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May 8, 2003

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street N.W.
Washington, DC 20549

Re: Release No. 34-47672
File No. SR-NYSE-2002-33

Dear Mr. Katz:

I am submitting the following comments on behalf of International Paper Company with reference to proposed Rule 303A of the New York Stock Exchange Listed Company Manual, and more specifically regarding Rule 303A (5)(b)(ii)(A) thereof. There is a very significant modification in that provision from that contained in the report published for comment by the NYSE Corporate Accountability and Listing Standards Committee in June 2002. The June 2002 report had provided that the compensation committee must "review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and set the CEO's compensation level based on this evaluation." (emphasis added). The proposed Rule 303A(5)(b)(ii)(A) now substitutes for the last phrase "and have sole authority to determine the CEO's compensation level based on this evaluation." (emphasis added).

Under general principles of corporate law, the compensation committee (as other board committees) is established by the board of directors, which delegates certain designated responsibilities to the committee. In normal practice, the Compensation committee would establish the CEO's compensation level and recommend to the board that it be adopted. In the case of International Paper, the Company's Corporate Governance Principles, published on our website, provide:

"The Management Development and Compensation Committee shall recommend the compensation of the Chief Executive Officer based on the independent

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directors' evaluation of the Chief Executive Officer and the Company's financial performance, shareholder return, competitive compensation data, and such other factors as the Committee deems relevant. The independent directors shall determine the compensation of the Chief Executive Officer, based on such recommendation." (emphasis added).

This subject was discussed in great detail among our Governance Committee, Management Development and Compensation Committee, and the independent directors generally. The independent directors felt that they should all have a voice, both in the evaluation of the CEO's performance and in approving his or her compensation based on that evaluation. Because we have nine independent directors (on a ten person board), it was determined that it was neither practical nor advisable to have them all designated as members of the compensation committee, which often meets simultaneously with other board committees. Therefore, our board, after much deliberation, agreed on the process set forth in the Corporate Governance Principles quoted above.

Rule 303A (5)(b)(ii)(A) as proposed would mandate that the members of the compensation committee have the sole authority to determine the CEO's compensation. No justification for this has been set forth by the NYSE, nor was it even contained in the report which they published for comment last summer. The Exchange should not be in the position of attempting to micromanage how corporate boards choose to delegate - - or not delegate - - authority to the committees they establish. And in a period in which **all** independent directors know that they may be subject to shareholder and public criticism for perceived abuses in executive (particularly CEO) compensation, it seems ironic **that** the NYSE would suggest a rule change which would preclude all those independent directors who are not on the compensation committee from having any voice in the determination of CEO compensation. In fact, it is even more incongruous in that the very next provision - - Rule 303(A) (5)(b)(ii)(B) - - states that one of the committee's responsibilities is to "make recommendations to the board with respect to non-CEO compensation. . .", thereby implying that the board should have the determinative role in setting the compensation of the other principal executives, but have no voice in determining the CEO's Compensation.

I am aware that the commentary to Rule 303A(5) provides that "Boards may allocate the responsibilities of the compensation committee to committees of their own denomination, provided that the committees are composed entirely of independent directors. Any such committee must have a published committee charter." However, because the commentary refers only to committees, it does not appear to extend to a situation in which all of the independent directors of the board determine that they should

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jointly exercise the responsibility of evaluating the performance, and approving the compensation, of the CEO. **Again**, the NYSE has set forth no justification for why its listing standards need be so limiting and prescriptive, requiring all listed companies to adopt a "one size fits all" model of corporate governance as dictated by the Exchange.

In conclusion, the NYSE itself **gave** its listed companies no opportunity to comment on a very significant modification to a proposal on which it received widespread comment when it was initially published last summer. Even more importantly, as modified the proposal is emphatically not in keeping with the understandable desire of shareholders generally to hold the entire board of directors, not a committee of some fraction of the directors, responsible - - and accountable to them - - for determining the CEO's compensation.

I appreciate having the opportunity to submit comments on this issue, and thank you for your consideration of those comments.

Sincerely,

A handwritten signature in black ink, appearing to read "James P. Malian". The signature is written in a cursive style with a large initial "J".