

## AUDIT & FINANCE COMMITTEE

### Pre-Approval Procedures for Services Performed by the Independent Registered Public Accounting Firm

#### I. STATEMENT OF PRINCIPLE

The Audit & Finance Committee (“Committee”) is required to pre-approve the audit, audit related and non-audit services performed by the independent registered public accounting firm (the “independent auditor”) (including those services provided to joint ventures) in order to assure that the provision of such services does not impair the auditor’s independence.

The Committee will receive annually a listing of proposed services for pre-approval that describes the Audit, Audit-related, Tax and All Other services. The term of any pre-approval is for the calendar year following the date of pre-approval, unless the Committee specifically provides for a different period. The fees for all services pre-approved by the Committee will be fixed or based on standard hourly rates for professional time incurred. There will be no contingent fee arrangements for any services provided. Services are for professional services and generally do not include out-of-pocket expenses. If the specific services being considered are not listed under the approved services, or the approved level of fees listed will be exceeded, then: (1) the services will be submitted by both the independent auditor and the Corporate Controller, or other appropriately designated officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC’s rules on auditor independence, and (2) specific Committee review and approval must be obtained before the requested service can be started. Of course, if such approval is withheld, the service will not be performed by Deloitte.

The procedures are designed to demonstrate compliance with SEC regulations by providing the Committee with a comprehensive list of services where the Company may engage its independent auditors and to facilitate the efficient administration of the process. This process is not intended as a management budget process but as an approval and reporting process to ensure compliance.

Excluding the recurring audits which are pre-approved separately or under these procedures, all specific services or projects for which Deloitte may be engaged will be budgeted, reviewed, and approved by the appropriate level of management within International Paper.

The Committee has placed an overall dollar limitation on tax and non-audit services that the independent auditor can provide. Specifically, the total for tax and other services cannot exceed the total of audit and audit related services (i.e., maximum ratio of 1 to 1). International Paper management and the independent auditor share responsibility to ensure this approval level is not exceeded without specific approval by the Committee.

#### II. DELEGATION

The Committee may delegate pre-approval authority to one or more of its members for all matters contemplated in this document. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Committee at its next scheduled meeting. The Committee has delegated pre-approval authority to the Chairman of the Audit & Finance

Committee. The Committee does not delegate its responsibilities to pre-approve services performed by the independent auditor to management.

### III. AUDIT SERVICES

Audit services include all services required to be performed in order to form opinions on the Company's consolidated financial statements and on the Company's internal controls over financial reporting. Audit services include services associated with periodic reports and other documents filed with the SEC such as Form 10-K, Form 10-Q and related Form 8-K filings. Additionally, audit services include statutory audits for subsidiaries or affiliates outside the United States. The annual Audit services engagement terms and fees will be subject to the specific pre-approval of the Committee. The Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other matters.

In addition to the annual Audit services engagement approved by the Committee, the Committee may grant pre-approval for other Audit services, which are those services that only the independent auditor reasonably can provide.

A detailed listing of all audit services is included in Appendices A1-A4. The Committee believes that the provision of these Audit services does not impair the independence of the auditor.

### IV. AUDIT-RELATED SERVICES

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements, and that are traditionally performed by the independent auditor. The specific audit-related services contemplated by the Committee are listed in Appendices B1-B9. Public Company Accounting Oversight Board (United States) ("PCAOB") Rule 3525, *Audit Committee Pre-approval of Non-audit Services Related to Internal Control Over Financial Reporting* requires the independent auditor to communicate, in writing, regarding the scope of any services related to internal control over financial reporting that are not specifically detailed in those appendices. The Committee believes that the provision of these Audit-related services does not impair the independence of the auditor.

### V. TAX SERVICES

The Committee believes that the independent auditor can provide Tax services to the Company, in those categories below, without impairing the auditor's independence. However, the Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. All services involving large and complex tax structure transactions must be separately pre-approved by the Committee, including tax consulting projects where the fee exceeds \$500,000. The Committee will not approve tax services in connection with a listed transaction.

PCAOB Rule 3522 *Tax Transactions* places restrictions on services related to the marketing, planning, or opining in favor of transactions that are considered confidential tax transactions under the Internal Revenue Service's regulations, or transactions that would be considered aggressive tax position transactions. The services described herein appropriately exclude all such transactions.

The PCAOB Amended Rule 3523 *Tax Services for Persons in Financial Reporting Oversight Roles* clarifying certain matters in the original rule. The amended rule prohibits an independent auditor from providing tax services during the "audit and professional engagement period" to a person in, or an immediate family member of a person in, a financial reporting oversight role at the audit client. The services considered appropriately exclude such services.

PCAOB Rule 3524 *Audit Committee Pre-Approval of Certain Tax Services* requires an independent auditor to describe, in writing, to the audit committee the scope of the services being performed, the fee arrangement for the engagement, as well as any other agreements between the firm and the audit client.

The service descriptions considered pre-approved are included in Appendices C1-C8 and below. Any services not contemplated in Appendices C1-C8 will be separately described in writing prior to approval. All tax related engagements will be based on a fixed fee or time and materials based on standard hourly rates for professional time incurred. The Committee believes that the provision of these Tax services does not impair the independence of the auditor.

### ***Planning and advice***

The independent auditor may provide assistance to the Company as it develops and/or analyzes tax efficient structure alternatives and "what if scenarios" related to proposed acquisitions and dispositions or restructuring of the Company's operations. This assistance may include: (1) recommendations as to how to achieve a tax efficient transaction, (2) identifying the detailed steps required to execute the proposed transaction, (3) preparation or review of tax basis calculations including the review of supporting documentation, (4) preparation or review of memorandum summarizing transaction, (5) participation in meetings with tax authorities regarding a transaction, (6) preparation or review of ruling requests filed with taxing authorities regarding a transaction, (7) identification and resolution of income tax and other compliance issues relating to a proposed transaction, (8) advice regarding tariffs and classifications, origin, pricing, documentation and assistance with customs audits, and (9) technical, planning, and other assistance relating to the pricing of services provided and intangibles used (e.g., trademarks, business know-how, etc.) by the Company and its affiliates (transfer pricing), (10) advice regarding tariffs and classifications, origin, pricing, documentation and assistance with customs audits, and (11) technical, planning, and other assistance relating to the pricing of services provided and intangibles used (e.g., trademarks, business know-how, etc.) by the Company and its affiliates (transfer pricing).

The independent auditor may also provide services related to a wide range of compensation tax issues that may include: (1) determining what compensation items are subject to taxation and withholding, (2) reviewing tax aspects of employee compensation packages, (3) reviewing tax aspects of qualified and nonqualified benefit plans, (4) advice on the impact of changes in local tax laws and consequences of changes in compensation programs or practices, and (5) optimizing

tax aspects of broad-based employee compensation plans. The independent auditor will not perform any services to any employee who has a financial reporting oversight role.

The independent auditor may also provide assistance to the Company relating to payroll, social security and information reporting tax issues including: (1) assistance determining the proper reporting of employee compensation and fringe benefits, (2) research and consultations to determine the proper withholding amounts on compensation and fringe benefits paid or received by employees or independent contractors, (3) assistance determining and/or calculating the amount required to be withheld and remitted to tax jurisdictions on payments (e.g., interest, royalties, etc.) made to related and unrelated entities, (4) determining the proper reporting of payments made to related and unrelated entities, and (5) research and consultations regarding the social security treatment of restricted performance shares, continuity awards, and other types of income in various jurisdictions.

The independent auditor may also provide tax related due diligence on potential acquisition targets, including review of financial statements, financial data and records, discussions with target's finance and accounting personnel, and preparation of correspondence regarding due diligence findings.

### ***Tax Compliance***

The independent auditor may provide assistance to the Company on federal, state, and local tax compliance issues on an "as needed" basis. In addition, the independent auditor may either prepare or review income and other similar types of tax returns (capital tax returns, etc.) for various foreign jurisdictions. Note – the term "review" for the purpose of this section is defined as an examination of a tax return prepared by the Company in its attempt to determine whether the tax return the Company has prepared is complete and accurate.

Tax compliance services may include: (1) identification of tax issues and tax savings/planning opportunities, (2) research and consultations regarding tax issues and tax savings/planning opportunities discovered during the income tax return preparation and review processes, (3) assistance determining the proper tax treatment of certain types of income and expenses, (4) identification of tax issues that may be uncertain and a description of these issues including calculation of total tax liability relating to exposure, (5) preparation of calculations needed to properly reflect certain types of income, expenses, exemptions, and credits on a tax return, (6) updates and analysis of legislative tax matters, (7) planning for deduction of certain transaction costs, (8) confirmation the current administrative position of revenue authorities with respect to the tax treatment of various income and expense items, (9) preparation or review of ruling requests filed with taxing authorities regarding tax compliance and planning issues, (10) preparation of GST and VAT returns in foreign jurisdictions, and (11) VAT compliance reviews, advice, and implementation assistance on strategies to minimize risk and decrease GST and/or VAT amounts, (14) verification of income tax assessments and correspondence from various taxing authorities, (15) assistance resolving tax compliance matters and (16) tax return preparation services.

### ***Review and consultation on tax audits and/or other regulatory inquiries***

The independent auditor may provide assistance to the Company on federal, state, local, and international income, franchise, property, sales and use, VAT, and other tax audits as well as other regulatory inquiries on an "as needed" basis.

Review and consultation services may include: (1) assistance responding to correspondence received from taxing authorities regarding tax returns, (2) communication with tax authorities regarding tax returns (3) assistance reviewing and analyzing issues raised by auditors, (4) attending meetings with auditors to facilitate the audit process, (5) review or preparation of correspondence provided to a taxing authority, and (6) assisting tax counsel in their preparation for disputed tax issues that the Company will appeal within the United States, foreign, or state jurisdictions, and possibly litigate in a court of law.

## VI. ALL OTHER SERVICES

The Committee may grant pre-approval to those permissible non-audit services classified as All Other services that it believes would not impair the independence of the auditor. The specific Other services contemplated by the Committee are included in Appendices D1-D5.

A list of the SEC's prohibited non-audit services is included in Section X. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

## VII. SUPPORTING DOCUMENTATION AND PERIODIC REPORTING

With respect to each proposed pre-approved service, the independent auditor will provide supporting documentation to the Committee for the specific service to be provided.

Periodically the specific details and related fees for the projects completed under these pre-approval procedures will be reported to the Committee. In addition, a schedule of annual fees to be reported in the Proxy will be provided to the Committee for their final review and approval.

## VIII. HIRING MEMBERS OF THE AUDIT ENGAGEMENT TEAM

The Company will not hire:

- a. any partner or former partner of the independent registered public accounting firm's engagement team for a period of three years, or
- b. any member of the independent registered public accounting firm's engagement team as chief executive officer, chief financial officer, controller, chief accounting officer, or a position with a financial reporting oversight role for a period of one year, such periods beginning the day after the Company files its Annual Report in which the team member works.

A financial reporting oversight role is where a person is in a position to, or does, exercise influence over the contents of the financial statements or anyone who prepares them, including the chief executive officer, chief financial officer, general counsel, controller, chief accounting officer, director of internal audit, director of financial reporting, treasurer, or any equivalent position.

In addition, the Company will not hire a former or current partner or former or current employee of the independent registered public accounting firm without discussing the potential hiring with

the lead partner of the independent registered public accounting firm. The Company will not hire a current employee of the independent registered public accounting firm who holds the position of “manager” or above or who serves on the current audit engagement, without discussing the potential hiring with the lead partner of the independent registered public accounting firm and obtaining the written approval of the Audit and Finance Committee (or designee).

#### IX. NON-INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AUDITS

Several entities have auditors other than independent registered public accounting firm. Annually, a separate listing of those entities and related audit fees and services will be provided for informational purposes.

#### X. PROHIBITED NON-AUDIT SERVICES

The following are the SEC’s prohibited non-audit services.

- Bookkeeping or other services related to the accounting records or financial statements
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit