tax-qualified defined benefit pension plan that provides retirement benefits to certain employees.

The Pension Plan provides defined pension benefits based on years of credited service and either final average earnings (salaried employees and hourly employees receiving salaried benefits), hourly job rates or specified benefit rates (hourly and union employees).

The Company also has two unfunded nonqualified defined benefit pension plans: a Pension Restoration Plan that provides retirement benefits based on eligible compensation in excess of limits set by the Internal Revenue Service, and a supplemental retirement plan for senior managers ("SERP"), which is an alternative retirement plan for salaried employees who are senior vice presidents and above or who are designated by the chief executive officer as participants. These nonqualified plans are only funded to the extent of benefits paid, which totaled \$31 million, \$26 million and \$29 million in 2020, 2019 and 2018, respectively, and which are expected to be \$21 million in 2021.

Effective January 1, 2019, the Company froze participation, including credited service and compensation, for salaried employees under the Pension Plan, the Pension Restoration Plan and the SERP plan. This change does not affect benefits accrued through December 31, 2018. For service after December 31, 2018, employees affected by the freeze receive a company contribution to their individual Retirement Savings Account as described later in this [Note 19](#).

Many non-U.S. employees are covered by various retirement benefit arrangements, some of which are considered to be defined benefit pension plans for accounting purposes.

OBLIGATIONS AND FUNDED STATUS

The following table shows the changes in the benefit obligation and plan assets for 2020 and 2019, and the plans' funded status.

<i>In millions</i>	2020		2019	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Change in projected benefit obligation:				
Benefit obligation, January 1	\$ 11,699	\$ 253	\$ 10,467	\$ 215
Service cost	85	5	68	5
Interest cost	393	6	440	8
Curtailment	—	(1)	—	(1)
Settlements	—	(5)	—	(6)
Actuarial loss (gain)	1,357	10	1,230	33
Acquisitions	—	—	—	3
Divestitures	—	(1)	—	(1)
Plan amendments	42	—	40	—
Benefits paid	(556)	(7)	(546)	(8)
Effect of foreign currency exchange rate movements	—	4	—	5
Benefit obligation, December 31	\$ 13,020	\$ 264	\$ 11,699	\$ 253
Change in plan assets:				
Fair value of plan assets, January 1	\$ 10,165	\$ 183	\$ 8,735	\$ 161
Actual return on plan assets	2,377	11	1,950	23
Company contributions	32	9	26	10
Benefits paid	(556)	(7)	(546)	(8)
Settlements	—	(5)	—	(6)
Effect of foreign currency exchange rate movements	—	(1)	—	3
Fair value of plan assets, December 31	\$ 12,018	\$ 190	\$ 10,165	\$ 183
Funded status, December 31	\$ (1,002)	\$ (74)	\$ (1,534)	\$ (70)
Amounts recognized in the consolidated balance sheet:				
Non-current asset	\$ —	\$ 5	\$ —	\$ 6
Current liability	(20)	(3)	(28)	(3)
Non-current liability	(982)	(76)	(1,506)	(73)
	\$ (1,002)	\$ (74)	\$ (1,534)	\$ (70)
Amounts recognized in accumulated other comprehensive income under ASC 715 (pre-tax):				
Prior service cost (credit)	\$ 120	\$ —	\$ 98	\$ (1)
Net actuarial loss	2,297	82	2,851	75
	\$ 2,417	\$ 82	\$ 2,949	\$ 74

The non-current portion of the liability is included with the pension liability in the accompanying consolidated balance sheet under Pension Benefit Obligation. The liability for Turkey has been reclassified to Liabilities held for sale.

The largest contributor to the actuarial loss affecting the benefit obligation was the decrease in the discount rate from 3.40% at December 31, 2019 to 2.60% at December 31, 2020. However positive asset returns offset the higher obligation for an improved funded position.

The components of the \$(532) million and \$8 million related to U.S. plans and non-U.S. plans, respectively, in the amounts recognized in OCI during 2020 consisted of:

<i>In millions</i>	U.S. Plans	Non-U.S. Plans
Current year actuarial (gain) loss	\$ (352)	\$ 6
Amortization of actuarial loss	(202)	(2)
Current year prior service cost	42	—
Amortization of prior service cost	(20)	—
Effect of foreign currency exchange rate movements	—	4
	\$ (532)	\$ 8

The portion of the change in the funded status that was recognized in net periodic benefit cost and OCI for the U.S. plans was \$(500) million, \$(172) million and \$(134) million in 2020, 2019 and 2018, respectively. The portion of the change in funded status for the non-U.S. plans was \$13 million, \$24 million, and \$(6) million in 2020, 2019 and 2018, respectively.

The accumulated benefit obligation at December 31, 2020 and 2019 was \$13.0 billion and \$11.7 billion, respectively, for our U.S. defined benefit plans and

\$246 million and \$236 million, respectively, at December 31, 2020 and 2019 for our non-U.S. defined benefit plans.

The following table summarizes information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2020 and 2019:

<i>In millions</i>	2020		2019	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Projected benefit obligation	\$ 13,020	\$ 245	\$ 11,699	\$ 225
Accumulated benefit obligation	12,997	227	11,672	208
Fair value of plan assets	12,018	166	10,165	149

ASC 715, "Compensation – Retirement Benefits" provides for delayed recognition of actuarial gains and losses, including amounts arising from changes in the estimated projected plan benefit obligation due to changes in the assumed discount rate, differences between the actual and expected return on plan assets and other assumption changes. These net gains and losses are recognized prospectively over a period that approximates the average remaining service period of active employees expected to receive benefits under the plans to the extent that they are not offset by gains in subsequent years.

NET PERIODIC PENSION EXPENSE

Service cost is the actuarial present value of benefits attributed by the plans' benefit formula to services rendered by employees during the year. Interest cost represents the increase in the projected benefit obligation, which is a discounted amount, due to the passage of time. The expected return on plan assets reflects the computed amount of current-year earnings from the investment of plan assets using an estimated long-term rate of return.

Net periodic pension expense for qualified and nonqualified U.S. and non-U.S. defined benefit plans comprised the following:

In millions	2020		2019		2018	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$ 85	\$ 5	\$ 68	\$ 5	\$ 153	\$ 5
Interest cost	393	6	440	8	467	8
Expected return on plan assets	(668)	(8)	(631)	(10)	(765)	(11)
Actuarial loss (gain)	202	2	200	2	337	2
Amortization of prior service cost	20	—	16	—	16	—
Curtailment loss (gain)	—	(1)	—	(1)	—	—
Settlement loss	—	1	—	2	424	—
Net periodic pension expense	\$ 32	\$ 5	\$ 93	\$ 6	\$ 632	\$ 4

The components of net periodic pension expense other than the Service cost component are included in Non-operating pension expense in the Consolidated Statement of Operations.

The decrease in 2020 pension expense primarily reflects higher asset returns and lower interest cost slightly offset by higher service cost.

Major actuarial assumptions used in determining the benefit obligations and net periodic pension cost for our defined benefit plans are presented in the following table:

	2020		2019		2018	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Actuarial assumptions used to determine benefit obligations as of December 31:						
Discount rate	2.60 %	2.32 %	3.40 %	2.70 %	4.30 %	3.97 %
Rate of compensation increase	2.25 %	3.66 %	2.25 %	3.62 %	2.25 %	4.05 %
Actuarial assumptions used to determine net periodic pension cost for years ended December 31:						
Discount rate (a)	3.40 %	2.70 %	4.30 %	3.97 %	3.80 %	3.59 %
Expected long-term rate of return on plan assets	7.00 %	4.92 %	7.25 %	6.20 %	7.50 %	6.52 %
Rate of compensation increase	2.25 %	3.62 %	2.25 %	4.05 %	3.38 %	4.06 %

(a) Represents the weighted average rate for the U.S. qualified plans in 2018 due to the remeasurements.

The expected long-term rate of return on plan assets is based on projected rates of return for current asset classes in the plan's investment portfolio. Projected rates of return are developed through an asset/liability study in which projected returns for each of the plan's asset classes are determined after analyzing historical experience and future expectations of returns and volatility of the various asset classes.

On September 25, 2018, the Company entered into an agreement with The Prudential Insurance Company of America to purchase a group annuity contract and transfer approximately \$1.6 billion of International Paper's U.S. qualified pension plan projected benefit obligations, subject to customary closing conditions. The transaction closed on October 2, 2018 and was funded with pension plan assets. Under the transaction, at the end of 2018, Prudential assumed responsibility for pension benefits and annuity administration for approximately 23,000 retirees or their beneficiaries receiving less than \$1,000 in monthly benefit payments from the plan. Settlement accounting rules required a remeasurement of the qualified plan as of October 2, 2018 and the Company recognized a non-cash pension settlement charge of \$424 million before tax in the fourth quarter of 2018.

ASSUMPTIONS

International Paper evaluates its actuarial assumptions annually as of December 31 (the measurement date) and considers changes in these long-term factors based upon market conditions and the requirements for employers' accounting for pensions. These assumptions are used to calculate benefit obligations as of December 31 of the current year and pension expense to be recorded in the following year (i.e., the discount rate used to determine the benefit obligation as of December 31, 2020 is also the discount rate used to determine net pension expense for the 2021 year).

Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio is developed considering the effects of active portfolio management and expenses paid from plan assets. The discount rate assumption was determined from a universe of high quality corporate bonds. A settlement portfolio is selected and matched to the present value of the plan's projected benefit

payments. To calculate pension expense for 2021, the Company will use an expected long-term rate of return on plan assets of 6.60% for the Retirement Plan of International Paper, a discount rate of 2.60% and an assumed rate of compensation increase of 2.25%. The Company estimates that it will record net pension income of approximately \$114 million for its U.S. defined benefit plans in 2021, compared to expense of \$32 million in 2020. The estimated decrease in net pension expense in 2020 is primarily due to higher return on assets and lower interest cost partially offset by higher amortization of actuarial losses and higher service cost.

For non-U.S. pension plans, assumptions reflect economic assumptions applicable to each country.

The following illustrates the effect on pension expense for 2021 of a 25 basis point decrease in the above assumptions:

<i>In millions</i>	2021
Expense (Income):	
Discount rate	\$ 27
Expected long-term rate of return on plan assets	28

PLAN ASSETS

International Paper's Board of Directors has appointed a Fiduciary Review Committee that is responsible for fiduciary oversight of the U.S. Pension Plan, approving investment policy and reviewing the management and control of plan assets. Pension Plan assets are invested to maximize returns within prudent levels of risk.

The Pension Plan maintains a strategic asset allocation policy that designates target allocations by asset class. Investments are diversified across classes and within each class to minimize the risk of large losses. Derivatives, including swaps, forward and futures contracts, may be used as asset class substitutes or for hedging or other risk management purposes. Periodic reviews are made of investment

policy objectives and investment manager performance. For non-U.S. plans, assets consist principally of common stock and fixed income securities.

International Paper's U.S. pension allocations by type of fund at December 31, 2020 and 2019 and target allocations were as follows:

<i>Asset Class</i>	2020	2019	Target Allocations
Equity accounts	40 %	37 %	32% - 43%
Fixed income accounts	48 %	50 %	44% - 56%
Real estate accounts	7 %	8 %	5% - 11%
Other	5 %	5 %	3% - 8%
Total	100 %	100 %	

The fair values of International Paper's pension plan assets at December 31, 2020 and 2019 by asset class are shown below. Hedge funds disclosed in the following table are allocated to fixed income accounts for target allocation purposes.

Fair Value Measurement at December 31, 2020				
<i>Asset Class</i>	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>In millions</i>				
Equities – domestic	\$ 1,806	\$ 1,037	\$ 769	\$ —
Equities – international	2,921	2,181	740	—
Corporate bonds	2,345	—	2,345	—
Government securities	3,377	—	3,377	—
Mortgage backed securities	133	—	133	—
Other fixed income	(1,585)	—	(1,599)	14
Derivatives	336	342	—	(6)
Cash and cash equivalents	210	210	—	—
Other investments:				
Hedge funds	1,112			
Private equity	563			
Real estate funds	800			
Total Investments	\$ 12,018	\$ 3,770	\$ 5,765	\$ 8

Fair Value Measurement at December 31, 2019				
Asset Class	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>In millions</i>				
Equities – domestic	\$ 1,613	\$ 965	\$ 648	\$ —
Equities – international	2,181	1,599	582	—
Corporate bonds	1,845	—	1,845	—
Government securities	2,659	—	2,659	—
Mortgage backed securities	1	—	1	—
Other fixed income	(647)	—	(661)	14
Derivatives	(19)	—	—	(19)
Cash and cash equivalents	336	336	—	—
Other investments:				
Hedge funds	902	—	—	—
Private equity	522	—	—	—
Real estate funds	772	—	—	—
Total Investments	\$ 10,165	\$ 2,900	\$ 5,074	\$ (5)

In accordance with accounting standards, certain investments that are measured at NAV and are not classified in the fair value hierarchy.

Other Investments at December 31, 2020				
Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Remediation Notice Period
<i>In millions</i>				
Hedge funds	1,112	—	Daily to annually	1 - 100 days
Private equity	563	290	(a)	None
Real estate funds	800	210	Quarterly	45 - 60 days
Total	\$ 2,475	\$ 500		

(a) A private equity fund investment ("partnership interest") is contractually locked up for the life of the private equity fund by the partnership agreement. Limited partners do not have the option to redeem partnership interests.

Other Investments at December 31, 2019				
Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Remediation Notice Period
<i>In millions</i>				
Hedge funds	902	—	Daily to annually	1 - 100 days
Private equity	522	198	(a)	None
Real estate funds	772	147	Quarterly	45 - 60 days
Total	\$ 2,196	\$ 345		

(a) A private equity fund investment ("partnership interest") is contractually locked up for the life of the private equity fund by the partnership agreement. Limited partners do not have the option to redeem partnership interests.

Equity securities consist primarily of publicly traded U.S. companies and international companies. Publicly traded equities are valued at the closing prices reported in the active market in which the individual securities are traded.

Fixed income consists of government securities, mortgage-backed securities, corporate bonds,

common collective funds and other fixed income investments. Government securities are valued by third-party pricing sources. Mortgage-backed security holdings consist primarily of agency-rated holdings. The fair value estimates for mortgage securities are calculated by third-party pricing sources chosen by the custodian's price matrix. Corporate bonds are valued using either the yields currently available on comparable securities of issuers with similar credit ratings or using a discounted cash flows approach that utilizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks. Common collective funds are valued at the net asset value per share multiplied by the number of shares held as of the measurement date. Other fixed income investments of \$(1,585) million and \$(647) million at December 31, 2020 and 2019, respectively, primarily include reverse repurchase agreement obligations in which we have sold a security and have an agreement to repurchase the same or substantially the same security at a later date for a price specified in the agreement.

Derivative investments such as futures, forward contracts, options and swaps are used to help manage risks. Derivatives are generally employed as asset class substitutes (such as when employed in a portable alpha strategy), for managing asset/liability mismatches, or bona fide hedging or other appropriate risk management purposes. Derivative instruments are generally valued by the investment managers or in certain instances by third-party pricing sources.

Hedge funds are investment structures for managing private, loosely-regulated investment pools that can pursue a diverse array of investment strategies with a wide range of different securities and derivative instruments. These investments are made through funds-of-funds (commingled, multi-manager fund structures) and through direct investments in individual hedge funds. Hedge funds are primarily valued by each fund's third-party administrator based upon the valuation of the underlying securities and instruments and primarily by applying a market or income valuation methodology as appropriate depending on the specific type of security or instrument held. Funds-of-funds are valued based upon the net asset values of the underlying investments in hedge funds.

Private equity consists of interests in partnerships that invest in U.S. and non-U.S. debt and equity securities. Partnership interests are valued using the most recent general partner statement of fair value, updated for any subsequent partnership interest cash flows.

Real estate funds include commercial properties, land and timberland, and generally include, but are not limited to, retail, office, industrial, multifamily and hotel properties. Real estate fund values are primarily reported by the fund manager and are based on

valuation of the underlying investments which include inputs such as cost, discounted cash flows, independent appraisals and market based comparable data.

The following is a reconciliation of the assets that are classified using significant unobservable inputs (Level 3) at December 31, 2020.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

<i>In millions</i>		Other fixed income		Derivatives		Total
Beginning balance at December 31, 2018	\$		13	\$	98	\$ 111
Actual return on plan assets:						
Relating to assets still held at the reporting date			1		(127)	(126)
Relating to assets sold during the period			—		314	314
Purchases, sales and settlements			—		(304)	(304)
Transfers in and/or out of Level 3			—		—	—
Ending balance at December 31, 2019	\$		14	\$	(19)	\$ (5)
Actual return on plan assets:						
Relating to assets still held at the reporting date			1		21	22
Relating to assets sold during the period			(1)		268	267
Purchases, sales and settlements			—		(276)	(276)
Transfers in and/or out of Level 3			—		—	—
Ending balance at December 31, 2020	\$		14	\$	(6)	\$ 8

FUNDING AND CASH FLOWS

The Company's funding policy for the Pension Plan is to contribute amounts sufficient to meet legal funding requirements, plus any additional amounts that the Company may determine to be appropriate considering the funded status of the plans, tax deductibility, cash flow generated by the Company, and other factors. The Company continually reassesses the amount and timing of any discretionary contributions. No voluntary contributions were made in 2018, 2019 or 2020. Generally, International Paper's non-U.S. pension plans are funded using the projected benefit as a target, except in certain countries where funding of benefit plans is not required.

At December 31, 2020, projected future pension benefit payments, excluding any termination benefits, were as follows:

<i>In millions</i>		
2021	\$	580
2022		598
2023		612
2024		624
2025		635
2026-2030		3,271

OTHER U.S. PLANS

International Paper sponsors the International Paper Company Salaried Savings Plan and the International Paper Company Hourly Savings Plan, both of which are tax-qualified defined contribution 401(k) savings plans. Substantially all U.S. salaried and certain hourly employees are eligible to participate and may make elective deferrals to such plans to save for retirement. International Paper makes matching contributions to participant accounts on a specified percentage of employee deferrals as determined by the provisions of each plan. The Company makes Retirement Savings Account contributions equal to a percentage of an eligible employee's pay. Beginning in 2019, as a result of the freeze for salaried employees under the Pension Plan, all salaried employees are eligible for the contribution to the Retirement Savings Account.

The Company also sponsors the International Paper Company Deferred Compensation Savings Plan, which is an unfunded nonqualified defined contribution plan. This plan permits eligible employees to continue to make deferrals and receive company matching contributions (and Retirement Savings Account contributions) when their contributions to the International Paper Salaried

Savings Plan are stopped due to limitations under U.S. tax law. Participant deferrals and company contributions are not invested in a separate trust, but are paid directly from International Paper's general assets at the time benefits become due and payable.

Company contributions to the plans totaled approximately \$154 million, \$172 million and \$125 million for the plan years ending in 2020, 2019 and 2018, respectively.

NOTE 20 POSTRETIREMENT BENEFITS

U.S. POSTRETIREMENT BENEFITS

International Paper provides certain retiree health care and life insurance benefits covering certain U.S. salaried and hourly employees. These employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. International Paper does not fund these benefits prior to payment and has the right to modify or terminate certain of these plans in the future.

In addition to the U.S. plan, certain Brazilian and Moroccan employees are eligible for retiree health care and life insurance benefits.

The components of postretirement benefit expense in 2020, 2019 and 2018 were as follows:

<i>In millions</i>	2020		2019		2018	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$ —	\$ —	\$ —	\$ 1	\$ 1	\$ —
Interest cost	7	2	8	1	8	2
Actuarial loss	5	1	4	2	9	2
Amortization of prior service credits	(1)	(2)	(2)	(3)	(2)	(3)
Net postretirement expense	\$ 11	\$ 1	\$ 10	\$ 1	\$ 16	\$ 1

International Paper evaluates its actuarial assumptions annually as of December 31 (the measurement date) and considers changes in these long-term factors based upon market conditions and the requirements of employers' accounting for postretirement benefits other than pensions. The discount rate assumption was determined based on a hypothetical settlement portfolio selected from a universe of high quality corporate bonds.

The discount rates used to determine net U.S. and non-U.S. postretirement benefit cost for the years ended December 31, 2020, 2019 and 2018 were as follows:

	2020		2019		2018	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Discount rate	3.30 %	7.15 %	4.20 %	9.10 %	3.50 %	9.38 %

The weighted average assumptions used to determine the benefit obligation at December 31, 2020 and 2019 were as follows:

	2020		2019	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Discount rate	2.50 %	6.91 %	3.30 %	7.15 %
Health care cost trend rate assumed for next year	6.50 %	8.56 %	6.75 %	9.57 %
Rate that the cost trend rate gradually declines to	5.00 %	4.23 %	5.00 %	4.78 %
Year that the rate reaches the rate it is assumed to remain	2026	2031	2026	2030

The plans are only funded in an amount equal to benefits paid. The following table presents the changes in benefit obligation and plan assets for 2020 and 2019:

<i>In millions</i>	2020		2019	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Change in projected benefit obligation:				
Benefit obligation, January 1	\$ 214	\$ 31	\$ 213	\$ 24
Service cost	—	—	—	1
Interest cost	7	2	8	1
Participants' contributions	3	—	4	—
Actuarial (gain) loss	4	1	20	8
Benefits paid	(28)	(1)	(32)	(2)
Less: Federal subsidy	1	—	1	—
Divestiture	—	(7)	—	—
Currency Impact	—	(6)	—	(1)
Benefit obligation, December 31	\$ 201	\$ 20	\$ 214	\$ 31
Change in plan assets:				
Fair value of plan assets, January 1	\$ —	\$ —	\$ —	\$ —
Company contributions	25	1	28	2
Participants' contributions	3	—	4	—
Benefits paid	(28)	(1)	(32)	(2)
Fair value of plan assets, December 31	\$ —	\$ —	\$ —	\$ —
Funded status, December 31	\$ (201)	\$ (20)	\$ (214)	\$ (31)
Amounts recognized in the consolidated balance sheet under ASC 715:				
Current liability	\$ (18)	\$ —	\$ (21)	\$ (1)
Non-current liability	(183)	(20)	(193)	(30)
	\$ (201)	\$ (20)	\$ (214)	\$ (31)
Amounts recognized in accumulated other comprehensive income under ASC 715 (pre-tax):				
Net actuarial loss (gain)	\$ 46	\$ 12	\$ 47	\$ 19
Prior service credit	—	(12)	(2)	(18)
	\$ 46	\$ —	\$ 45	\$ 1

The non-current portion of the liability is included with the postemployment liability in the accompanying consolidated balance sheet under Postretirement and postemployment benefit obligation.

The components of the \$1 million and (\$1) million change in the amounts recognized in OCI during 2020 for U.S. and non-U.S. plans, respectively, consisted of:

<i>In millions</i>	U.S. Plans	Non-U.S. Plans
Current year actuarial (gain) loss	\$ 5	\$ 1
Amortization of actuarial (loss) gain	(5)	(1)
Current year prior service cost	—	—
Amortization of prior service credit	1	2
Divestitures	—	(2)
Currency impact	—	(1)
	\$ 1	\$ (1)

The portion of the change in the funded status that was recognized in net periodic benefit cost and OCI for the U.S. plans was \$12 million, \$29 million and \$(25) million in 2020, 2019 and 2018, respectively. The portion of the change in funded status for the non-U.S. plans was \$0 million, \$9 million, and \$5 million in 2020, 2019 and 2018, respectively.

At December 31, 2020, estimated total future postretirement benefit payments, net of participant contributions and estimated future Medicare Part D subsidy receipts, were as follows:

<i>In millions</i>	Benefit Payments	Subsidy Receipts	Benefit Payments
	U.S. Plans	U.S. Plans	Non-U.S. Plans
2021	\$ 20	\$ 1	\$ —
2022	18	1	—
2023	17	1	1
2024	16	1	1
2025	15	1	1
2026 – 2030	64	4	5

NOTE 21 INCENTIVE PLANS

International Paper currently has an Incentive Compensation Plan (ICP). The ICP authorizes grants of restricted stock, restricted or deferred stock units, performance awards payable in cash or stock upon the attainment of specified performance goals,

dividend equivalents, stock options, stock appreciation rights, other stock-based awards, and cash-based awards at the discretion of the Management Development and Compensation Committee of the Board of Directors (the "Committee") that administers the ICP. Additionally, restricted stock, which may be deferred into RSU's, may be awarded under a Restricted Stock and Deferred Compensation Plan for Non-Employee Directors.

PERFORMANCE SHARE PLAN

Under the Performance Share Plan ("PSP"), contingent awards of International Paper common stock are granted by the Committee. The PSP awards are earned over a three-year period. PSP awards are earned based on the achievement of defined performance of Return on Invested Capital ("ROIC") measured against our internal benchmark and ranking of Total Shareholder Return ("TSR") compared to the TSR peer group of companies. The 2018-2020, 2019-2021 and 2020-2022 Awards are weighted 50% ROIC and 50% TSR for all participants. The ROIC component of the PSP awards is valued at the closing stock price on the day prior to the grant date. As the ROIC component contains a performance condition, compensation expense, net of estimated forfeitures, is recorded over the requisite service period based on the most probable number of awards expected to vest. The TSR component of the PSP awards is valued using a Monte Carlo simulation as the TSR component contains a market condition. The Monte Carlo simulation estimates the fair value of the TSR component based on the expected term of the award, a risk-free rate, expected dividends, and the expected volatility for the Company and its competitors. The expected term is estimated based on the vesting period of the awards, the risk-free rate is based on the yield on U.S. Treasury securities matching the vesting period, and the volatility is based on the Company's historical volatility over the expected term. PSP grants are made in performance-based restricted stock units.

The following table sets forth the assumptions used to determine compensation cost for the market condition component of the PSP plan:

	Twelve Months Ended December 31, 2020
Expected volatility	22.81% - 24.60%
Risk-free interest rate	1.61% - 2.44%

The following summarizes PSP activity for the three years ended December 31, 2020:

	Share/Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2017	5,799,884	\$36.17
Granted	1,751,235	62.97
Shares issued	(1,588,642)	53.67
Forfeited	(196,000)	56.57
Outstanding at December 31, 2018	5,766,477	38.79
Granted	2,353,613	43.49
Shares issued	(2,367,135)	36.79
Forfeited	(238,227)	50.64
Outstanding at December 31, 2019	5,514,728	41.14
Granted	2,171,385	49.15
Shares issued	(1,221,950)	51.70
Forfeited	(844,138)	51.70
Outstanding at December 31, 2020	5,620,025	\$40.36

RESTRICTED STOCK AWARD PROGRAMS

The service-based Restricted Stock Award program ("RSA"), designed for recruitment, retention and special recognition purposes, provides for awards of restricted stock to key employees.

The following summarizes the activity of the RSA program for the three years ended December 31, 2020:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2017	166,300	\$48.63
Granted	66,100	51.43
Shares issued	(100,289)	48.44
Forfeited	—	—
Outstanding at December 31, 2018	132,111	50.17
Granted	87,910	43.70
Shares issued	(52,021)	48.90
Forfeited	(7,300)	45.10
Outstanding at December 31, 2019	160,700	47.27
Granted	82,228	40.12
Shares issued	(83,053)	44.25
Forfeited	(33,800)	46.43
Outstanding at December 31, 2020	126,075	\$44.83

At December 31, 2020, 2019 and 2018 a total of 8.5 million, 9.8 million and 11.9 million shares, respectively, were available for grant under the ICP.

Stock-based compensation expense and related income tax benefits were as follows:

<i>In millions</i>	2020	2019	2018
Total stock-based compensation expense (included in selling and administrative expense)	\$ 72	\$ 130	\$ 135
Income tax benefits related to stock-based compensation	17	30	16

At December 31, 2020, \$66 million of compensation cost, net of estimated forfeitures, related to unvested restricted performance shares, executive continuity awards and restricted stock attributable to future performance had not yet been recognized. This amount will be recognized in expense over a weighted-average period of 1.6 years.

NOTE 22 FINANCIAL INFORMATION BY BUSINESS SEGMENT AND GEOGRAPHIC AREA

International Paper's business segments, Industrial Packaging, Global Cellulose Fibers and Printing Papers, are consistent with the internal structure used to manage these businesses. See the [Description of Business Segments](#) on pages 26 and 27 in [Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations](#) for a description of the types of products and services from which each reportable segment derives its revenues. All segments are differentiated on a common product, common customer basis consistent with the business segmentation generally used in the Forest Products industry.

Business segment operating profits are used by International Paper's management to measure the earnings performance of its businesses. Management believes that this measure allows a better understanding of trends in costs, operating efficiencies, prices and volumes. Business segment operating profits are defined as earnings (loss) from continuing operations before income taxes and equity earnings, but including the impact of noncontrolling interests, excluding interest expense, net, corporate items, net, corporate net special items, business net special items and non-operating pension expense.

External sales by major product is determined by aggregating sales from each segment based on similar products or services. External sales are defined as those that are made to parties outside International Paper's consolidated group, whereas sales by segment in the Net Sales table are determined using a management approach and include intersegment sales.

INFORMATION BY BUSINESS SEGMENT

Net Sales

<i>In millions</i>	2020	2019	2018
Industrial Packaging	\$ 15,033	\$ 15,326	\$ 15,900
Global Cellulose Fibers	2,319	2,551	2,819
Printing Papers	3,036	4,291	4,375
Corporate and Intersegment Sales	192	208	212
Net Sales	\$ 20,580	\$ 22,376	\$ 23,306

Operating Profit (Loss)

<i>In millions</i>	2020	2019	2018
Industrial Packaging	\$ 1,819	\$ 2,076	\$ 2,277
Global Cellulose Fibers	(237)	(6)	262
Printing Papers	228	529	543
Business Segment Operating Profit	1,810	2,599	3,082
Earnings (loss) from continuing operations before income taxes and equity earnings	650	1,604	1,781
Interest expense, net	444	491	536
Noncontrolling interests adjustment (a)	—	3	(10)
Corporate expenses, net	(7)	54	67
Corporate net special items	274	104	9
Business net special items	490	307	205
Non-operating pension (income) expense	(41)	36	494
	\$ 1,810	\$ 2,599	\$ 3,082

Business Net Special Items

<i>In millions</i>	2020	2019	2018
Industrial Packaging	\$ 475	\$ 78	\$ 184
Global Cellulose Fibers	5	68	11
Printing Papers	10	161	10
Business Net Special Items	\$ 490	\$ 307	\$ 205

Assets

<i>In millions</i>	2020	2019
Industrial Packaging	\$ 15,976	\$ 16,338
Global Cellulose Fibers	3,507	3,733
Printing Papers	2,855	3,476
Corporate and other	9,380	9,924
Assets	\$ 31,718	\$ 33,471

Capital Spending

<i>In millions</i>	2020	2019	2018
Industrial Packaging	\$ 525	\$ 922	\$ 1,061
Global Cellulose Fibers	97	162	183
Printing Papers	116	172	303
Subtotal	738	1,256	1,547
Corporate and other	13	20	25
Capital Spending	\$ 751	\$ 1,276	\$ 1,572

Depreciation, Amortization and Cost of Timber Harvested

<i>In millions</i>	2020	2019	2018
Industrial Packaging	\$ 826	\$ 794	\$ 803
Global Cellulose Fibers	271	263	262
Printing Papers	186	244	258
Corporate	4	5	5
Depreciation and Amortization	\$ 1,287	\$ 1,306	\$ 1,328

External Sales By Major Product

<i>In millions</i>	2020	2019	2018
Industrial Packaging	\$ 14,983	\$ 15,259	\$ 15,828
Global Cellulose Fibers	2,317	2,545	2,810
Printing Papers	3,016	4,284	4,359
Other	264	288	309
Net Sales	\$ 20,580	\$ 22,376	\$ 23,306

INFORMATION BY GEOGRAPHIC AREA

Net Sales (b)

<i>In millions</i>	2020	2019	2018
United States (c)	\$ 16,147	\$ 16,948	\$ 17,609
EMEA	2,920	3,258	3,321
Pacific Rim and Asia	202	415	605
Americas, other than U.S.	1,311	1,755	1,771
Net Sales	\$ 20,580	\$ 22,376	\$ 23,306

Long-Lived Assets (d)

<i>In millions</i>	2020	2019
United States	\$ 10,221	\$ 10,706
EMEA	1,280	1,368
Americas, other than U.S.	1,027	1,321
Long-Lived Assets	\$ 12,528	\$ 13,395

- (a) Operating profits for industry segments include each segment's percentage share of the profits of subsidiaries included in that segment that are less than wholly-owned. The pre-tax noncontrolling interests for these subsidiaries is added here to present consolidated earnings from continuing operations before income taxes and equity earnings.
- (b) Net sales are attributed to countries based on the location of the seller.
- (c) Export sales to unaffiliated customers were \$2.5 billion in 2020, \$2.7 billion in 2019 and \$3.1 billion in 2018.
- (d) Long-Lived Assets includes Forestlands and Plants, Properties and Equipment, net.

NOTE 23 SUBSEQUENT EVENTS

SALE OF KWIDZYN MILL

On February 12, 2021, the Company entered into an agreement to sell our Kwidzyn, Poland mill for €670 million (approximately \$812 million) in cash, subject to final working capital and net debt adjustments. The business includes the pulp and paper mill in Kwidzyn and supporting functions. The transaction is expected to close in the fourth quarter of 2021, subject to customary closing conditions and regulatory approvals.

On December 3, 2020, the Company announced its intention to spin off its Printing Papers business into a standalone, publicly-traded company in order to focus on its corrugated packaging and absorbent fibers businesses. The sale of Kwidzyn provides an opportunity for International Paper to achieve a premium value and significant incremental cash proceeds, but otherwise does not change its plans for the proposed spin-off.

GRAPHIC PACKAGING MONETIZATION

On February 16, 2021, the Company exchanged 15,307,000 units of the aggregate units owned by the Company for 15,307,000 shares of Graphic Packaging stock. The Company sold the shares in open market transactions for approximately \$247 million. Additionally, on February 16, 2021, Graphic Packaging repurchased 9,281,316 units owned by the Company for an aggregate price of \$150 million. The Company expects to recognize a gain on these two transactions and related tax expense in the first quarter 2021.

INTERIM FINANCIAL RESULTS (UNAUDITED)

<i>In millions, except per share amounts and stock prices</i>	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Year
2020					
Net sales	\$ 5,352	\$ 4,866	\$ 5,123	\$ 5,239	\$ 20,580
Earnings (loss) from continuing operations before income taxes and equity earnings	(16) (a)	261 (a)	282 (a)	123 (a)	650 (a)
Net earnings (loss) attributable to International Paper Company	(141) (a-b)	266 (a-b)	204 (a-b)	153 (a-b)	482 (a-b)
Basic earnings (loss) per share attributable to International Paper Company common shareholders:	(0.36)	0.67	0.52	0.39	1.23
Diluted earnings (loss) per share attributable to International Paper Company common shareholders:	(0.36)	0.67	0.52	0.39	1.22
Dividends per share of common stock	0.5125	0.5125	0.5125	0.5125	2.0500
2019					
Net sales	\$ 5,643	\$ 5,667	\$ 5,568	\$ 5,498	\$ 22,376
Earnings (loss) from continuing operations before income taxes and equity earnings	418 (c)	334 (c)	452 (c)	400 (c)	1,604 (c)
Net earnings (loss) attributable to International Paper Company	424 (c-d)	292 (c-e)	344 (c-e)	165 (c-d)	1,225 (c-e)
Basic earnings (loss) per share attributable to International Paper Company common shareholders:	1.06	0.74	0.88	0.42	3.10
Diluted earnings (loss) per share attributable to International Paper Company common shareholders:	1.05	0.73	0.87	0.42	3.07
Dividends per share of common stock	0.5000	0.5000	0.5000	0.5125	2.0125

Note: International Paper's common shares (symbol: IP) are listed on the New York Stock Exchange.

Note: Since basic and diluted earnings per share are computed independently for each period and category, full year per share amounts may not equal the sum of the four quarters.

Footnotes to Interim Financial Results

Includes the following pre-tax charges (gains):

In millions	2020			
	Q1	Q2	Q3	Q4
Brazil Packaging impairment	\$ 344	\$ 8	\$ (4)	\$ —
India investment	17	(6)	—	—
Asbestos litigation reserve adjustment	—	43	—	—
Environmental remediation reserve adjustments	41	—	7	—
Gain on sale of portion of equity investment in Graphic Packaging	(33)	—	—	—
Abandoned property removal	9	5	—	—
Riverdale mill conversion accelerated depreciation	1	—	—	—
Debt extinguishment costs	8	18	105	65
EMEA Packaging impairment	—	—	—	123
Printing Papers business spin-off costs	—	—	—	9
Other items	(3)	—	1	4
Non-operating pension expense	(6)	(14)	(11)	(10)
Total	\$ 378	\$ 54	\$ 98	\$ 191

Includes the following tax expenses (benefits):

In millions	2020			
	Q1	Q2	Q3	Q4
Tax benefit related to settlement of tax audits	\$ —	\$ —	\$ —	\$ (32)
Tax impact of other special items	(12)	(18)	(26)	(18)
Tax impact of non-operating pension expense	1	3	4	2
Total	\$ (11)	\$ (15)	\$ (22)	\$ (48)

(c) Includes the following pre-tax charges (gains):

In millions	2019			
	Q1	Q2	Q3	Q4
India impairment	\$ —	\$ 152	\$ 8	\$ (1)
India divestiture transaction costs	—	—	—	3
Global Cellulose Fibers goodwill impairment	—	—	—	52
Litigation reserves	—	—	22	19
Italian antitrust fine	—	—	32	—
Environmental remediation reserve adjustment	—	—	15	10
(Gain) loss on sale of EMEA Packaging box plant	(7)	—	—	1
EMEA Packaging business optimization	—	—	—	17
Multi-employer pension plan exit liability	16	—	(7)	—
Abandoned property removal	11	11	13	15
Riverdale mill conversion costs	1	1	1	2
Foreign VAT refund accrual including interest	—	—	—	(6)
Debt extinguishment costs	—	—	—	21
Gain on sale of previously closed Oregon mill site	—	—	(9)	—
Overhead cost reduction initiative	—	—	21	—
Other items	—	1	—	3
Non-operating pension expense	10	8	9	9
Total	\$ 31	\$ 173	\$ 105	\$ 145

(d) Includes the following tax expenses (benefits):

In millions	2019			
	Q1	Q2	Q3	Q4
Luxembourg statutory tax rate change	\$ —	\$ 9	\$ —	\$ —
State income tax legislative changes	—	(3)	—	—
Foreign tax audits	—	3	—	—
Internal investment restructuring	—	—	—	(53)
Foreign deferred tax valuation allowance	—	—	—	203
Tax impact of other special items	(6)	(5)	(14)	(28)
Tax impact of non-operating pension expense	(2)	(2)	(2)	(2)
Total	\$ (8)	\$ 2	\$ (16)	\$ 120

(e) Includes allocation of loss to noncontrolling interest of \$7 million and \$2 million for the three months ended June 30, 2019 and September 30, 2019, respectively, associated with the impairment of the net assets of our India Papers business.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of December 31, 2020, an evaluation was carried out under the supervision and with the participation of the Company's management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as that term is defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act). Based upon this evaluation, our principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2020.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. During Q1 2020, many corporate employees began working remotely due to the COVID-19 pandemic. From the onset of the pandemic, we have closely monitored the potential impact on the design and operating effectiveness of our internal control over financial reporting.

[See Item 8. Financial Statements and Supplementary Data](#) on pages 40 and 41 of this Form 10-K for management's annual report on our internal control over financial reporting and the attestation report of our independent public accounting firm.

ITEM 9B. OTHER INFORMATION

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning our directors is hereby incorporated by reference to our definitive proxy statement that will be filed with the Securities and Exchange Commission ("SEC") within 120 days of the close of our fiscal year. The Audit and Finance Committee of the Board of Directors has at least one member who is a financial expert, as that term is defined in Item 401(d)(5) of Regulation S-K. Further information concerning the composition of the Audit and Finance Committee and our audit committee financial experts is hereby incorporated by reference

to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year. Information with respect to our executive officers is set forth on pages 6 and 7 in [Part I](#) of this Form 10-K under the caption, "[Information About Our Executive Officers.](#)"

Executive officers of International Paper are elected to hold office until the next annual meeting of the Board of Directors following the annual meeting of shareholders and, until the election of successors, subject to removal by the Board.

The Company's Code of Business Ethics (Code) is applicable to all employees of the Company, including the chief executive officer and senior financial officers, as well as the Board of Directors. We disclose any amendments to our Code and any waivers from a provision of our Code granted to our directors, chief executive officer and senior financial officers on our website within four business days following such amendment or waiver. To date, no waivers of the Code have been granted.

We make available free of charge on our website at www.internationalpaper.com, and in print to any shareholder who requests them, our Corporate Governance Principles, our Code of Business Ethics and the Charters of our Audit and Finance Committee, Management Development and Compensation Committee, Governance Committee and Public Policy and Environment Committee. Requests for copies may be directed to the corporate secretary at our corporate headquarters.

Information with respect to compliance with Section 16(a) of the Exchange Act and our corporate governance is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to the compensation of executives and directors of the Company is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

A description of the security ownership of certain beneficial owners and management and equity compensation plan information is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

A description of applicable information with respect to certain relationships and related transactions and director independence matters, is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information with respect to fees paid to, and services rendered by, our independent registered public accounting firm, and our policies and procedures for pre-approving those services, is hereby incorporated by reference to our definitive proxy statement that will be filed with the SEC within 120 days of the close of our fiscal year.

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (1) Financial Statements – See [Item 8. Financial Statements and Supplementary Data](#).
- (2) Financial Statement Schedules – The following additional financial data should be read in conjunction with the consolidated financial statements in [Item 8. Financial Statements and Supplementary Data](#). Schedules not included with this additional financial data have been omitted because they are not applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

Additional Financial Data
2020, 2019 and 2018

- (2.1) [Transaction Agreement, dated October 23, 2017, by and among the Company, Graphic Packaging Holding Company, Gazelle Newco LLC and Graphic Packaging International, Inc. \(incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated October 24, 2017\).](#)

- (3.1) [Restated Certificate of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 13, 2013\).](#)
- (3.2) [By-laws of the Company, as amended through February 9, 2016 \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 8, 2016\).](#)
- (4.1) [Indenture, dated as of April 12, 1999, between the Company and The Bank of New York, as Trustee \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 16, 2000\).](#)
- (4.2) [Supplemental Indenture \(including the form of Notes\), dated as of June 4, 2008, between the Company and The Bank of New York, as Trustee \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 4, 2008\).](#)
- (4.3) [Supplemental Indenture \(including the form of Notes\), dated as of May 11, 2009, between International Paper Company and The Bank of New York Mellon, as trustee \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 11, 2009\).](#)
- (4.4) [Supplemental Indenture \(including the form of Notes\), dated as of August 10, 2009, between the Company and The Bank of New York Mellon, as trustee \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 10, 2009\).](#)
- (4.5) [Supplemental Indenture \(including the form of Notes\), dated as of December 7, 2009, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 7, 2009\).](#)
- (4.6) [Supplemental Indenture \(including the form of Notes\), dated as of November 16, 2011, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 16, 2011\).](#)

(4.7)	Supplemental Indenture (including the form of Notes), dated as of June 10, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 10, 2014).	(10.2)	Restricted Stock and Deferred Compensation Plan for Non-Employee Directors, Amended and Restated as of May 10, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010). +
(4.8)	Supplemental Indenture (including the form of Notes), dated as of May 26, 2015, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 26, 2015).	(10.3)	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017). +
(4.9)	Supplemental Indenture (including the form of Notes), dated as of August 11, 2016, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 11, 2016).	(10.4)	Form of Restricted Stock Unit Award Agreement (cash settled) (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017). +
(4.10)	Supplemental Indenture (including the form of Notes), dated as of August 9, 2017, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 9, 2017).	(10.5)	Form of Restricted Stock Unit Award Agreement (stock settled) (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017). +
(4.11)	Supplemental Indenture (including the form of Notes), dated as of June 10, 2019, between the Company and the The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 10, 2019).	(10.6)	Form of Performance Share Plan award certificate (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017). +
(4.12)	In accordance with Item 601 (b) (4) (iii) (A) of Regulation S-K, certain instruments respecting long-term debt of the Company have been omitted but will be furnished to the Commission upon request.	(10.7)	Pension Restoration Plan for Salaried Employees (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009). +
(4.13)	Description of Securities (incorporated by reference to Exhibit 4.13 to the Company's Annual Report on Form 10K for the fiscal year ended December 31, 2019). +	(10.8)	Amendment Number One to the International Paper Pension Restoration Plan for Salaried Employees effective January 1, 2013 (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019). +
(10.1)	Amended and Restated 2009 Incentive Compensation Plan (ICP) (corrected version of a previously filed exhibit) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019). +	(10.9)	Amendment Number Two to the International Paper Pension Restoration Plan for Salaried Employees effective January 1, 2013 (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10K for the fiscal year ended December 31, 2019). +
		(10.10)	Amendment Number Three to the International Paper Pension Restoration Plan for Salaried Employees effective January 1, 2015 (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019). +

(10.11)	Amendment Number Four to the International Paper Pension Restoration Plan for Salaried Employees effective July 1, 2014 (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019). +	(10.16)	Amendment No. 2 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 14, 2008 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated October 17, 2008). +
(10.12)	Amendment Number Five to the International Paper Pension Restoration Plan for Salaried Employees effective January 1, 2019 (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019). +	(10.17)	Amendment No. 3 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective December 8, 2008 (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). +
(10.13)	Amendment Number Six to the International Paper Pension Restoration Plan for Salaried Employees effective January 1, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020). +	(10.18)	Amendment No. 4 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective January 1, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009). +
(10.14)	Unfunded Supplemental Retirement Plan for Senior Managers, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007). +	(10.19)	Amendment No. 5 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 31, 2009 (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009). +
(10.15)	Amendment No. 1 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 13, 2008 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated October 17, 2008). +	(10.20)	Amendment No. 6 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective January 1, 2012 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011). +
(10.16)	Amendment No. 2 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 14, 2008 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated October 17, 2008). +	(10.21)	Amendment No. 7 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers effective July 12, 2016 (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019). +
(10.14)	Unfunded Supplemental Retirement Plan for Senior Managers, as amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007). +	(10.22)	Amendment No. 8 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers effective January 1, 2019 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019). +
(10.15)	Amendment No. 1 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers, effective October 13, 2008 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated October 17, 2008). +	(10.23)	Amendment No. 9 to the International Paper Company Unfunded Supplemental Retirement Plan for Senior Managers effective November 1, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019). +

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(10.24)	Form of Non-Competition Agreement, entered into by certain Company employees (including named executive officers) who have received restricted stock (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008). +	(10.32)	Five-Year Credit Agreement dated as of December 12, 2016, among International Paper Company, JPMorgan Chase Bank, N.A., individually and as administrative agent, and certain lenders (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed June 6, 2017).
(10.25)	Form of Non-Solicitation Agreement, entered into by certain Company employees (including named executive officers) who have received restricted stock (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006). +	(10.33)	Amended and Restated Five-Year Credit Agreement dated as of October 16, 2020, among International Paper Company, JPMorgan Chase Bank, N.A., individually and as administrative agent, and certain lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 19, 2020).
(10.26)	Form of Change-in-Control Agreement - Tier I, for the Chief Executive Officer and all "grandfathered" senior vice presidents elected prior to 2012 (all but one named executive officer) - approved September 2013 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013). +	(10.34)	Commitment Agreement, dated September 26, 2017, between International Paper Company and The Prudential Insurance Company of America, relating to the Retirement Plan of International Paper Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017). +
(10.27)	Form of Change-in-Control Agreement - Tier II, for all future senior vice presidents and all "grandfathered" vice presidents (one named executive officer) elected prior to February 2008 - approved September 2013 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013). +	(10.35)	Credit Agreement, dated December 8, 2017, by and among the Company, Bank of America, N.A. and BNP Paribas (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 12, 2017). +
(10.28)	Form of Indemnification Agreement for Directors (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003). +	(10.36)	Commitment Agreement, dated September 25, 2018, between International Paper Company and Prudential Insurance Company of America, relating to the Retirement Plan of International Paper Company (corrected version of previously filed exhibit) (incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018). * +
(10.29)	Board Policy on Severance Agreements with Senior Executives (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 18, 2005). +	(10.37)	Credit Agreement, dated March 25, 2020, by and among the Company, Sumitomo Mitsui Banking Corporation; Banco Bilbao Vizcaya Argentaria, S.A., New York Branch; BNP Paribas and Credit Agricole Corporate and Investment Bank, as lenders and Sumitomo Mitsui Banking Corporation, as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A dated March 26, 2020).
(10.30)	Board Policy on Change of Control Agreements (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 18, 2005). +		
(10.31)	Time Sharing Agreement, dated October 17, 2014 (and effective November 1, 2014), by and between Mark S. Sutton and International Paper Company (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 14, 2014). +		

(10.38)	Amendment No. 16 to the Second Amended and Restated Credit and Security Agreement, dated April 28, 2020, by and among the Corporation, as servicer, Red Bird Receivables, LLC, as borrower, the lenders and co-agents from time to time party thereto, and Mizuho Bank, Ltd., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 29, 2020).	(101.INS)	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document. *
(10.39)	Agreement Regarding Continued Employment, Termination, Severance and General Release dated September 8, 2020 between International Paper Company and Catherine I. Slater (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on September 11, 2020). +	(101.SCH)	XBRL Taxonomy Extension Schema *
(21)	Subsidiaries and Joint Ventures. *	(101.CAL)	XBRL Taxonomy Extension Calculation Linkbase *
(23)	Consent of Independent Registered Public Accounting Firm. *	(101.DEF)	XBRL Taxonomy Extension Definition Linkbase *
(24)	Power of Attorney (contained on the signature page to the Company's Annual Report on Form 10-K for the year ended December 31, 2010). *	(101.LAB)	XBRL Taxonomy Extension Label Linkbase *
(31.1)	Certification by Mark S. Sutton, Chairman and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *	(101.PRE)	XBRL Extension Presentation Linkbase *
(31.2)	Certification by Tim S. Nicholls, Senior Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *	(104)	Cover Page Interactive Data File (formatted as Inline XBRL, and contained in Exhibit 101. *)
(32)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **		

+ Management contract or compensatory plan or arrangement.

* Filed herewith

** Furnished herewith

† Confidential treatment has been granted for certain information pursuant to Rule 24b-2 under the Securities Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERNATIONAL PAPER COMPANY

By: _____ /s/ SHARON R. RYAN
Sharon R. Ryan
Senior Vice President, General Counsel
and Corporate Secretary

February 19, 2021

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Timothy S. Nicholls, Sharon R. Ryan and Alan R. Haguewood as his or her true and lawful attorney-in-fact and agent, acting alone, with full power of substitution and resubstitution for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact full power and authority to do and perform each and every act and thing requisite or necessary to be done, hereby ratifying and confirming all that said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<u> /s/ MARK S. SUTTON </u> Mark S. Sutton	Chairman of the Board & Chief Executive Officer and Director	February 19, 2021
<u> /s/ WILLIAM J. BURNS </u> William J. Burns	Director	February 19, 2021
<u> /s/ CHRISTOPHER M. CONNOR </u> Christopher M. Connor	Director	February 19, 2021
<u> /s/ AHMET C. DORDUNCU </u> Ahmet C. Dorduncu	Director	February 19, 2021
<u> /s/ ILENE S. GORDON </u> Ilene S. Gordon	Director	February 19, 2021
<u> /s/ ANDERS GUSTAFSSON </u> Anders Gustafsson	Director	February 19, 2021

<u>/s/ JACQUELINE C. HINMAN</u> Jacqueline C. Hinman	Director	February 19, 2021
<u>/s/ CLINTON A. LEWIS, JR.</u> Clinton A. Lewis, Jr.	Director	February 19, 2021
<u>/s/ KATHRYN D. SULLIVAN</u> Kathryn D. Sullivan	Director	February 19, 2021
<u>/s/ J. STEVEN WHISLER</u> J. Steven Whisler	Director	February 19, 2021
<u>/s/ RAY G. YOUNG</u> Ray G. Young	Director	February 19, 2021
<u>/s/ TIMOTHY S. NICHOLLS</u> Timothy S. Nicholls	Senior Vice President and Chief Financial Officer	February 19, 2021
<u>/s/ VINCENT P. BONNOT</u> Vincent P. Bonnot	Vice President – Finance and Controller	February 19, 2021

2020 LISTING OF FACILITIES

(all facilities are owned except noted otherwise)

PRINTING PAPERS	Savannah, Georgia	Tracy, California
	Cayuga, Indiana	Golden, Colorado
Uncoated Papers	Cedar Rapids, Iowa	Wheat Ridge, Colorado
U.S.:	Henderson, Kentucky	Putnam, Connecticut
Selma, Alabama (Riverdale Mill)	Maysville, Kentucky	Orlando, Florida
Ticonderoga, New York	Bogalusa, Louisiana	Plant City, Florida
Eastover, South Carolina	Campiti, Louisiana	<i>Tampa, Florida leased</i>
Georgetown, South Carolina	Mansfield, Louisiana	Columbus, Georgia
Sumter, South Carolina	Vicksburg, Mississippi	Forest Park, Georgia
	Valliant, Oklahoma	Griffin, Georgia
International:	Springfield, Oregon	<i>Kennesaw, Georgia leased</i>
Luiz Antônio, São Paulo, Brazil	Orange, Texas	Lithonia, Georgia
Mogi Guacu, São Paulo, Brazil		Savannah, Georgia
Três Lagoas, Mato Grosso do Sul, Brazil	International:	<i>Tucker, Georgia</i>
Saillat, France	Franco da Rocha, São Paulo, Brazil ¹	Aurora, Illinois (3 locations)
Kwidzyn, Poland	Nova Campina, São Paulo, Brazil ¹	<i>Bedford Park, Illinois (2 locations) 1 leased</i>
Svetogorsk, Russia	Paulinia, São Paulo, Brazil ¹	Belleville, Illinois
	Veracruz, Mexico	Carol Stream, Illinois
GLOBAL CELLULOSE FIBERS	Kenitra, Morocco	Des Plaines, Illinois
	Madrid, Spain	Lincoln, Illinois
Pulp		Montgomery, Illinois
U.S.:	Corrugated Container	Northlake, Illinois
Cantonment, Florida (Pensacola Mill)	U.S.:	Rockford, Illinois
Flint River, Georgia	Bay Minette, Alabama	Butler, Indiana
Port Wentworth, Georgia	Decatur, Alabama	Crawfordsville, Indiana
Columbus, Mississippi	<i>Dothan, Alabama leased</i>	Fort Wayne, Indiana
New Bern, North Carolina	Huntsville, Alabama	Indianapolis, Indiana (2 locations)
Riegelwood, North Carolina	Conway, Arkansas	Saint Anthony, Indiana
Eastover, South Carolina	Fort Smith, Arkansas (2 locations)	Tipton, Indiana
Georgetown, South Carolina	Russellville, Arkansas (2 locations)	Cedar Rapids, Iowa
Franklin, Virginia	Tolleson, Arizona	Waterloo, Iowa
	Yuma, Arizona	Garden City, Kansas
International:	Anaheim, California	Kansas City, Kansas
Grande Prairie, Alberta, Canada	<i>Buena Park, California leased</i>	Bowling Green, Kentucky
Saillat, France	Camarillo, California	Lexington, Kentucky
Gdansk, Poland	<i>Carson, California</i>	Louisville, Kentucky
Kwidzyn, Poland	<i>Cerritos, California leased</i>	Walton, Kentucky
Svetogorsk, Russia	Compton, California	Bogalusa, Louisiana
	Elk Grove, California	Lafayette, Louisiana
INDUSTRIAL PACKAGING	Exeter, California	Shreveport, Louisiana
	Gilroy, California (2 locations)	Springhill, Louisiana
Containerboard	Los Angeles, California	Auburn, Maine
U.S.:	Modesto, California	Three Rivers, Michigan
Pine Hill, Alabama	Ontario, California	Arden Hills, Minnesota
Prattville, Alabama	Salinas, California	Austin, Minnesota
Selma, Alabama (Riverdale Mill)	Sanger, California	Fridley, Minnesota
Cantonment, Florida (Pensacola Mill)	Santa Fe Springs, California (2 locations)	<i>Minneapolis, Minnesota leased</i>
Rome, Georgia	Stockton, California ²	Shakopee, Minnesota

White Bear Lake, Minnesota	Lexington, South Carolina	Silao, Mexico
Houston, Mississippi	<i>Ashland City, Tennessee leased</i>	Toluca, Mexico
Jackson, Mississippi	Cleveland, Tennessee	Zapopan, Mexico
<i>Magnolia, Mississippi leased</i>	<i>Elizabethton, Tennessee leased</i>	Agadir, Morocco
Olive Branch, Mississippi	Morristown, Tennessee	Casablanca, Morocco
Fenton, Missouri	Murfreesboro, Tennessee	Tangier, Morocco
Kansas City, Missouri	Amarillo, Texas	Ovar, Portugal
Maryland Heights, Missouri	Carrollton, Texas (2 locations)	Barcelona, Spain
<i>North Kansas City, Missouri leased</i>	Edinburg, Texas	Bilbao, Spain
St. Joseph, Missouri	El Paso, Texas	Gandia, Spain
St. Louis, Missouri	<i>Ft. Worth, Texas leased</i>	Las Palmas, Spain
Omaha, Nebraska	Grand Prairie, Texas	Madrid, Spain
Barrington, New Jersey	Hidalgo, Texas	Montblanc, Spain
Bellmawr, New Jersey	McAllen, Texas	Tavernes de la Valldigna, Spain
Milltown, New Jersey	San Antonio, Texas (2 locations)	Tenerife, Spain
Spotswood, New Jersey	Sealy, Texas	Adana, Turkey
Thorofare, New Jersey	Waxahachie, Texas	Bursa, Turkey
Binghamton, New York	Lynchburg, Virginia	Corum, Turkey
Buffalo, New York	Petersburg, Virginia	Gebze, Turkey
Rochester, New York	Richmond, Virginia	Izmir, Turkey
Scotia, New York	Moses Lake, Washington	
Utica, New York	Olympia, Washington	Recycling
<i>Charlotte, North Carolina (2 locations) 1 leased</i>	Yakima, Washington	U.S.:
Lumberton, North Carolina	Fond du Lac, Wisconsin	Phoenix, Arizona
Manson, North Carolina	Manitowoc, Wisconsin	Fremont, California
Newton, North Carolina		Norwalk, California
Statesville, North Carolina	International:	West Sacramento, California
Byesville, Ohio	Manaus, Amazonas, Brazil ¹	Itasca, Illinois
Delaware, Ohio	Paulinia, São Paulo, Brazil ¹	Des Moines, Iowa
Eaton, Ohio	Rio Verde, Goias, Brazil ¹	Wichita, Kansas
Madison, Ohio	Suzano, São Paulo, Brazil ¹	Roseville, Minnesota
Marion, Ohio	Rancagua, Chile	Omaha, Nebraska
<i>Marysville, Ohio leased</i>	Arles, France ³	Charlotte, North Carolina
Middletown, Ohio	Cabourg, France	Beaverton, Oregon
Mt. Vernon, Ohio	Chalon-sur-Saone, France	<i>Springfield, Oregon leased</i>
Newark, Ohio	LePuy, France (Espaly Box Plant)	Carrollton, Texas
Streetsboro, Ohio	Mortagne, France	Salt Lake City, Utah
Wooster, Ohio	Saint Amand, France	Richmond, Virginia
Oklahoma City, Oklahoma	Guadeloupe, French West Indies	Kent, Washington
Beaverton, Oregon (3 locations)	Bellusco, Italy	
Hillsboro, Oregon	Catania, Italy	International:
Portland, Oregon	Pomezia, Italy	<i>Monterrey, Mexico leased</i>
<i>Salem, Oregon leased</i>	San Felice, Italy	<i>Xalapa, Veracruz, Mexico leased</i>
Biglerville, Pennsylvania (2 locations)	<i>Apodaco (Monterrey), Mexico leased</i>	
Eighty-four, Pennsylvania	Ixtaczoquitlan, Mexico	Bags
Hazleton, Pennsylvania	<i>Juarez, Mexico leased</i>	U.S.:
Kennett Square, Pennsylvania	Los Mochis, Mexico	Buena Park, California
Lancaster, Pennsylvania	<i>Puebla, Mexico leased</i>	Beaverton, Oregon
Mount Carmel, Pennsylvania	Reynosa, Mexico	Grand Prairie, Texas
Georgetown, South Carolina	San Jose Iturbide, Mexico	
Laurens, South Carolina	Santa Catarina, Mexico	

Coated Paperboard

International:

Kwidzyn, Poland
Svetogorsk, Russia

DISTRIBUTION

International:

Guangzhou, China leased
Hong Kong, China leased
Shanghai, China leased
Japan leased
Korea leased
Singapore leased

FOREST RESOURCES

International:

Approximately 314,000 acres
in Brazil

- 1) Sold October 2020
- 2) Closed September 2020
- 3) Closed July 2020

2020 CAPACITY INFORMATION

<i>(in thousands of short tons except as noted)</i>	U.S.	EMEA	Americas, other than U.S.	Total
Industrial Packaging				
Containerboard ^(a)	13,738	497	27	14,262
Coated Paperboard	—	443	—	443
Total Industrial Packaging	13,738	940	27	14,705
Global Cellulose Fibers				
Dried Pulp <i>(in thousands of metric tons)</i>	2,988	352	498	3,838
Printing Papers				
Uncoated Freesheet & Bristols ^(b)	1,700	1,186	1,135	4,021
Newsprint	—	102	—	102
Total Printing Papers	1,700	1,288	1,135	4,123

(a) In addition to Containerboard, this also includes saturated kraft, kraft bag, and gypsum.

(b) In addition to Uncoated Freesheet and Bristols, includes bleached multiwall bag and plate.

Forest Resources

We own, manage or have an interest in approximately 1.2 million acres of forestlands worldwide. These forestlands and associated acres are located in the following regions:		(M Acres)
Brazil	314	
We have harvesting rights in:		
Russia	862	
Total	1,176	

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2020

Name	Jurisdiction
Balsa Forests LLC	Delaware
Basswood Forests IIA LLC	Delaware
Basswood Forests LLC	Delaware
Branigar Organization, Inc., The	Illinois
Carton y Papel Reciclado, S.A.	Spain
Cartonajes International, S.L.	Spain
Cartonajes Union S.L.	Spain
Certified Forest Management LLC	Delaware
CircleTree Insurance Company	Vermont
CMCP - INTERNATIONAL PAPER S.A.S.	Morocco
Commercial Realty & Properties LLC	Delaware
Comptoir des Bois de Brive SAS	France
Creapack PLV	France
Dogal Kagit Hammaddeleri Sanayi ve Ticaret Limited Sirketi	Turkey
EM Xpedx, S.A. De C.V.	Mexico
Emballages Laurent SAS	France
English Oak LLC	Delaware
Federal Forestlands Inc.	Delaware
I.P. CONTAINER HOLDINGS (SPAIN) S.L.	Spain
Instituto International Paper	Brazil
International Paper - Comércio de Papel e Participações Arapoti Ltda.	Brazil
International Paper - Kwidzyn Sp. Z O.O.	Poland
International Paper (Asia) Limited	Hong Kong
International Paper (Deutschland) GmbH	Germany
International Paper (Europe) S.à r.l.	Luxembourg
International Paper (India) Private Limited	India
International Paper (New Zealand) Limited	New Zealand
International Paper (Poland) Holding sp. z o.o.	Poland
International Paper (UK) Limited	Scotland
International Paper Agroflorestral Ltda.	Brazil
International Paper Asia Limited (Branch Office)	Korea
International Paper Benelux SRL	Belgium
International Paper Cabourg SAS	France
International Paper Canada Pulp Holdings ULC	Alberta
International Paper Cartones Ltda.	Chile
International Paper Cartovar, S.A.	Portugal
International Paper Cellulose Fibers (Poland) sp. z o.o.	Poland
International Paper Cellulose Fibers Sales Sàrl	Switzerland
International Paper Company Employee Relief Fund	New York
International Paper Company Foundation	New York
International Paper Company Limited	England & Wales
International Paper Container (France) Holding SAS	France
International Paper CTA (Mexico), S.A. de C.V., SOFOM, E.N.R.	Mexico
International Paper Czech Republic, s.r.o.	Czech Republic
International Paper Distribution (Shanghai) Limited	China
International Paper do Brasil Ltda.	Brazil
INTERNATIONAL PAPER DUTCH SERVICES B.V.	Netherlands
International Paper Export Sales, Inc.	Delaware

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2020

Name	Jurisdiction
International Paper Exportadora Ltda.	Brazil
International Paper Financial Services, Inc.	Delaware
International Paper France SAS	France
International Paper Global Cellulose Fibers Holdings S.à r.l.	Luxembourg
International Paper Group (UK) Limited	England & Wales
International Paper Holdings (Luxembourg) S.à r.l.	Luxembourg
International Paper Hungary Kereskedelmi Kft.	Hungary
International Paper Investment (Shanghai) Co., Ltd.	China
International Paper Investment (Shanghai) Co., Ltd., Guangzhou Branch	China
International Paper Investments (France) S.A.S	France
International Paper Investments (Luxembourg) S.à r.l.	Luxembourg
International Paper Italia Srl	Italy
International Paper Japan Limited	Japan
International Paper Madrid Mill, S.L.	Spain
International Paper Manufacturing & Distribution Limited	Hong Kong
International Paper Mexico Company, S. de R.L. de C.V.	Mexico
International Paper Montblanc, S.L.	Spain
International Paper Nordic Sales Company Oy	Finland
International Paper Papiers de Bureau SARL	France
International Paper Peru S.R.L.	Peru
International Paper Polska Sp. z o.o.	Poland
International Paper Professional Services Corporation	Delaware
International Paper Russia Holding B.V.	Netherlands
International Paper S.A.	France
International Paper Saint-Amand	France
International Paper Switzerland GmbH	Switzerland
International Paper Trading (Shanghai) Limited	China
International Paper Ukraine SE	Ukraine
IP Belgian Services Company SRL	Belgium
IP Canada Holdings Limited	Canada
IP Cartones Y Corrugados, S. de R.L. de C.V.	Mexico
IP CBPR Properties 2 LLC	Delaware
IP CBPR Properties LLC	Delaware
IP Celimo SAS	France
IP Commercial Properties LLC	Delaware
IP Corporate Management (Shanghai) Co. Ltd.	China
IP Eagle LLC	Delaware
IP East Holding (Singapore) Pte. Ltd.	Singapore
IP Forest Resources Company	Delaware
IP Foret Services	France
IP International Holdings, Inc.	Delaware
IP Investment (Brazil) S.a r.l.	Luxembourg
IP Mexico Holdings S.à r.l.	Luxembourg
IP Papers Holding S.a r.l.	Luxembourg
IP Petroleum LLC	Delaware
IP Realty Holdings LLC	Delaware
IP Singapore Holding Pte. Ltd.	Singapore
IP Timberlands Operating Company, Ltd.	Texas
IP-35, Inc.	Delaware

International Paper Company (NY)
Subsidiaries and Joint Ventures (Majority Owned)
as of December 31, 2020

Name	Jurisdiction
Joshua Tree Forests LLC	Delaware
Juniper Forests LLC	Delaware
Lacebark LLC	Delaware
Lake Superior Land Company	Delaware
Longleaf Insurance Company	Tennessee
Lost Creek, Inc.	Delaware
Med Packaging SARL	Morocco
Northwest Pines, Inc.	Delaware
Olmuksan International Paper Ambalaj Sanayi ve Ticaret Anonim Sirketi	Turkey
Papeteries d'Espaly SAS	France
Przedsiębiorstwo Produkcyjno-Handlowe "Tor-Pal" Spolka z Ograniczona Odpowiedzialnoscia	Poland
Red Bird Receivables, LLC	Delaware
Sabine River & Northern Railroad Company	Texas
Societe Guadeloupeenne de Carton Ondule SAS	France
Societe Mauritanienne de Cartons - SOMACAR, S.A.	Mauritania
Societe Mediterraneenne d'Emballages SAS	France
Societe Normande de Carton Ondule SAS	France
SP Forests L.L.C.	Delaware
Supplier Finance Company, LLC	Delaware
Sustainable Forests L.L.C.	Delaware
Sycamore Forests LLC	Delaware
Temple Associates LLC	Texas
Timberlands Capital Corp. II, Inc.	Delaware
Timberlands Capital Corp. III, Inc.	Delaware
TIN Intermediate, LLC	Delaware
TIN Land Financing, LLC	Delaware
TIN Timber Financing, LLC	Delaware
U. C. Realty LLC	Delaware
Velarium Oy Ab	Finland
ZAO International Paper	Russia
ZAO Tikhvinsky Kompleksny Lespromokhoz	Russia

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-223170 on Form S-3 and Registration Statements Nos. 333-01667, 333-75235, 333-37390, 333-85830, 333-85828, 333-85826, 333-85824, 333-85822, 333-85818, 333-85820, 333-108046, 333-120293, 333-145459, 333-154522, 333-154523, 333-159336, 333-129011, 333-164230, 333-212998, 333-212999, and 333-236539 on Forms S-8 of our reports dated February 19, 2021, relating to the consolidated financial statements of International Paper Company, and the effectiveness of International Paper Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of International Paper for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

Memphis, Tennessee
February 19, 2021

CERTIFICATION

I, Mark S. Sutton, certify that:

1. I have reviewed this annual report on Form 10-K of International Paper Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 19, 2021

/s/ Mark S. Sutton

Mark S. Sutton

Chairman and Chief Executive Officer

CERTIFICATION

I, Timothy S. Nicholls, certify that:

1. I have reviewed this annual report on Form 10-K of International Paper Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 19, 2021

/s/ Timothy S. Nicholls

Timothy S. Nicholls

Senior Vice President and Chief
Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report of International Paper Company (the "Company") on Form 10-K for the period ended December 31, 2020 for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code. Mark S. Sutton, Chief Executive Officer of the Company, and Timothy S. Nicholls, Chief Financial Officer of the Company, each certify that, to the best of his or her knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark S. Sutton

Mark S. Sutton

Chairman and Chief Executive Officer

February 19, 2021

/s/ Timothy S. Nicholls

Timothy S. Nicholls

Senior Vice President and Chief Financial Officer

February 19, 2021