TIME WARNER INC.
Form PRE 14A
March 21, 2008
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 240.14a-12

Time Warner Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

March , 2008

Dear Fellow Stockholder:

You are cordially invited to attend Time Warner Inc. s 2008 Annual Meeting of Stockholders. The meeting will be held on Friday, May 16, 2008, at 10:00 am (local time) at the Omni Hotel at CNN Center in Atlanta, Georgia. A map with directions to the meeting is provided on the back cover of this Proxy Statement.

This Proxy Statement not only describes the items that stockholders are being asked to consider and vote on at the Annual Meeting, but also provides you with important information about your Company.

As a stockholder, you will be asked to vote on a number of important matters. We encourage you to vote on all the matters listed in the enclosed Notice of Annual Meeting of Stockholders and Proxy Statement. The Board of Directors recommends a vote **FOR** each of the Company proposals described as Proposals 1, 2, 3 and 4 in the Proxy Statement and **AGAINST** the stockholder proposal described as Proposal 5 in the Proxy Statement.

Whether or not you plan to attend the Annual Meeting of Stockholders in person, your vote is important. After reading the enclosed Notice and Proxy Statement, **please promptly submit your proxy by telephone, Internet or mail**. If you submit your proxy over the Internet, you will have the opportunity to agree to receive future stockholder documents electronically via e-mail, and we encourage you to do so. If you choose to vote this year by traditional proxy or instruction card, please sign, date and mail the card in the envelope provided.

If you are planning to attend the Annual Meeting in person, because of security procedures, **you will need to register in advance to gain admission to the meeting**. In addition to registering in advance, **you will be required to present government-issued photo identification** (*e.g.*, driver s license or passport) to enter the Omni Hotel on the day of the Annual Meeting. Inspection of vehicles, packages and bags and checking of bags, among other measures, may be employed to enhance the security of those attending the meeting. These procedures may require additional time. Please plan accordingly. You can register by calling (866) 771-8463 by Wednesday, May 14, 2008. If you are unable to attend the meeting in person, you may hear the audiocast live on the Internet at *www.timewarner.com/annualmeetingmaterials*.

We look forward to greeting those of you who are able to attend the Annual Meeting in Atlanta.

Sincerely,

Richard D. Parsons	Jeffrey L. Bewkes
Chairman of the Board	*President and Chief Executive Officer*

YOUR VOTE IS IMPORTANT. PLEASE PROMPTLY SUBMIT YOUR PROXY

BY TELEPHONE, INTERNET OR MAIL.

Table of Contents

Time Warner Inc.

One Time Warner Center

New York, NY 10019-8016

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting (the Annual Meeting) of Stockholders of Time Warner Inc. (the Company) will be held on Friday, May 16, 2008 at 10:00 am (local time). The meeting will take place at:

Omni Hotel at CNN Center

Grand Ballroom, M4 Level, North Tower

100 CNN Center

Atlanta, GA 30303

(see directions and parking instructions on back cover)

The purposes of the meeting are:

1. To elect 13 directors for a term of one year and until their successors are duly elected and qualified;

2. To consider and approve the Company s proposal to amend the Company s Restated Certificate of Incorporation to eliminate the remaining super-majority vote requirements;

3. To consider and approve the Amended and Restated Time Warner Inc. Annual Bonus Plan for Executive Officers to preserve the Company s tax deductions;

4. To ratify the appointment of the firm of Ernst & Young LLP as independent auditors of the Company for 2008;

5. To consider and vote on the stockholder proposal described in the attached Proxy Statement, if properly presented at the Annual Meeting; and

6. To transact such other business as may properly come before the Annual Meeting.

The close of business on March 21, 2008 is the record date for determining stockholders entitled to vote at the Annual Meeting. Only holders of the Company s common stock as of the record date are entitled to vote on some or all of the matters listed in this Notice of Annual Meeting.

Whether or not you plan to attend the Annual Meeting in person, please sign and date the enclosed proxy and return it promptly in the enclosed pre-addressed reply envelope or submit your proxy by telephone or the Internet. Any stockholder of record who is present at the meeting may vote in person instead of by proxy, thereby canceling any previous proxy. You may not appoint more than three persons to act as your proxy at the meeting.

Please note that, if you plan to attend the Annual Meeting in person, you will need to register in advance to be admitted. You may register in advance by telephone at (866) 771-8463. The Annual Meeting will start promptly at 10:00 am. To avoid disruption, admission may be limited once the meeting begins.

TIME WARNER INC.

PAUL F. WASHINGTON

Secretary

March , 2008

Table of Contents

TABLE OF CONTENTS

Table of Contents

TIME WARNER INC.

One Time Warner Center

New York, NY 10019-8016

PROXY STATEMENT

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Time Warner Inc., a Delaware corporation (Time Warner or the Company), for use at the Annual Meeting of the Company s stockholders (the Annual Meeting) to be held on Friday, May 16, 2008, at the Omni Hotel at CNN Center in Atlanta, Georgia, commencing at 10:00 am, local time, and at any adjournment or postponement, for the purpose of considering and acting upon the matters set forth in the accompanying Notice of Annual Meeting of Stockholders. Stockholders attending the Annual Meeting in person should follow the directions provided on the back cover of the Proxy Statement.

This Proxy Statement and accompanying forms of proxy and voting instructions are first being mailed on or about April , 2008 to stockholders entitled to vote at the Annual Meeting. For information about stockholders eligibility to vote at the Annual Meeting, shares outstanding on the record date and the ways to submit and revoke a proxy, please see Voting at the Annual Meeting, below.

Annual Report

A copy of the Company s Annual Report to Stockholders for the year 2007 has been sent simultaneously with this Proxy Statement or has been previously provided to all stockholders entitled to vote at the Annual Meeting.

Recommendations of the Board of Directors

The Board of Directors recommends a vote **FOR** the election of the nominees for election as directors; **FOR** the approval of the Company s proposal to amend the Company s Restated Certificate of Incorporation to eliminate the remaining super-majority vote requirements; **FOR** the approval of the Amended and Restated Time Warner Inc. Annual Bonus Plan for Executive Officers; **FOR** the ratification of the appointment of Ernst & Young LLP as independent auditors of the Company for 2008; and **AGAINST** the stockholder proposal described in this Proxy Statement.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on Friday, May 16, 2008: This Proxy Statement and the Company s 2007 Annual Report to Stockholders are available electronically at *www.timewarner.com/annualmeetingmaterials*.

CORPORATE GOVERNANCE

Time Warner is committed to maintaining strong corporate governance practices that allocate rights and responsibilities among the Company s stockholders, the Board of Directors (the Board or the Board of Directors) and management in a manner that benefits the long-term interests of the Company s stockholders. Accordingly, the Company s corporate governance practices are designed not merely to satisfy regulatory requirements, but to provide for effective oversight and management of the Company.

During 2007 and early 2008, the Board took a number of steps to enhance further the Company s corporate governance. These

Table of Contents

changes were, to a large extent, the result of the Board s regular process of reviewing its corporate governance practices in light of proposed and adopted laws and regulations, the practices at other leading companies, the recommendations of various corporate governance authorities, and the expectations of the Company s stockholders. As part of this process, the Board considered specific suggestions.

Recent changes include the following:

Super-Majority Vote Requirements in Company s Restated Certificate of Incorporation and By-laws. At the 2007 Annual Meeting of Stockholders, stockholders approved the Company s proposal to amend the Company s Restated Certificate of Incorporation to eliminate the 80% super-majority vote requirements for stockholder-initiated amendments to the Company s By-laws. The May 2007 amendment to the Company s Restated Certificate of Incorporation, however, did not eliminate all of the super-majority vote requirements in the Company s Restated Certificate of Incorporation. During 2007, the Board gave further consideration to this matter and, as a result, the Company has included a proposal in this Proxy Statement to further amend the Company s Restated Certificate of Incorporation to eliminate the remaining super-majority provisions (see Company Proposals Proposal Two: Proposal to Amend the Company s Restated Certificate of Incorporation to Eliminate the Remaining Super-Majority Vote Requirements below).

Special Meetings of Stockholders. In December 2007, the Board adopted amendments to the Company s By-laws providing that holders of at least 25% of the combined voting power of the Company s outstanding capital stock may request a special meeting of stockholders.

Voting Standard for Election of Directors. In February 2008, the Board adopted amendments to the Company s By-laws to change the voting standard for uncontested elections of directors. Under the By-laws, as amended, uncontested elections are now subject to a majority vote, where both new and incumbent nominees must receive more for votes than against votes in order to be elected to the Board.

In addition to these changes, as noted in the Compensation Compensation Discussion and Analysis section below, the Compensation and Human Development Committee has adopted policies on performance-based compensation and equity dilution. The Company has also continued to engage in an active dialogue with stockholders and others on a variety of governance matters.

Information on the Company s corporate governance is available to the public under both Corporate Governance at *www.timewarner.com/governance* and Investor Relations at *www.timewarner.com/investors* on the Company s website. The information on the website includes: the Company s By-laws, its Corporate Governance Policy (which includes the Board s categorical standards for determining director independence), the charters of the Board s three standing committees, the Company s codes of conduct, the Company s related person transactions policy, and information regarding the process by which stockholders may communicate with members of the Board of Directors. These documents are also available in print by writing to the Company s Corporate Secretary at the following address: Office of the Corporate Secretary, Time Warner Inc., One Time Warner Center, New York, NY 10019-8016.

The remainder of this section of the Proxy Statement summarizes the key features of Time Warner s corporate governance practices:

Board Size

The Board of Directors has adopted a policy that its size should generally be in the range of 12 to 16 members. In establishing its size, the Board considers a number of factors, including (i) resignations and retirements from the current Board, (ii) the availability of candidates, and (iii) balancing the desire of having a small enough Board to facilitate deliberations with, at the same time, having a large enough Board to have the diversity of backgrounds, professional experience and skills so that the Board and its committees can effectively perform their responsibilities in overseeing Time Warner s businesses. Currently, the number of directors is 13.

Criteria for Membership on the Board

While a significant amount of public attention has been focused on the need for a majority of members of a Board to be independent a requirement that Time Warner fully supports and, indeed, is committed to continuing to exceed independence is just one of the important factors that the Board and its Nominating and Governance Committee take into consideration in selecting nominees for director. The Nominating and Governance Committee and the Board of Directors apply the same criteria to all candidates, regardless of whether the candidate is proposed by a stockholder or is identified through some other source.

Overall Composition. As a threshold matter, the Board of Directors believes it is important for the Board as a whole to reflect the appropriate combination of skills, professional experience, and diversity of backgrounds in light of the Company s current and future business needs.

Personal Qualities. Each director must possess certain personal qualities, including financial literacy and a demonstrated reputation for integrity, judgment, business acumen, and high personal and professional ethics. In addition, each director must be at least 21 years of age at the commencement of service as a director and less than 72 years of age at the time of nomination.

Commitment to Time Warner and its Stockholders. Each director must have the time and ability to make a constructive contribution to the Board, as well as a clear commitment to fulfilling the director s fiduciary duties and serving the interests of all the Company s stockholders.

Other Commitments. Each director must satisfy the requirements of antitrust laws that limit service as an officer or director by a significant competitor of the Company. In addition, in order to ensure that directors have sufficient time to devote to their responsibilities, the Board determined that directors should generally serve on no more than five other public company boards. Directors are also required to offer their resignation upon a significant change in their primary professional responsibilities, and the Nominating and Corporate Governance Committee will make a recommendation to the Board as to whether to accept the offer of resignation.

Additional Criteria for Incumbent Directors. During their terms, all incumbent directors on the Company s Board are expected to attend the meetings of the Board and committees on which they serve and the annual meetings of stockholders; to stay informed about the Company and its businesses; to participate in discussions; to comply with applicable Company policies; and to provide advice and counsel to the Company s management.

Additional Criteria for New Directors. As part of its annual assessment of the Board s composition in light of the Company s current and expected business needs, the Nominating and Governance Committee has identified additional criteria for new members of the Board. The following attributes may evolve over time depending on changes in the Board and the Company s business needs and environment, and may be changed before the proxy statement for the 2009 Annual Meeting of Stockholders is furnished to stockholders.

Professional Experience. New candidates for the Board should have significant

Table of Contents

experience in one or more of the following areas: chief executive officer or a senior executive of a major public corporation (or comparable position in government or the non-profit sector), including, but not limited to, those with experience in finance and/or technology.

Diversity. The Committee also believes it would be desirable for new candidates for the Board to enhance the gender, ethnic, and/or geographic diversity of the Board.

Committee Eligibility. In addition to satisfying the independence requirements that apply to directors generally (see below), the Committee believes that it would be desirable for new candidates for the Board to satisfy the requirements for serving on the Board s committees, as set forth in the charters for those committees and applicable regulations.

Director Experience. The Committee believes it would also be desirable for candidates for the Board to have experience as a director of a major public corporation.

Independence. In addition to the foregoing criteria, the Board of Directors and Nominating and Governance Committee have established a policy that a majority of the directors, and any newly nominated non-employee director, must satisfy the requirements to be an independent member of the Board. In addition, the Board has established the goal that a substantial majority of the Board should be independent. The Board has determined that 11 of the 13 current directors (or 85% of the Board), and 11 of the 13 nominees for director are independent in accordance with the Company s criteria. The following current directors were determined by the Board to be independent: James L. Barksdale, Stephen F. Bollenbach, Frank J. Caufield, Robert C. Clark, Mathias Döpfner, Jessica P. Einhorn, Reuben Mark, Michael Miles, Kenneth J. Novack, Francis T. Vincent, Jr. and Deborah C. Wright. Each of the foregoing directors is a nominee for director. The Board previously determined that Edward J. Zander, a former director who served during 2007 but did not stand for re-election at the Company s 2007 Annual Meeting, was independent during his service as a director for part of 2007.

The Board applies the following New York Stock Exchange (NYSE) criteria in making its independence determinations (for the purposes of the independence determinations under NYSE rules and the Board s categorical standards for director independence, references to the Company mean Time Warner Inc. and its consolidated subsidiaries):

No Material Relationship. The director must not have any material relationship with the Company. In making this determination, the Board considers all relevant facts and circumstances, including commercial, charitable, and familial relationships that exist, either directly or indirectly, between the director and the Company.

Employment. The director must not have been an employee of the Company at any time during the past three years. In addition, a member of the director s immediate family (including the director s spouse; parents; children; siblings; mothers-, fathers-, brothers-, sisters-, sons- and daughters-in-law; and anyone who shares the director s home, other than household employees) must not have been an executive officer of the Company in the prior three years.

Other Compensation. The director or immediate family member must not have received more than $100,000 per year in direct compensation from the Company, other than in the form of director fees, pension, or other forms of deferred compensation, during the past three years.

Auditor Affiliation. The director must not be a current partner or employee of the Company s internal or external auditors and the director s immediate family member must not be a current employee of such auditors who participates in the firm s audit, assurance or tax compliance (but not tax planning) practice or a current partner of such auditors. In addition, the director or an immediate family member must not have been within the last three years a partner or employee of such firm who personally worked on the Company s audit.

Interlocking Directorships. During the past three years, the director or immediate family member cannot have been employed as an executive officer by another entity for which one of Time Warner s current executive officers served at the same time on the compensation committee.

Business Transactions. The director must not be an employee of another entity that, during any one of the past three years, received payments from the Company, or made payments to the Company, for property or services that exceed the greater of $1 million or 2% of the other entity s annual consolidated gross revenues. In addition, a member of the director s immediate family cannot have been an executive officer of another entity that, during any one of the past three years, received payments from the Company, or made payments to the Company, for property or services that exceed the greater of $1 million or 2% of the other entity s annual consolidated gross revenues.

Additional Categorical Criteria. In addition to applying the NYSE requirements summarized above, the Board has also developed the following categorical standards, which it uses to guide it in determining whether a material relationship exists with the Company that would affect a director s independence:

Ø *Charitable Contributions.* Discretionary charitable contributions by the Company to established non-profit entities with which a director or a member of the director s family is affiliated shall generally be deemed not to create a material relationship, unless they occurred within the last three years and (i) were inconsistent with the Company s philanthropic practices; or (ii) were provided to an organization where the director or spouse is an executive officer or director and the Company s contributions for the most recently completed fiscal year represent more than (a) the greater of $100,000 or 10% of that organization s annual gross revenues for organizations with gross revenues up to $10 million per year or (b) the greater of $1 million or 2% of that organization s annual gross revenues for organizations with gross revenues of more than $10 million per year; or (iii) the aggregate amount of the Company s contributions to the organizations where a director or spouse is an executive officer or director is more than the greater of $1 million or 2% of all such organizations annual gross revenues.

Ø *Employment and Benefits.* The employment by the Company of a member of a director s family shall generally be deemed not to create a material relationship, unless such employment (i) is of the type set forth above under Employment or Other Compensation or (ii) involves employment at a salary of more than $100,000 per year of a director s current spouse, domestic partner, or child. Further, vested and non-forfeitable equity-based benefits and retirement benefits provided to directors or their family members under qualified plans as a result of prior employment shall generally be deemed not to create a material relationship.

Ø *Other Transactions.* Transactions between the Company and another entity with which a director or a member of a director s family is affiliated

Table of Contents

shall generally be deemed not to create a material relationship unless (i) they are of the type set forth above under Business Transactions ; (ii) they occurred within the last three years and were inconsistent with other transactions in which the Company has engaged with third parties; (iii) they occurred within the last three years and the director is an executive officer, employee or substantial owner of the other entity and such transactions represent more than 5% of the Company s annual consolidated gross revenues for the prior fiscal year or 2% of the other entity s gross revenues for the prior fiscal year; or (iv) they occurred within the last three years and the director s immediate family member serves as an executive officer of the other entity and such transactions represented more than 5% of the Company s annual consolidated gross revenues or 2% of the other entity s gross revenues for the prior fiscal year.

Ø *Interlocking Directorships.* Service by an employee of the Company as a director of an entity where a director, or a director s family member, serves as an executive officer shall generally be deemed not to create a material relationship unless the Company employee (i) is an executive officer of the Company; (ii) reports directly to the Board; or (iii) has annual compensation that is approved by the Board s Compensation and Human Development Committee. In addition, service by an employee of the Company as a director of an entity where one of the Company s directors or a member of the director s family serves as a non-employee director shall generally be deemed not to create a material relationship.

Ø *Educational and Other Affiliations.* Attendance by an employee of the Company at an educational institution affiliated with one of the Company s directors or a member of the director s family, or membership by an employee of the Company in a professional association, social, fraternal or religious organization, club or institution affiliated with a Company director or a member of his or her family, shall generally be deemed not to create a material relationship.

Ø *Security Ownership.* The ownership by an employee of the Company of the securities of an entity where one of the Company s directors or a member of the director s family serves as a director or an employee shall generally be deemed not to create a material relationship, unless (i) the Company employee (a) is an executive officer of the Company or reports directly to the Board or a Committee of the Company or has annual compensation approved by the Compensation and Human Development Committee and (b) beneficially owns more than 5% of any class of the other entity s voting securities; and (ii) the Company director or a member of a director s family is a director or executive officer of the other entity.

Independent Judgment. Finally, in addition to the foregoing independence criteria, which relate to a director s relationship with the Company, the Board also requires that independent directors be free of any other affiliation whether with the Company or another entity that would interfere with the exercise of independent judgment.

Table of Contents

The following are types of transactions, relationships or arrangements that the Board of Directors considered in determining the independence of those directors identified above as being independent:

Business Transactions: Transactions in the ordinary course of business between the Company and an entity of which the Company s director is an executive officer, employee or substantial owner, or an immediate family member is an executive officer. Within the three most recent completed fiscal years, the Company has engaged in transactions in the ordinary course of business with the following companies and/or their subsidiaries: Hilton Hotels Corporation (for which Mr. Bollenbach previously served as Co-Chairman and Chief Executive Officer), Axel Springer AG (for which Mr. Döpfner serves as Chairman and Chief Executive Officer), Colgate-Palmolive Company (for which Mr. Mark serves as Chairman and previously served as Chief Executive Officer), Staples, Inc. (for which an immediate family member of Mr. Miles serves as an executive officer), Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC (where Mr. Novack is employed as Senior Counsel), Carver Federal Savings Bank (for which Ms. Wright serves as President and Chief Executive Officer) and Motorola, Inc. (for which Mr. Zander served as Chief Executive Officer and serves as Chairman).

Other Business Transactions: Transactions in the ordinary course of business between the Company and an entity of which the Company s director serves or served as a non-employee director in 2007. Although these types of transactions would generally not prevent a determination that a director is independent, information regarding such transactions is provided to the Board of Directors for consideration. Within the three most recent completed fiscal years, the Company has engaged in transactions in the ordinary course of business with the following companies and/or their subsidiaries for which the following directors served as non-employee director or trustee during all or part of 2007: FedEx Corporation, Sun Microsystems, Inc. and Revolution Health Group LLC (Mr. Barksdale); KB Home, Harrah s Entertainment, Inc. and Macy s, Inc. (Mr. Bollenbach); Omnicom Group, Inc. and TIAA (Mr. Clark); ProSiebenSat.1 Media AG and dpa Deutsche Presse Agentur GmbH (Mr. Döpfner); Cabela s Incorporated (Mr. Mark); AMR Corporation, Citadel Broadcasting Corporation and Dell Inc. (Mr. Miles); Kraft Foods Inc. (Ms. Wright); and Netezza Corporation, Boston University and Rensselaer Polytechnic Institute (Mr. Zander).

Charitable Contributions: Discretionary charitable contributions to organizations for which a Company s director or a director s spouse serves as an executive officer or director. Within the three most recent completed fiscal years, the Company has made discretionary charitable contributions that are consistent with the Company s philanthropic practices to organizations affiliated with 8 of the Company s 11 current non-employee directors. These contributions were below the thresholds contained in the Company s Corporate Governance Policy.

Other Relationships:

Within the three most recent completed fiscal years, (i) Mr. Caufield and Ms. Einhorn have served, and continue to serve, on the global advisory board of J.E. Robert Companies; (ii) a President and Chief Executive Officer of one of the Company s subsidiaries has served, and continues to serve, as a trustee of TIAA, where Mr. Clark also serves as a trustee; and (iii) Ms. Einhorn and Mr. Bewkes have served as directors on

Table of Contents

the board of the Council on Foreign Relations.

Mr. Vincent leases office space in Stamford, Connecticut from Time Warner Cable Inc. See Additional Information below.
The Nominating and Governance Committee and the Board of Directors reviewed the transactions, relationships or arrangements described above and, based on the Company s categorical standards and the NYSE rules governing director independence, determined that the transactions, relationships or arrangements did not affect the applicable director s independence.

Director Nomination Process

There are a number of different ways in which an individual may be nominated for election to the Board of Directors.

Nominations Developed by the Nominating and Governance Committee. The Nominating and Governance Committee may identify and propose an individual for election to the Board. This involves the following steps:

Assessment of Needs. As described above, the Nominating and Governance Committee conducts periodic assessments of the overall composition of the Board in light of the Company s current and expected business needs and, as a result of such assessments, the Committee may establish specific qualifications that it will seek in Board candidates. The Committee reports on the results of these assessments to the full Board of Directors.

Identifying New Candidates. In light of such assessments, the Committee may seek to identify new candidates for the Board who possess the specific qualifications established by the Committee and satisfy the other requirements for Board service. In identifying new director candidates, the Committee seeks advice and names of candidates from Committee members, other members of the Board, members of management, and other public and private sources. The Committee may also, but need not, retain a search firm in order to assist it in these efforts. In 2007, the Committee retained an outside search firm to assist the Committee in identifying potential candidates for the Board and performing due diligence with respect to potential candidates.

Reviewing New Candidates. The Committee reviews the potential new director candidates identified through this process. This involves reviewing the candidates qualifications as compared to the specific criteria established by the Committee and the more general criteria established by the By-laws and Corporate Governance Policy. The Committee may also select certain candidates to be interviewed by one or more Committee members.

Reviewing Incumbent Candidates. On an annual basis, the Committee also reviews the qualifications of incumbent candidates for renomination to the Board. This review involves an analysis of the criteria set forth above that apply to incumbent directors.

Recommending Candidates. The Committee recommends a slate of candidates for the Board of Directors to submit for approval to the stockholders at the annual stockholders meeting. This slate of candidates may include both incumbent and new nominees. In addition, apart from this annual process, the Committee may, in accordance with the By-laws, recommend that the Board elect new members of the Board who will serve until the next annual stockholders meeting.

Table of Contents

Stockholder Nominations Submitted to the Committee. Stockholders may also submit names of director candidates, including their own, to the Nominating and Governance Committee for its consideration. The process for stockholders to use in submitting suggestions to the Nominating and Governance Committee is set forth below at Other Procedural Matters Procedures for Submitting Director Recommendations and Nominations.

Stockholder Nominations Submitted to Stockholders. Stockholders may choose to submit nominations directly to the Company s stockholders. The Company s By-laws set forth the process that stockholders may use if they choose this approach, which is described below at Other Procedural Matters Procedures for Submitting Director Recommendations and Nominations.

Director Elections. The Company s By-laws, as amended in February 2008, provide that, in any uncontested election of directors, each person receiving a majority of the votes cast will be deemed elected. Accordingly, any new director nominee in an uncontested election who receives more against votes than for votes will not be elected to the Board. If any incumbent director receives more against votes than for votes, he or sh must submit an offer to resign from the Board no later than two weeks after the certification by the Company of the voting results. The Board will then consider the resignation offer and may either accept the offer or reject the resignation offer and seek to address the underlying cause(s) of the against votes. The Board is required to make its determination within 90 days following the certification of the stockholder vote and make a public announcement of its decision, including a statement regarding the reasons for its decision if the Board rejects the resignation offer. This procedure also provides that the Chairman of the Nominating and Governance Committee has the authority to manage the Board s review of the resignation offer, except in the circumstance in which it is the Chairman of the Nominating and Governance Committee who has received the majority-withheld vote. In such a circumstance, the remaining independent directors who did not receive majority-withheld votes would select a director to manage the process. In any contested election of directors, the election will be subject to a plurality vote standard, where the persons receiving the highest numbers of the votes cast, up to the number of directors to be elected in such election, will be deemed elected. A contested election is one in which the number of persons nominated exceeds the number of directors to be elected as of the date that is ten days prior to the date that the Company first mails its notice of meeting for such meeting to the stockholders.

Board Responsibilities

The Board s primary responsibility is to seek to maximize long-term stockholder value. The Board selects senior management of the Company, monitors management s and the Company s performance, and provides advice and counsel to management. Among other things, at least annually, the Board reviews the Company s strategy and approves a business plan and budget for the Company. As part of the Board s review of the Company s strategy, the Board evaluates the Company s businesses and determines whether, in its view, stockholder value would be enhanced by expanding, divesting or otherwise restructuring the ownership of any of these businesses. The Board also reviews and approves transactions in accordance with guidelines that the Board may adopt from time to time. In fulfilling the Board s responsibilities, directors have full access to the Company s management, internal and external auditors, and outside advisors.

In 2007, the Board approved a number of significant actions, including (i) the election of a new Chief Executive Officer and Chief Financial Officer as part of an orderly transition process for both positions, (ii) divestitures to streamline and strengthen the Company s portfolio of businesses (such as the divestiture of the Atlanta Braves baseball franchise and the Parenting Group and most of the Time4Media magazines); and (iii) acquisitions to strengthen the Platform-A advertising network business of the Company s AOL division and thereby accelerate AOL s transition from a subscription-based Internet access business to a primarily advertising-supported business. In addition to its regular reviews of the Company s strategy and business plan, the Board also focused on the Company s strategy for international growth, as well as its public policy and corporate social responsibility activities.

Board Meetings and Executive Sessions

The Board of Directors not only holds regular quarterly meetings, but also holds at least four special-purpose meetings each year to review the Company s strategy, to approve its annual business plan and annual budget, and to act on the Company s annual proxy statement and to approve financial filings with the Securities and Exchange Commission (the SEC). The Board of Directors also communicates informally with management on a regular basis.

Non-employee directors, all of whom are independent, meet by themselves, without management or employee directors present, at every regularly scheduled Board meeting. Any director may request additional executive sessions.

These executive sessions are led by the Chair of the committee that has primary responsibility for the matter being discussed (*e.g.*, the Audit and Finance Committee Chair would lead a discussion of audit-related matters). When it is not apparent which committee has specific responsibility for the subject matter, the Lead Independent Director leads the discussion. By a majority vote, the Board, non-employee directors, or independent directors may retain their own counsel or other advisors.

Lead Independent Director

Since May 19, 2006, Mr. Caufield has served as Lead Independent Director. The Lead Independent Director presides at executive sessions of the Board (see Board Meetings and Executive Sessions above) and serves as the liaison between the Chairman and the other Directors (unless the matter under consideration is within the jurisdiction of one of the Board s committees). In addition, the Lead Independent Director s responsibilities include: advising the Chairman of the Board with respect to the schedule, agenda and information for Board meetings (including possessing the ability to include specific items on those agendas); advising the Chairman of the Board with respect to consultants who may report directly to the Board; and being available, as appropriate, for communication with the Company s stockholders.

Committees of the Board

The Board has three standing committees: the Audit and Finance Committee, the Compensation and Human Development Committee and the Nominating and Governance Committee.

Each committee is composed entirely of independent directors. The Chair of each committee is elected by the Board and rotated periodically. Each committee also holds regular executive sessions at which management is not present. Each committee is also authorized to retain its own outside counsel and other advisors as it desires.

As noted above, the charters for each standing committee are available on the Company s website, and a brief summary of the committees responsibilities follows:

Audit and Finance Committee. The Audit and Finance Committee assists the Board of Directors in fulfilling its responsibilities in connection with the Company s (i) independent auditors, (ii) internal audit function, (iii) ethics and compliance program and risk management

Table of Contents

policies and processes, (iv) responses to any regulatory actions involving financial, accounting and internal control matters, (v) earnings releases and guidance, financial statements and systems of disclosure controls and procedures and internal control over financial reporting, and (vi) capital structure and financial capacity and strategy.

Nominating and Governance Committee. The Nominating and Governance Committee is responsible for assisting the Board in relation to (i) corporate governance, (ii) director nominations, (iii) committee structure and appointments, (iv) Chairman and CEO performance evaluations and CEO succession planning, (v) Board performance evaluations, (vi) director compensation, (vii) regulatory matters relating to corporate governance, (viii) stockholder proposals and communications, (ix) related person transactions, and (x) the Company s corporate social responsibility activities.

Compensation and Human Development Committee. The Compensation and Human Development Committee is responsible for (i) approving compensation and employment agreements for, and reviewing benefits provided to, the Company s senior executives, (ii) overseeing the Company s disclosure regarding executive compensation and, together with the Nominating and Development Committee, making recommendations to the Board regarding the Company s responses to stockholder proposals related to compensation matters for inclusion in the Company s annual proxy statement, (iii) reviewing the Company s overall compensation structure and benefit plans, (iv) reviewing the Company s response to regulatory developments affecting compensation, (v) reviewing officer appointments, and (vi) overseeing the Company s human development programs, including recruitment, retention, development, diversity and internal communication programs. Except as otherwise prohibited by law, the Company s Restated Certificate of Incorporation or By-laws, the Committee may delegate its responsibilities to subcommittees or individuals.

The Compensation and Human Development Committee s primary processes for establishing and overseeing executive compensation are described in the Compensation Compensation Discussion and Analysis section below.

Compensation Committee Interlocks and Insider Participation. Consistent with the Company s categorical standards for director independence and the charter of the Compensation and Human Development Committee, none of the Compensation and Human Development Committee members (i) has ever been an officer or employee of the Company or (ii) is or was a participant in a related person transaction in 2007. None of the Company s executive officers serves, or in 2007 served, as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of the Company s Board of Directors or the Compensation and Human Development Committee.

Board Self-Evaluation

The Board of Directors conducts a self-evaluation of its performance annually, which includes a review of the Board s composition, responsibilities, leadership and committee structure, processes and effectiveness. Each standing committee of the Board also conducts a self-evaluation with respect to such committee.

Director Orientation and Education

Each individual, upon joining the Board of Directors, is provided with an orientation regarding the role and responsibilities of the Board and the Company s operations. As part of this orientation, new directors meet with members of the Company s senior management. The Company is also committed to the ongoing education of its directors. From time to time, the Company s executives and the heads of its

Table of Contents

business groups make presentations to the Board regarding their respective areas. Moreover, the Company reimburses directors for reasonable expenses relating to ongoing director education.

Non-Employee Director Compensation and Stock Ownership

The Board of Directors is responsible for establishing compensation for the Company s non-employee directors. At least every two years, the Nominating and Governance Committee reviews, with assistance from an outside consultant, the compensation for non-employee directors, including reviewing compensation provided to non-employee directors at other companies, and makes a recommendation to the Board for its approval. It is the Company s policy that the majority of non-employee directors compensation should be equity-based. (For details on the compensation currently provided to non-employee directors, please see Compensation Director Compensation.)

It is also the Board s policy that non-employee directors are encouraged to own the Company s stock and each is expected to own at least 5,000 shares of the Company s stock within three years of joining the Board. Additionally, in January 2003, the Board of Directors adopted a policy requiring non-employee directors to retain for a period of at least one year shares of the Company s common stock representing at least 75% of the estimated after-tax gain realized upon the exercise of stock options, after paying the exercise price, or the vesting of restricted stock. (For purposes of this calculation, the tax rate is deemed to be 50%.)

The Company also expects all directors to comply with all federal, state and local laws regarding trading in securities of the Company and disclosing material, non-public information regarding the Company, and the Company has procedures in place to assist directors in complying with these laws.

Codes of Conduct

In order to help assure the highest levels of business ethics at the Company, the Board of Directors has adopted the following three codes of conduct, which are posted on the Company s website at *www.timewarner.com/governance*.

Standards of Business Conduct. The Company s Standards of Business Conduct apply to the Company s employees, including any employee directors. The Standards of Business Conduct establish policies pertaining to employee conduct in the workplace, electronic communications and information security, accuracy of books, records and financial statements, securities trading, confidentiality, conflicts of interest, fairness in business practices, the Foreign Corrupt Practices Act, antitrust laws and political activities and solicitations.

Code of Ethics for Senior Executives and Senior Financial Officers. The Company s Code of Ethics for Senior Executives and Senior Financial Officers applies to certain executive officers of the Company, including the Company s Chief Executive Officer, President, Chief Operating Officer (if any), Chief Financial Officer and Controller, and serves as a supplement to the Standards of Business Conduct. Among other things, the code mandates that the designated officers engage in honest and ethical conduct, avoid conflicts of interest and disclose any relationship that could give rise to a conflict, protect the confidentiality of non-public information about the Company, work to achieve responsible use of the Company s assets and resources, comply with all applicable governmental rules and regulations and promptly report any possible violation of the code. Additionally, the code requires that these individuals promote full, fair, understandable and accurate disclosure in the Company s publicly filed reports and other public communications and sets forth standards for accounting practices and records. Individuals to whom the code applies are held accountable for their adherence to it. Failure to observe the terms of this code or the Standards of Business Conduct can result in

Table of Contents

disciplinary action (including termination of employment).

Guidelines for Non-Employee Directors. The Guidelines for Non-Employee Directors assist the Company s non-employee directors in fulfilling their fiduciary and other duties to the Company. In addition to affirming the directors duties of care and loyalty, the guidelines set forth specific policies addressing, among other things, securities trading and reporting obligations, gifts, the Foreign Corrupt Practices Act, political contributions and antitrust laws.

Policy and Procedures Governing Related Person Transactions

In February 2007, the Board adopted the Time Warner Inc. Policy and Procedures Governing Related Person Transactions. This is a written policy and set of procedures for the review and approval or ratification of transactions involving related persons, which consist of directors, director nominees, executive officers, persons or entities known to the Company to be the beneficial owner of more than five percent (5%) of any outstanding class of the voting securities of the Company, or immediate family members or certain affiliated entities of any of the foregoing persons. Under authority delegated by the Board, the Nominating and Governance Committee (or its Chair, under certain circumstances) is responsible for applying the policy with the assistance of the General Counsel or his designee (if any). Transactions covered by the policy consist of any financial transaction, arrangement or relationship or series of similar transactions, arrangements or relationships, in which (i) the aggregate amount involved will or may be expected to exceed $100,000 in any calendar year; (ii) the Company is, will or may be expected to be a participant; and (iii) any related person has or will have a direct material interest or an indirect material interest.

In addition to the requirements described above for transactions covered by the policy, the policy includes a list of categories of transactions identified by the Board as having no significant potential for an actual or apparent conflict of interest or improper benefit to a related person, and thus are not subject to review by the Nominating and Governance Committee. These excluded transactions consist of the following types of transactions between the Company or any of its consolidated subsidiaries and a related person or another entity with which a related person is affiliated: