

Time Warner Inc.
2011 Report on Determination of Current Board Leadership Structure

This report provides (i) a description of the process undertaken by the Board of Directors in connection with its annual review of the Board's leadership structure, and (ii) a summary of the reasons for the Board's conclusion that the current structure, with one individual serving as Lead Independent Director and another serving as the Corporation's Chairman of the Board and Chief Executive Officer, is effective and appropriate.¹

Background

Under Time Warner Inc.'s Corporate Governance Policy, the Nominating and Governance Committee is responsible for reviewing and making recommendations to the Board regarding the Board's leadership structure, which includes evaluating whether (i) one individual should serve as Chairman of the Board and CEO and (ii) the Board should have a Lead Independent Director.

As a long-standing practice, the Nominating and Governance Committee and Board have reviewed the leadership structure of the Board on at least an annual basis through the Board's self-evaluations. Further, in addition to the Compensation and Human Development Committee's reviews of the performance of the Chairman and CEO in connection with setting executive compensation, the Nominating and Governance Committee and Board have reviewed the performance of the individual or individuals who serve as Chairman and CEO, on at least an annual basis, as part of their annual performance reviews. The Nominating and Governance Committee also reviews the performance of, and the independent Directors of the Board elect, the Lead Independent Director on an annual basis.

In January 2009, the Board enhanced and further documented the Corporation's practices in this area by adopting the "Policy on Determining the Leadership Structure of the Board of Directors," which provides for an annual review of the Board's leadership structure and the performance of the individuals who serve in Board leadership positions.

The Policy provides that the Nominating and Governance Committee will review (i) the Board's leadership structure, (ii) the responsibilities of the Chairman, CEO, and Lead Independent Director positions, and (iii) the qualifications for those positions, including whether the Chairman should be an independent Director. The Policy enumerates the criteria that the Nominating and Governance Committee will consider in its review. The Nominating and Governance Committee is then responsible for making a recommendation to the Board with respect to whether to make any changes in the Board's leadership structure.

¹ "Corporation" refers to Time Warner Inc.; "Company" refers collectively to the Corporation and its subsidiaries.

Determination Regarding Current Leadership Structure

The following section summarizes the Nominating and Governance Committee's most recent review of the Board's current leadership structure, in light of the criteria set forth in the Policy. As discussed in more detail below, the Committee concluded that the current arrangement, with Mr. Jeffrey Bewkes serving as the Corporation's Chairman and CEO, is working effectively; that it is an appropriate structure for Time Warner at this time; and that there have not been any significant regulatory, industry, or other developments that would require a different structure.

Board Leadership Positions, Responsibilities and Qualifications. The Committee considered (i) the scope and nature of the respective responsibilities of the Chairman of the Board, Lead Independent Director, and CEO and (ii) the qualifications for each position. The Committee discussed the potential advantages and disadvantages of having a separate and independent Chairman as compared to having one person in both roles. The Committee noted that there is considerable overlap and interplay between the roles of the Chairman and CEO and that having one person perform both roles is currently providing for clearer governance, leadership, and accountability. The Committee also noted that, with Mr. Bewkes as Chairman and CEO, there is an effective flow of information to, and discussion among, Board members regarding the Corporation's strategy, operations and performance.

Policies, Practices, and People in Place to Provide Independent Board Oversight of Management. The Committee considered a number of current policies and practices the Corporation already has in place to ensure independent oversight of management, including the following:

- **Oversight of CEO Performance and Compensation.** The Nominating and Governance Committee and the Compensation and Human Development Committee – which are composed entirely of independent Directors – are responsible for reviewing the performance of the Chairman and CEO, and they report and discuss their findings to the independent Directors in executive session without the Chairman and CEO present, thereby providing effective, independent oversight of the performance and compensation of the Chairman and CEO.
- **Executive Sessions.** The Board and its Committees regularly hold sessions without Mr. Bewkes or other members of management present, thereby providing an opportunity for independent Directors to express and discuss their views. As part of those sessions, the Board and Committees may meet with independent advisors without management present.
- **Agendas and Meetings.** In addition to the Lead Independent Director's role in establishing the agenda for Board meetings, and the role of the Committee Chairmen in reviewing and approving agendas for their Committee meetings, independent Directors have the ability to call additional meetings of the Board, and the independent Directors may meet separately at the request of a single independent Director.

- **Board Selection and Composition.** The independent Nominating and Governance Committee is responsible for recommending Director candidates for the Board, and the Board itself has a high degree of independence, with 12 of its 13 members qualifying as independent.
- **Lead Independent Director.** The Board has a Lead Independent Director, whose responsibilities include the following: (i) presiding at executive sessions of the Board; (ii) serving as the liaison between the Chairman of the Board and the other Directors (unless the matter under consideration is within the jurisdiction of one of the Board's committees); (iii) serving as interim Chairman in the event of the death or incapacitation of the current Chairman; (iv) advising the Chairman with respect to the schedule, agenda, and information for Board meetings (including possessing the ability to include specific items on those agendas); (v) advising the Chairman with respect to consultants who may report directly to the Board; and (vi) being available, as appropriate, for communication with the Corporation's stockholders.

Directors' and Stockholders' Views. The Committee also considered views expressed by Directors regarding the Board's leadership structure in conducting its annual self-evaluations, as well as the views of the Corporation's stockholders (including different categories of stockholders) as expressed in various forums, including the Corporation's annual stockholders meetings. The Committee noted that Directors have indicated that having Mr. Bewkes serve as Chairman and CEO facilitates the Board's discussion of significant business matters, Directors actively question management at Board and committee meetings, and the Lead Independent Director role is working effectively.

Stockholder proposals requiring an independent Chairman of the Board failed to receive majority support at each of Time Warner's 2006, 2007, and 2008 annual meetings.² A similar stockholder proposal was submitted for inclusion in the Corporation's 2009 proxy statement, but that proposal was withdrawn in part due to the adoption of the Policy. Further, while certain investors advocate for an independent Chairman, most of the Corporation's major stockholders believe that the decision to combine or separate the roles of Chairman and CEO should be made by the Board on a case-by-case basis. Generally, average support for stockholder proposals at other companies requiring an independent Chairman has been about 30% over the past four years.³

Company Circumstances. As the Company's circumstances have evolved, the Board has adopted different leadership structures, at times combining the Chairman and CEO positions, and at other times separating them. In the past, the Board has determined that it would be appropriate to separate the Chairman and CEO positions in a few circumstances: (i) following the AOL/Time Warner merger (which accommodated the needs of the merging companies) and (ii) during times of management transition and

² The proposal received approximately 44%, 16% and 16% of the votes cast at the 2008, 2007 and 2006 annual meetings respectively (representing approximately 34%, 12% and 11% of the outstanding shares at the 2008, 2007 and 2006 meetings, respectively).

³ According to data provided by DF King, Time Warner's proxy advisory firm.

succession (*e.g.*, when Mr. Bewkes became CEO).⁴ By comparison, the Board determined that it would be appropriate to combine the Chairman and CEO positions in times when the Company was at an important strategic juncture (*e.g.*, in January 2003 when it named Mr. Richard Parsons to be Chairman in addition to CEO, and, more recently, in December 2008, when it determined that Mr. Bewkes should assume the role of Chairman as well as that of CEO.)

Since the end of 2008, Time Warner has been executing a strategy as a content-focused company, including driving the digital transformation of the company's businesses. The Committee and Board concluded that the Company would continue to benefit from the clarity and accountability provided by having one person serve as Chairman and CEO.

Attraction and Retention of Candidates. The Committee considered the Corporation's ability to attract individuals for the positions of Chairman, CEO and Lead Independent Director, including the potential difficulty of recruiting individuals from positions where they currently serve as both Chairman and CEO. The Committee also considered the potential disruption and negative signal to investors that could be caused by altering the current successful leadership structure.

Practices in the U.S. and Other Countries. The Committee considered practices in the United States, United Kingdom, and other countries. In the U.S. for example, 40% of the S&P 500 companies have separated the Chairman and CEO positions (up slightly from 37% in 2009), but only 19% of them have independent chairmen (up from 16% in 2009).⁵ By comparison, virtually all S&P 500 companies (92%), including Time Warner, have a lead or presiding director.⁶

Although in some other countries the separation of the Chairman and CEO roles is more common, regulatory requirements and industry practice in those countries differ from the U.S. -- for example, the U.K. Combined Code on Corporate Governance encourages boards to have an independent Chairman, but it also encourages boards to have a "strong" presence of inside directors⁷, and German and Dutch companies operate in jurisdictions that split the roles of Chairman and CEO by definition.⁸

The Committee noted that, as demonstrated by certain recent examples involving both U.S. and foreign companies, the separation of the Chairman and CEO positions has

⁴ Time Warner's decision to separate the Chairman and CEO positions in times of transition seems to be in line with prevalent practice -- according to the 2010 Spencer Stuart Board Index, 82% of companies surveyed cited a CEO transition as the rationale for appointing a separate chair.

⁵ Spencer Stuart Board Index, p. 20 (2010).

⁶ Spencer Stuart Board Index, p. 22 (2010).

⁷ Financial Reporting Council, *The Combined Code on Corporate Governance*, at §A.3, p. 7 (June 2008) (stating that "...there should be strong presence on the board of both executive and non-executive directors").

⁸ See "Chairing the Board: The Case for Independent Leadership in Corporate North America," Millstein Center for Corporate Governance and Performance, at 17 *citing* Paul Coombes & Simon Chiu-Yin Wong, "Chairman and CEO -- One Job or Two?", *The McKinsey Quarterly*, n. 2 (2004).

not correlated with successful governance or company performance and may have contributed to a lack of clear responsibility and accountability.

Legislative and Regulatory Developments. The Committee considered recent legislative and regulatory developments relating to board leadership. One of the most significant events in the past year was the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which did not require the separation of the positions of Chairman and CEO.⁹ Instead, the Act directed the SEC to issue rules requiring companies to disclose in their annual proxy statements the reasons why the company has chosen to combine or separate the Chairman and CEO positions. This is consistent with Time Warner's practices and with the rules adopted by the SEC in December 2009.¹⁰ In light of those SEC regulations, 2010 was the first year companies were required to disclose in their proxy statements whether and why the company has chosen to combine or separate the Chairman and CEO positions. Only six companies disclosed a policy requiring the separation of the Chairman and CEO roles.¹¹

Impact on Company Performance. The Committee considered the impact that changing the current effective leadership structure would have on the Company, including noting that empirical evidence has been inconclusive on whether separating the roles of Chairman and CEO has any impact on company performance.¹²

Evaluation of CEO and Lead Independent Director Performance. Finally, while not required as part of the annual review of the leadership structure of the Board, the Committee noted the Nominating and Governance Committee's and Compensation and Human Development Committee's annual review of the performance of Mr. Bewkes as Chairman and CEO of the Corporation, which was completed in January 2011. The Committee considered its most recent assessment of the Lead Independent Director in May 2010.

Conclusion

In light of the factors discussed above, at their January 2011 meetings, the Committee recommended, and the Board determined, to continue the current leadership structure of the Board, with one individual serving as Lead Independent Director and another serving as Chairman of the Board and CEO.

Copies of this Report, as well as Time Warner's Corporate Governance Policy, Nominating and Governance Committee Charter, and Policy on Determining the Leadership Structure of the Board of Directors are available under the Corporate Governance section of the Corporation's website at www.timewarner.com/governance.

⁹ Pub.L. 111-203, H.R. 4173.

¹⁰ Proxy Disclosure Enhancements, 74 Fed. Reg. 68334, 68344, 68365 (2009).

¹¹ Spencer Stuart Board Index, p. 20 (2010).

¹² "Chairing the Board: The Case for Independent Leadership in Corporate North America," Millstein Center for Corporate Governance and Performance, pp. 18-19 (emphasis in the original); *also see generally*, "Let's Get Real on Role Separation: Is Splitting the CEO and Chairperson Positions Leading Edge...Or Over the Edge?" Directors & Boards, Third Quarter 2009.