

INTERNATIONAL PAPER CO /NEW/
Form 11-K
June 29, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK
PURCHASE, SAVINGS AND SIMILAR PLANS
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One):

☑ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 1-3157

INTERNATIONAL PAPER COMPANY
HOURLY SAVINGS PLAN

(Full title of the plan)

INTERNATIONAL PAPER COMPANY
6400 Poplar Avenue
Memphis, TN 38197

Telephone: (901) 419-9000

(Name of issuer of the securities held pursuant to the plan and
the address of its principal executive office)

INTERNATIONAL PAPER COMPANY HOURLY SAVINGS PLAN

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| <p>All other schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for NOTE: Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.</p> | |
| EXHIBIT | |
| 23 <u>Consent of Independent Registered Public Accounting Firm</u> | |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Participants and Plan Administrator of
International Paper Company Hourly Savings Plan
Memphis, Tennessee

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of the International Paper Company Hourly Savings Plan (the “Plan”) as of December 31, 2017 and 2016, the related statements of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan 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 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.

Report on Supplemental Schedules

The supplemental schedule listed in the Table of Contents has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, such schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Deloitte & Touche LLP

Memphis, Tennessee
June 29, 2018

We have served as the Plan's auditor since 2001.

INTERNATIONAL PAPER COMPANY HOURLY SAVINGS PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 DECEMBER 31, 2017 AND 2016
 (Amounts in thousands)

| | 2017 | 2016 |
|--|--------------|--------------|
| ASSETS: | | |
| Investments, at fair value (Note 4) | | |
| Plan interest in Master Trust — Participant-directed investments | \$ 1,067,098 | \$ 877,543 |
| Self-directed brokerage accounts— Participant-directed investments | 18,533 | 16,570 |
| Investments, at contract value (Note 5) | | |
| Plan interest in Master Trust — Fully benefit-responsive investment contracts | 431,944 | 462,829 |
| Total investments | 1,517,575 | 1,356,942 |
| Receivables: | | |
| Notes receivable from participant loans | 88,220 | 87,189 |
| Participants' contributions | 1,283 | 1,169 |
| Employer's contributions | 569 | 470 |
| Total receivables | 90,072 | 88,828 |
| LIABILITIES: | | |
| Accrued expenses | 217 | 236 |
| Total liabilities | 217 | 236 |
| NET ASSETS AVAILABLE FOR BENEFITS | | |
| | \$ 1,607,430 | \$ 1,445,534 |

See notes to financial statements.

INTERNATIONAL PAPER COMPANY HOURLY SAVINGS PLAN
 STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 YEARS ENDED DECEMBER 31, 2017 AND 2016

(Amounts in thousands)

| | 2017 | 2016 |
|---|----------------|---------------|
| ADDITIONS: | | |
| Contributions: | | |
| Participants' contributions | \$95,585 | \$92,065 |
| Employer's contributions | 31,406 | 29,421 |
| Total contributions | 126,991 | 121,486 |
| Investment (loss) income — Plan interest in Master Trust | | |
| Net appreciation (depreciation) | 154,799 | 81,611 |
| Interest | 13,261 | 11,870 |
| Dividends | 6,771 | 6,705 |
| Investment income (loss) — Plan interest in Master Trust | 174,831 | 100,186 |
| Investment income (loss) — Self-directed brokerage accounts | 2,381 | 1,332 |
| Total investment income (loss) | 177,212 | 101,518 |
| Interest income on notes receivable from participants | 3,964 | 3,653 |
| Total additions | 308,167 | 226,657 |
| DEDUCTIONS: | | |
| Benefits paid to participants | 130,074 | 129,189 |
| Net transfers to other plans (Note 8) | 15,306 | 11,887 |
| Administrative expenses | 891 | 1,434 |
| Total deductions | 146,271 | 142,510 |
| NET INCREASE (DECREASE) | 161,896 | 84,147 |
| NET ASSETS AVAILABLE FOR BENEFITS: | | |
| Beginning of year | 1,445,534 | 1,361,387 |
| End of year | \$1,607,430 | \$1,445,534 |
| See notes to financial statements. | | |

INTERNATIONAL PAPER COMPANY HOURLY SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the International Paper Company Hourly Savings Plan (the "Plan") provides only general information about the provisions of the Plan. Participants should refer to the Plan document or the Plan's summary plan description for a more complete description of the Plan's provisions.

General—The Plan is a defined contribution plan providing retirement benefits to certain designated groups of hourly-paid employees of International Paper Company and its subsidiaries (the "Company") who work in the United States, or who are United States citizens or residents working outside the United States. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

The assets of the Plan are held by State Street Bank and Trust Company (the "Trustee" or "State Street") in the International Paper Company Defined Contribution Plans Master Trust (the "Master Trust"), a master trust established by the Company and administered by the Trustee. Self-directed brokerage accounts and participant loans are not assets of the Master Trust but are a part of the Net Assets Available for Benefits and are also held by State Street.

Empower Retirement (the "Recordkeeper") is the recordkeeper for the Plan. Empower Retirement is a division of Great-West Life & Annuity Insurance Company ("Great-West").

Eligibility to Participate—An employee is generally eligible to participate in the Plan on the first of the month following the completion of one month of continuous service if the employee is an hourly employee at a designated location and is employed on a non-temporary basis. Participation in the Plan is voluntary. New employees are automatically enrolled in the Plan 45 days from the date they become eligible to participate, unless they otherwise decline participation.

Participant Contributions—Participant contributions may be made as before-tax, after-tax or Roth 401(k) contributions, or in any combination, and are subject to certain Internal Revenue Code (the "Code") limitations. The maximum rate of participant contributions is 85% of annual compensation as defined by the Plan. Employees who are automatically enrolled contribute at the rate of 6% at paper mills and 4% of compensation for all others, unless they elect an alternate contribution percentage.

Company Matching Contributions—Generally the Company matches 50% of participants' contributions up to either 4%, 5% or 6% of a participant's annual compensation, subject to certain limitations. Company matching contributions are made in cash.

Retirement Savings Account—The Company makes a Retirement Savings Account ("RSA") contribution based on compensation for employees at designated locations.

Rollover Contributions—The Plan is authorized to accept rollover contributions and direct trust-to-trust transfers of amounts which participants are entitled to receive from other qualified profit-sharing, stock bonus, and savings plans or traditional individual retirement accounts.

Investments—Participants direct the investment of all contributions into various investment options offered by the Plan. The Plan currently offers several diversified portfolios and pooled funds, a fixed income option referred to as the Stable Value Fund, an open brokerage window, and the Company's common stock as investment options for participants. Company matching contributions are invested in accordance with the participant's investment direction applicable to participant contributions. Contributions of participants who are automatically enrolled and the Company matching contributions are invested in the Tier 1 Smartmix Moderate Fund unless the participant makes alternate investment elections.

ESOP Portion of the Plan—The Company Stock Fund, excluding contributions made in the current Plan year, is designated as an employee stock ownership plan ("ESOP"). With respect to dividends paid on shares of Company stock held in the ESOP portion of the Plan, participants are permitted to elect to receive cash payouts of the dividends or to leave the dividends in the Plan to be reinvested in shares of Company stock. Each participant has the right to direct the manner in which whole shares of the Company stock held in the Company Stock Fund attributable to his account at valuation date will be voted at stockholders' meetings. Directions are given to the Trustee and are held in the strictest

confidence and not divulged or released to any person, including officers or employees of the Company. An independent fiduciary appointed by the Company votes in person or by proxy any shares of Company stock for which voting instructions have not been received by the deadline set forth in the Company's written proxy mailed to participants.

Participant Accounts—Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contributions, the Company matching contributions, RSA contributions, and an allocation of Plan earnings, and is charged with benefit distributions, if applicable, and allocations of Plan losses and administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting—Participants are immediately vested in their participant contributions and rollover contributions, plus earnings thereon. Participants become 100% vested in Company matching contributions, RSA contributions, plus earnings thereon, after three years of service.

Participants also are fully vested in amounts contributed by the Company, plus earnings thereon, upon attainment of age 65, termination of employment due to death or disability, or termination of employment due to permanent closure or sale of an employee's work facility. Forfeited balances of terminated participants are used to reduce future Company contributions.

Notes Receivable from Participants—Participants, including participants who are no longer employed by the Company, may borrow from their accounts an amount not to exceed (on a cumulative outstanding basis) the lesser of (1) 50% of the value of a participant's contributions, rollover accounts, and the vested portion of a participant's Company contributions account, less any restricted portions of such accounts, or (2) \$50,000 reduced by the excess of the participant's largest outstanding balance of all loans during the 12 months preceding the date the loan is to be made over the outstanding balance of loans on the date such loan is made.

Loans are repaid through payroll deduction, beginning as soon as administratively practicable after the effective date of the loan, with a minimum loan period of one year. Participants may make payments directly to the Plan if they are on leave of absence without pay. Participants may also pay remaining balances in lump sum directly to the Plan. The maximum repayment period is five years, unless for the purchase of a principal residence, in which case the maximum repayment period is 10 years. It is permissible to have two loans outstanding at any one time, but only one principal residence loan is allowed at a time. The interest rate is determined by the Plan administrator based on the prime interest rate as published in The Wall Street Journal plus 1%. Interest rates on loans outstanding ranged from 4.25% to 10.50% at December 31, 2017 and 2016. For participants who are no longer employed by the Company, loans are repaid by direct payments to the Plan.

A loan initiation fee of \$50 is charged to the participant's account for each new loan requested.

Withdrawals—A participant may make a general withdrawal in the following order: (1) the value of the after-tax contributions made before the preceding 24-month period and the unmatched after-tax contributions made within the preceding 24-month period with no suspension penalty or contribution suspension; (2) the value of the matched after-tax contributions made during the preceding 24 months with a 3-month suspension penalty period during which no Company matching contributions are made; (3) the value of any rollover account; and (4) the value of certain prior Company matching contributions as detailed in the appendix to the Plan document.

If the total amount available to a participant for a general withdrawal is insufficient to meet his financial needs, a participant who has not attained age 59-1/2 may apply for a hardship withdrawal of vested Company matching contributions and earnings thereon, before-tax contributions and pre-1989 earnings on before-tax contributions.

To demonstrate the necessity for a hardship withdrawal, a participant's contributions to the Plan are suspended for six months. As an alternative method of demonstrating necessity, a participant may file a certification of financial hardship.

Participants who have attained age 59-1/2 may withdraw the value of before-tax contributions and the value of vested Company matching contributions, in addition to all amounts available under a general withdrawal.

Payment of Benefits—Distributions may be made when a participant retires, terminates employment, or dies. With the exception of the Company Stock Fund, distributions are in cash for the value of the participant's account. Distributions from the Company Stock Fund are made in shares of Company common stock, in cash, or in a combination of shares and cash, as selected by the participant.

Upon termination of employment, a participant may elect a distribution in a lump-sum payment, partial lump-sum payment or through installments over 5 to 20 years. Beginning January 1, 2011, the maximum installment period for new elections is limited to the maximum life expectancy of the participant or the joint life expectancy of the participant and their beneficiary.

The Plan requires an automatic lump-sum distribution to a terminated participant whose account balance is \$5,000 or less. An automatic lump-sum distribution in excess of \$1,000 is automatically distributed to a rollover Individual Retirement Account (IRA) unless the participant timely elects another form of distribution.

Death benefits to a beneficiary are paid in either a lump-sum payment within five years of the participant's death or in installment payments commencing within one year of the participant's death, as elected by the beneficiary. If the beneficiary is the participant's spouse, the beneficiary may elect to defer the distribution to the date the participant would have been age 70-1/2.

Some participants that have become participants in the Plan due to plan mergers have benefits differing from the general provisions of the Plan. The appendix to the Plan's summary plan description explains these benefits in detail by location. These participants are often allowed to continue certain benefits offered in their previous plans. The contributions available for such withdrawals are only those contributions made under their previous plans and not the contributions or earnings thereon made under the Plan's provisions.

Administrative Expenses—All administrative fees and expenses (except loan, self-directed brokerage account and Qualified Domestic Relations Order "QDRO" initiation fees which are charged to individual participant accounts) are charged to the Plan. The Recordkeeper nets the Master Trust administrative expenses of each plan with the investment income or loss of the Master Trust. Plan level expenses are included in administrative expenses in the accompanying statements of changes in net assets available for benefits.

Forfeited Accounts—When certain terminations of participation in the Plan occur, the non-vested portion of the participant's account as defined by the Plan, represents a forfeiture. The plan document permits the use of forfeitures to reduce future employer contributions for the plan year. However, if a participant is reemployed and fulfills certain requirements, as defined in the plan document, the account will be reinstated. On December 31, 2017 and 2016, forfeited non-vested accounts were valued at approximately \$36,300 and \$3,500, respectively. During the years ended December 31, 2017 and 2016, employer contributions were reduced by approximately \$1,558,800 and \$1,062,100, respectively, from forfeited non-vested accounts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates—The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition—The Plan's investments are stated at fair value, except for fully benefit-responsive contracts or synthetic guaranteed investment contracts, which are reported at contract value. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Contract value is the amount Plan participants would receive if they were to initiate permitted transactions under the terms of the Plan (see Note 5). See Note 4 for discussion on fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Management fees and operating expenses charged to the Master Trust for investments in Master Trust investment accounts are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as an adjustment to net appreciation (depreciation) in fair market value for such investments.

Risks and Uncertainties—The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Notes Receivable from Participants—Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are recorded as distributions based on the terms of the Plan document.

Payment of Benefits—Benefit payments to participants are recorded upon distribution. There were no participants who elected a distribution from the Plan, but had not yet been paid at December 31, 2017.

Excess Contributions Payable—The Plan is required to return contributions to participants in the event certain nondiscrimination tests defined under the Code are not satisfied. For the years ended December 31, 2017 and 2016, the Plan passed the nondiscrimination tests, and no contributions were refundable.

Derivatives—Investments include various derivative instruments, such as swaps, options, forwards and futures, that are employed as asset class substitutes, or for bona fide hedging or other appropriate risk management purposes, to achieve investment objectives in an efficient and cost-effective manner as follows:

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Market Exposure — To gain exposure to a particular market or alter asset class exposures (e.g., tactical asset allocation) quickly and at low cost.

To alter the risk/return characteristics of certain investments. For example, in fixed income accounts, derivatives may be used to alter the duration of the investment portfolio. Investment managers are also permitted to use derivatives to enhance returns by selecting instruments that will perform better than underlying securities under certain scenarios.

Foreign Currency Exposure Management — Investment managers may use derivatives, such as currency forwards, in order to manage foreign currency exposures.

The extent to which investment managers are permitted to use derivatives (and the manner in which they are used) is specified within investment manager investment guidelines. Derivative exposure is monitored regularly to ensure that derivatives are used in a prudent and risk-controlled fashion.

Derivative instruments and hedging activities were immaterial for the years ended December 31, 2017 and 2016.

Securities Lending—The Master Trust has, via a Securities Lending Authorization Agreement with State Street, authorized State Street to lend its securities to broker-dealers and banks pursuant to a form of loan agreement.

During 2017 and 2016, State Street lent, on behalf of the Company, certain securities held by State Street as custodian and received cash, securities issued or guaranteed by the United States government, and irrevocable letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default.

Borrowers were required to deliver collateral for each loan equal to (i) in the case of loaned securities denominated in United States dollars or sovereign debt issued by foreign governments, 103% of the market value of the loaned securities during 2017, and 102% in 2016; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities during 2017 and 2016.

State Street has indemnified the Plan by agreeing to purchase replacement securities, or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no losses during 2017 or 2016 resulting from a default of the borrowers.

The cash collateral received on loans is invested, together with the cash collateral of other qualified tax-exempt plan lenders in a collective investment pool called the Quality D Short-Term Investment Fund. As of December 31, 2017, the Quality D Short-Term Investment Fund had an average duration of 153 days and an average weighted final maturity of 28 days. As of December 31, 2016, such investment pool had an average duration of 91 days and an average weighted final maturity of 31 days.

Recent Accounting Pronouncements—None.

NOTE 3 - MASTER TRUST