

TIME WARNER INC.
Form DEF 14A
April 21, 2014

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

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Check the appropriate box:

- o Preliminary Proxy Statement
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Time Warner Inc.

(Name of Registrant as Specified In Its Charter)

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Date Filed:

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Table of Contents

**NOTICE OF 2014 ANNUAL
MEETING OF SHAREHOLDERS
AND PROXY STATEMENT**

**Friday, June 13, 2014 at 10:00 a.m. (local time)
Burbank, California**

Table of Contents

April 21, 2014

Dear Fellow Shareholder:

You are cordially invited to attend Time Warner Inc.'s 2014 Annual Meeting of Shareholders. The meeting will be held on Friday, June 13, 2014, at 10:00 a.m. (local time) at the Steven J. Ross Theater, Warner Bros. Studios, 4000 Warner Boulevard, in Burbank, California. A map with directions to the meeting is provided on the last page of this Proxy Statement. If you are unable to attend the meeting in person, please listen to the webcast live on the Internet at www.timewarner.com/annualmeetingmaterials.

Details about the business to be conducted at the Annual Meeting and other information can be found in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement. As a shareholder, you will be asked to vote on a number of proposals.

Whether or not you plan to attend the Annual Meeting of Shareholders in person, your vote is important. After reading the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement, please submit your proxy or voting instructions promptly.

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

Sincerely,

Jeffrey L. Bewkes
*Chairman of the Board
and Chief Executive Officer*

YOUR VOTE IS IMPORTANT.
PLEASE SUBMIT YOUR PROXY OR VOTING INSTRUCTIONS BY INTERNET, TELEPHONE OR MAIL.

Table of Contents

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting (the Annual Meeting) of Shareholders of Time Warner Inc. (the Company) will be held on Friday, June 13, 2014, at 10:00 a.m. (local time). The meeting will take place at:

Steven J. Ross Theater
Warner Bros. Studios
4000 Warner Boulevard
Burbank, California 91522

(see directions to the meeting and parking instructions on the last page of the accompanying Proxy Statement).

The purposes of the meeting are:

1. To elect 12 directors named in the accompanying Proxy Statement for a term of one year and until their successors are duly elected and qualified;
2. To ratify the appointment of the firm Ernst & Young LLP as independent auditor of the Company for 2014;
3. To hold an annual advisory vote to approve named executive officer compensation;
4. To consider and vote on a shareholder proposal included in the accompanying Proxy Statement, if properly presented at the Annual Meeting; and
5. To transact such other business as may properly come before the Annual Meeting.

The close of business on April 14, 2014, is the record date for determining shareholders entitled to vote at the Annual Meeting or any adjournments or postponements of the meeting. Only holders of the Company's common stock as of the record date are entitled to vote on the proposals described in this Notice of Annual Meeting of Shareholders and the accompanying Proxy Statement.

Whether or not you plan to attend the Annual Meeting in person, please promptly submit your proxy or voting instructions by Internet, telephone or mail by following the instructions in your Notice of Internet Availability of Proxy Materials, proxy card or voting instruction form. Any holder of record who is present at the Annual Meeting may vote in person, which will revoke any proxy previously submitted. If your shares are held through a bank or brokerage account and you want to vote in person at the Annual Meeting, you will need to contact your bank or broker to obtain a written legal proxy from the record holder of your shares.

If you are planning to attend the Annual Meeting in person, because of security procedures, **you should register in advance to be admitted to the Annual Meeting**. You can register in advance by calling (855) 333-3409 by Monday, June 9, 2014. In addition to registering in advance, **you will be required to present government-issued photo identification** (e.g., driver's license or passport) to be admitted to the Annual Meeting. Inspection of packages and bags, among other measures, may be employed to enhance the security of those attending the Annual Meeting. These procedures may require additional time, so please plan accordingly. To avoid disruption, admission may be limited once the Annual Meeting begins.

TIME WARNER INC.

Paul F. Washington
Corporate Secretary

April 21, 2014

[Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#)

Table of Contents**TABLE OF CONTENTS**

<u>NOTICE OF ANNUAL MEETING OF STOCKHOLDERS</u>	
<u>2014 PROXY STATEMENT SUMMARY</u>	1
<u>Matters to Be Voted on at the Annual Meeting</u>	1
<u>PROXY STATEMENT</u>	2
<u>Submitting Your Proxy</u>	2
<u>COMPANY PROPOSALS</u>	3
<u>PROPOSAL 1: Election of Directors</u>	3
<u>Director Nominees for 2014 Annual Meeting of Shareholders</u>	<u>3</u>
<u>Vote Required for Approval</u>	<u>3</u>
<u>Director Nomination Process</u>	<u>3</u>
<u>Criteria for Membership on the Board</u>	<u>4</u>
<u>New Independent Director</u>	<u>5</u>
<u>Background of Director Nominees for 2014 Annual Meeting</u>	<u>6</u>
<u>PROPOSAL 2: Ratification of Appointment of Independent Auditor</u>	12
<u>Vote Required for Approval</u>	<u>12</u>
<u>PROPOSAL 3: Annual Advisory Vote to Approve Named Executive Officer Compensation</u>	13
<u>Vote Required for Approval</u>	<u>13</u>
<u>SHAREHOLDER PROPOSAL</u>	14
<u>PROPOSAL 4: Independent Chairman of the Board</u>	14
<u>Company Recommendation</u>	<u>14</u>
<u>Vote Required for Approval</u>	<u>16</u>
<u>CORPORATE GOVERNANCE AND BOARD MATTERS</u>	17
<u>Board Leadership</u>	17
<u>Policy on Determining the Leadership Structure of the Board of Directors</u>	<u>17</u>
<u>Determination of Current Leadership Structure</u>	<u>17</u>
<u>Changes to the Board and Board Policies in 2013</u>	18
<u>Board and Committee Responsibilities</u>	19
<u>Board Responsibilities and Oversight of Risk</u>	<u>19</u>
<u>The Committees of the Board</u>	<u>19</u>
<u>Board Meetings, Executive Sessions and Attendance</u>	<u>21</u>
<u>Independent Directors</u>	21
<u>Related Person Transactions</u>	22
<u>Policy and Procedures Governing Related Person Transactions</u>	<u>22</u>
<u>Related Person Transactions</u>	<u>22</u>
<u>Other Corporate Governance Matters</u>	23
<u>Corporate Social Responsibility</u>	<u>23</u>
<u>Ethical Sourcing Guidelines</u>	<u>23</u>
<u>Political Activity Policies, Oversight and Disclosure</u>	<u>23</u>
<u>Corporate Governance Documents and Website</u>	24

Table of Contents

<u>DIRECTOR COMPENSATION</u>	25
<u>Nominating Committee's Review of Non-Employee Director Compensation</u>	25
<u>2013 Non-Employee Director Compensation</u>	26
<u>Cash Retainer</u>	26
<u>Equity Grants</u>	26
<u>Expenses</u>	26
<u>Deferred Compensation Plan</u>	27
<u>Prior Retirement and Deferred Compensation Programs</u>	27
<u>Director Compensation Table</u>	28
<u>SECURITY OWNERSHIP</u>	30
<u>Security Ownership of the Board of Directors and Executive Officers</u>	30
<u>Security Ownership of Certain Beneficial Owners</u>	31
<u>AUDIT-RELATED MATTERS</u>	32
<u>Report of the Audit and Finance Committee</u>	32
<u>Policy Regarding Pre-Approval of Services Provided by the Independent Auditor</u>	33
<u>Services Provided by the Independent Auditor</u>	33
<u>EXECUTIVE COMPENSATION</u>	34
<u>Compensation Discussion and Analysis</u>	34
<u>Introduction</u>	34
<u>Table of Contents</u>	34
<u>Section 1 Executive Summary</u>	34
<u>Section 2 Compensation Principles</u>	42
<u>Section 3 Components of Executive Compensation</u>	42
<u>Section 4 2013 Executive Compensation</u>	43
<u>Section 5 Strong Governance Practices to Determine Executive Compensation</u>	48
<u>Section 6 Shareholder Engagement on Executive Compensation</u>	51
<u>Section 7 Compensation Policies and Practices</u>	52
<u>Compensation and Human Development Committee Report</u>	54
<u>Compensation Committee Interlocks and Insider Participation</u>	54
<u>Compensation Programs and Risk Management</u>	54
<u>Independent Compensation Consultant</u>	55
<u>Summary Compensation Table</u>	56
<u>Grants of Plan-Based Awards Table</u>	58
<u>Material Terms of Equity Awards Granted to the NEOs</u>	59
<u>Outstanding Equity Awards Table</u>	60
<u>Option Exercises and Stock Vested Table</u>	62
<u>Pension Plans</u>	63
<u>Time Warner Pension Plan</u>	63
<u>Time Warner Excess Benefit Pension Plan</u>	65
<u>Pension Benefits Table</u>	66

Table of Contents

<u>Deferred Compensation</u>	<u>66</u>
Time Warner Supplemental Savings Plan	66
Time Warner Inc. Deferred Compensation Plan	67
Individual Deferred Compensation Accounts	67
Nonqualified Deferred Compensation Table	68
<u>Employment Agreements</u>	<u>68</u>
<u>Potential Payments Upon Termination of Employment, Disability, Death or Change in Control</u>	<u>70</u>
Termination without Cause or Due to the Company's Material Breach of Employment Agreement	70
Retirement	70
Change in Control	71
Disability	71
Death	71
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>75</u>
<u>OTHER PROCEDURAL MATTERS</u>	<u>75</u>
<u>Procedures for Submitting Shareholder Proposals</u>	<u>75</u>
Proposals for Inclusion in the Proxy Statement	75
Proposals Not Included in the Proxy Statement	75
<u>Procedures for Submitting Director Recommendations and Nominations</u>	<u>75</u>
Submitting Director Recommendations to the Nominating Committee	75
Shareholder Nominations Submitted to Shareholders	76
Address	76
<u>Communicating with the Board of Directors</u>	<u>76</u>
<u>INFORMATION ABOUT THIS PROXY STATEMENT AND THE ANNUAL MEETING</u>	<u>77</u>
<u>ANNEX A: NON-GAAP FINANCIAL MEASURES</u>	<u>A-1</u>

Table of Contents**2014 PROXY STATEMENT SUMMARY**

This summary highlights information contained in this Proxy Statement. You should read the entire Proxy Statement carefully before voting.

Matters to Be Voted on at the Annual Meeting

Matter	Board Recommendation	Page Reference For More Information
Election of 12 directors for a term of one year and until their successors are duly elected and qualified:	FOR each nominee	Pages 3 to 11
James L. Barksdale	Jessica P. Einhorn	
William P. Barr	Carlos M. Gutierrez	
Jeffrey L. Bewkes	Fred Hassan	
Stephen F. Bollenbach	Kenneth J. Novack	
Robert C. Clark	Paul D. Wachter	
Mathias Döpfner	Deborah C. Wright	
Ratification of the appointment of the firm Ernst & Young LLP as independent auditor for 2014.	FOR	Page 12
Advisory vote to approve named executive officer compensation.	FOR	Page 13
Shareholder proposal regarding an independent Chairman of the Board.	AGAINST	Pages 14 to 16
The Company has a long-standing practice of engaging with its shareholders throughout the year on governance topics, including executive compensation. For many years, these discussions with shareholders have informed the Compensation Committee's deliberations and decisions, such as having the entire increase in compensation under the Chairman and CEO's employment agreement (effective January 1, 2013) consist of performance-based long-term incentive compensation, increasing the CEO's stock ownership requirement in 2013, and selecting new performance measures for performance stock units (PSUs) implemented in 2012.		

At the 2013 Annual Meeting, shareholders representing 93.0% of the votes cast at the meeting voted in favor of the compensation of the named executive officers (NEOs) included in the Company's 2013 Proxy Statement. The Company believes that its executive compensation program, which reflects the feedback of shareholders, has been effective at driving strong financial and operating performance by the Company and providing executives a powerful incentive for individual performance, aligning the NEOs' interests with those of the Company's shareholders, and enabling the Company to continue to attract and retain talented executives. Taking into account shareholder feedback received in recent years and the results of the 2013 advisory vote on NEO compensation, the Compensation Committee determined to maintain the overall executive compensation structure for 2014.

Additional information regarding the executive compensation program and 2013 compensation is discussed in the Compensation Discussion and Analysis section of this Proxy Statement, beginning on page 34.

Table of Contents

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 (the Board or 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 shareholders (the Annual Meeting) to be held on Friday, June 13, 2014, at the Steven J. Ross Theater at Warner Bros. Studios, 4000 Warner Boulevard, in Burbank, California, commencing at 10:00 a.m., local time, and at any adjournment or postponement thereof, for the purpose of considering and acting on the matters set forth in the accompanying Notice of Annual Meeting of Shareholders and in this Proxy Statement. Shareholders attending the Annual Meeting in person should follow the directions provided on the last page of this Proxy Statement.

As permitted by rules adopted by the Securities and Exchange Commission (the SEC), the Company has elected to send a Notice of Internet Availability of Proxy Materials with instructions for accessing the Company's proxy materials (i.e., this Proxy Statement and the Company's 2013 Annual Report to Shareholders) via the Internet to most of its shareholders of record as of the close of business on April 14, 2014. On or about April 21, 2014, the Company will begin mailing the Notice of Internet Availability of Proxy Materials, as well as printed copies of the proxy materials and proxy or voting instruction form, to shareholders. If you received a Notice of Internet Availability of Proxy Materials, you will not receive a printed copy of the proxy materials unless you request it by following the instructions in the Notice of Internet Availability of Proxy Materials.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on Friday, June 13, 2014:

This Proxy Statement and the Company's 2013 Annual Report to Shareholders are available electronically at www.timewarner.com/annualmeetingmaterials.

Submitting Your Proxy

Time Warner shareholders should submit their proxy or voting instructions as soon as possible.

If you received a Notice of Internet Availability of Proxy Materials: Please submit your proxy (if you are a registered holder) or voting instructions (if you are a beneficial holder holding your shares through a bank, brokerage firm or other nominee) via the Internet using the instructions included in the Notice of Internet Availability of Proxy Materials.

If you received a printed copy of the proxy materials:

- If you are a registered holder and submitting your proxy by mail, please complete, sign and return the proxy card in the pre-addressed reply envelope provided with the proxy materials. The proxy card must be completed in accordance with the instructions on it and received by the Company's transfer agent, Computershare, prior to the Annual Meeting. If you are submitting your proxy by telephone, follow the Vote by telephone instructions on the Electronic Voting Instructions section of the proxy card delivered with the proxy materials. If you are submitting your proxy through the Internet, follow the Vote by Internet instructions on the Electronic Voting Instructions section of the proxy card delivered with the proxy materials. Whichever method you select, for your proxy to be counted, you must submit it prior to 1:00 a.m., Central Time, on June 13, 2014.
- If you are a beneficial holder and received a printed copy of the proxy materials, you should submit your voting instructions in accordance with the instructions on the voting instruction form provided by the bank, brokerage firm or other nominee that is the record holder of your shares.
- If you plan to attend the Annual Meeting and wish to vote your shares in person, you will be given a ballot at the meeting. If you are a beneficial holder, to vote in person at the Annual Meeting, you must obtain a legal proxy from the bank, brokerage firm or other nominee that is the record holder of your shares.

Table of Contents

COMPANY PROPOSALS

Proposal 1: Election of Directors Director Nominees for 2014 Annual Meeting of Shareholders

The Board of Directors nominated for election at the 2014 Annual Meeting the slate of 12 nominees named below on the recommendation of the Nominating and Governance Committee of the Board of Directors (the Nominating Committee). Each of the nominees currently serves as a director of the Company and, other than Carlos M. Gutierrez, who was appointed by the Board of Directors in October 2013, was elected by the shareholders at the Company's 2013 Annual Meeting of Shareholders.

The nominees for director at the 2014 Annual Meeting will be elected to serve for a one-year term until the next annual meeting of shareholders and until their successors have been duly elected and qualified or until their earlier death, resignation or retirement. If any director nominee is unable or unwilling to serve as a director at the time of the 2014 Annual Meeting, the persons named in the proxy card (who are appointed by shareholders as their proxies) intend to vote, in their discretion, for such other persons, if any, as may be designated by the Board. As of the date of this Proxy Statement, the Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve as a director if elected. The persons named in the proxy card as shareholders proxies intend to vote such proxy for the election of each of the 12 nominees named below, unless a shareholder indicates on the proxy that the vote should be against any or all of the nominees.

***The Board of Directors recommends a vote **FOR** the election of the
12 director nominees named below.***

Vote Required for Approval

Because the election of the Company's directors at the 2014 Annual Meeting is uncontested, a majority of the votes duly cast by the holders of Time Warner common stock, par value \$0.01 per share (Common Stock), with respect to each director is required for the election of that director.

If an incumbent director nominee in an uncontested election receives more against votes than for votes, the director must submit an offer to resign from the Board. The Board will then consider the resignation offer and may either (i) accept the resignation offer or (ii) 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 shareholder 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.

Director Nomination Process

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

Nominations Developed by the Nominating Committee. The Nominating Committee follows the steps described below to identify and propose an individual for election to the Board:

- The Nominating Committee conducts periodic assessments of the overall composition of the Board in light of the Company's current and expected future business needs and structure and, based on such assessments, may establish specific qualifications that it will seek in Board candidates. The Nominating Committee reports on the results of these assessments to the full Board of Directors.
- The Nominating Committee seeks advice and the names of potential director candidates from Committee members, other members of the Board, members of management, major shareholders, and other public and private sources. The Nominating Committee sometimes retains a search firm to assist it in these efforts. The Nominating Committee reviews the qualifications of incumbent candidates for re-nomination to the Board annually.

Table of Contents

- The Nominating Committee recommends a slate of director candidates, which may include both incumbent and new director nominees, to submit for shareholder approval at the annual shareholders meeting. In addition, the Nominating Committee may recommend that the Board elect new members of the Board who will serve until the next annual shareholders meeting.

Shareholder Recommendations Submitted to the Nominating Committee. Shareholders may submit names of director candidates to the Nominating Committee for its consideration. The process for shareholders to use in submitting names of director candidates is described below under **Other Procedural Matters** **Procedures for Submitting Director Recommendations and Nominations.**

Shareholder Nominations Submitted to Shareholders. Shareholders may submit nominations directly to the Company's shareholders. The Company's By-laws set forth the process that shareholders may use if they choose this method, which is described below under **Other Procedural Matters** **Procedures for Submitting Director Recommendations and Nominations.**

Criteria for Membership on the Board

The Nominating Committee and the Board take into consideration many factors in reviewing candidates to select as nominees for director. The Nominating Committee and the Board apply the same criteria to all candidates, whether the candidate is proposed by a shareholder or is identified through another source.

The Board believes that the Company is best served by a board of directors consisting of individuals who have a variety of complementary skills, professional experience and backgrounds and who bring diverse viewpoints and perspectives to the Board. The Nominating Committee and the Board consider these individual skills, professional experience, backgrounds and tenure as directors in the broader context of the Board's overall composition, so that the Board collectively possesses the appropriate skills and experience to oversee the Company's business in light of the Company's current and expected future business needs.

Board Statement regarding Tenure and Change in Mandatory Retirement Age. In July 2013, the Board changed the mandatory retirement age for non-employee directors to a policy that non-employee directors will not be eligible for nomination for a term during which they will reach age 75 from a policy requiring a director to be less than age 72 at the time of nomination. The change to the retirement policy in the Corporate Governance Policy is intended to avoid a near-term loss of several directors and allow the Board to have director departures occur more evenly over the next few years. At the same time, reflecting a commitment to board refreshment and, in light of views expressed by shareholders, the Board also amended the Corporate Governance Policy to add a statement that the Board believes the Board and the Company are well-served by having non-employee directors with a mix of tenures and expects that the average tenure of non-employee directors will generally not exceed 10 years.

Criteria for Reviewing Director Candidates. Director candidates must possess the following qualities:

- ***Age.*** Under the Company's By-laws and Corporate Governance Policy, each director must be at least 21 years of age at the commencement of service as a director and is not eligible for nomination for a term during which they will reach age 75.
- ***Personal Qualities.*** Each director must possess a demonstrated reputation for integrity, judgment, acumen, and high professional and personal ethics.
- ***Experience.*** Each director should be financially literate and have significant experience at the policy-making level in business, government, or the non-profit sector.
- ***Independence.*** A majority of the Board, and, unless otherwise determined by the Board, any newly nominated non-employee candidate for the Board, must satisfy the criteria to be considered an independent director under the Company's By-laws and Corporate Governance Policy and the applicable New York Stock Exchange's listing standards.
- ***Antitrust Requirements.*** Each director must satisfy the requirements of antitrust laws, which limit service as an officer or director of the Company's significant competitors.
- ***Commitment.*** Each director must also 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 shareholders. In addition, to help ensure that directors have sufficient time to devote to their responsibilities as a member of Time Warner's Board, the Board has determined that directors should generally serve on no more than five other public

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company boards. Directors are also required to offer their resignation upon a significant change in their primary professional responsibilities, and, in such case, the Nominating Committee will make a recommendation to the Board as to whether to accept the offer of resignation.

[4 Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#)

Table of Contents**COMPANY PROPOSALS**

Additional Qualifications for New Director Candidates. The Nominating Committee has identified the following additional criteria for new director candidates in light of the Company's current and expected structure and business needs:

- *Professional Experience.* Significant high-level leadership experience at a public corporation or other firm, in government or at a non-profit institution.
- *Diversity.* Although the Company does not have a specific policy on diversity of the Board, the Company's Corporate Governance Policy requires the Nominating Committee and the Board to consider the Board's overall composition when considering director candidates, including whether the Board has an appropriate combination of professional experience, skills, knowledge and variety of viewpoints and backgrounds in light of the Company's current and expected future business needs. In addition, as set forth in the Policy Statement Regarding Director Nominations, the Nominating Committee also believes that it is desirable for new candidates to contribute to the variety of viewpoints on the Board, which may be enhanced by a mix of different professional and personal backgrounds and experiences.
- *Independence and Committee Eligibility.* Unless otherwise determined by the Board, any newly nominated non-employee director must satisfy the independence standards described on page 21 of the Proxy Statement, as well as the requirements for serving on the Board's committees, as set forth in the charters for those committees and applicable regulations.
- *Director Experience.* The Nominating Committee believes it would also be useful for candidates for the Board to have experience as a director of a major public corporation.

In evaluating director candidates, the Board also considers the following categories of business experience in light of the Company's current and expected business needs:

- *Leadership and Senior Management.* Experience serving as a founder, chief executive officer or a senior executive of a major corporation or firm (or a comparable position in government or the non-profit sector).
- *Media, Communications or Technology Businesses.* Knowledge of and experience in media, communications and/or technology businesses.
- *Finance, Investments or Banking.* Knowledge of and experience in finance, investments and/or banking.
- *Consumer-Focused Businesses.* Knowledge of and experience in businesses with products or services that directly serve consumers.
- *Legal, Regulatory and Government Relations.* Legal, regulatory and/or government relations experience.
- *International Operations or Global Economic Policy.* Knowledge of and experience in managing or investing in companies with international operations or experience with policies regarding global economic development and cooperation.

The qualifications and experience of the director nominees with respect to the foregoing categories are reflected in the description of the director nominees' backgrounds starting on page 6.

New Independent Director

In October 2013, the Board elected an additional independent director, Carlos M. Gutierrez. His qualifications and experience are described on page 9. The Nominating Committee led the director search process. Mr. Gutierrez was initially suggested as a potential candidate by an outside search firm retained by the Nominating Committee. Mr. Gutierrez met with all of the members of the Nominating Committee, and the Nominating Committee recommended Mr. Gutierrez for election to the Board. The Board determined that Mr. Gutierrez possesses all of the qualities required of director candidates, including independence from the Company's management; significant leadership and senior management experience as former Chairman and CEO of Kellogg Company and the 35th U.S. Secretary of Commerce; professional experience, skills, knowledge, viewpoints and backgrounds that contribute to the diversity of viewpoints on the Board; a demonstrated reputation for integrity, judgment and high professional and personal ethics; and experience as a director of other major public corporations. The appointment of Mr. Gutierrez also reduced the average tenure of the non-employee directors and increased the percentage of the Board consisting of independent directors.

Table of Contents

Background of Director Nominees for 2014 Annual Meeting

Set forth below is information regarding each of the 12 nominees, including their ages as of April 18, 2014 and key skills and professional qualifications that the Board considered in concluding that the director nominees should serve on the Company's Board.

James L. Barksdale

Age 71

Director since 2001

Chairman and President of Barksdale Management Corporation, a private investment management company April 1999 to present.

- **Prior Professional Experience:** Mr. Barksdale served as President and Chief Executive Officer of Netscape Communications Corp. from 1995 to 1999 (when it was acquired by America Online, Inc. (now known as Historic AOL LLC)); Chief Operating Officer and then Chief Executive Officer of McCaw Cellular Communications (now AT&T Wireless Services) from 1992 to 1994; Chief Information Officer and then Executive Vice President and Chief Operating Officer of FedEx Corporation from 1979 to 1992; and Chief Information Officer and in other management positions at Cook Industries from 1972 to 1979.
- **Public Company Directorships:** Mr. Barksdale serves as a director of FedEx Corporation. During the past five years, Mr. Barksdale also served as a director of Sun Microsystems, Inc. (now Oracle Corporation). He also served as a director of a predecessor company of Time Warner from March 1999 to January 2001.
- **Key Skills and Qualifications:** Mr. Barksdale brings more than 25 years of leadership and senior management experience as a former senior executive (including Chief Executive Officer) of several major companies with international operations. Mr. Barksdale's experience includes leadership roles at consumer-focused, technology-based companies, such as Netscape Communications Corp., McCaw Cellular Communications (now AT&T Wireless Services) and FedEx Corporation. Mr. Barksdale is also a former director of Sun Microsystems, Inc. (now Oracle Corporation). Mr. Barksdale also brings financial experience to the Board, including through his role at Barksdale Management Corporation.

William P. Barr

Age 63

Director since 2009

Former Attorney General of the United States.

- **Prior Professional Experience:** Mr. Barr served as Of Counsel of Kirkland & Ellis LLP from January 2009 to July 2009; Executive Vice President and General Counsel of Verizon Communications Inc. from June 2000 to December 2008; Executive Vice President and General Counsel of GTE Corporation from 1994 to June 2000; a partner of Shaw, Pittman, Potts & Trowbridge (now Pillsbury Winthrop Shaw Pittman LLP) from 1993 to 1994; the 77th Attorney General of the United States from 1991 to 1993; Deputy Attorney General of the United States from 1990 to 1991; Assistant Attorney General for the Office of Legal Counsel from 1989 to 1990; and a partner of Shaw, Pittman, Potts & Trowbridge from 1984 to 1989.
- **Public Company Directorships:** Mr. Barr serves as a director of Dominion Resources, Inc. and Selected Funds.
- **Key Skills and Qualifications:** Mr. Barr, who is Chair of the Company's Compensation Committee, brings leadership experience in government as a former Attorney General of the United States and head of the U.S. Department of Justice. He also has more than 14 years of leadership and senior management experience in major corporations as the former Executive Vice President and General Counsel of Verizon Communications Inc. and its predecessor, GTE Corporation. As a former Attorney General of the United States, General Counsel and partner of a major law firm, Mr. Barr has a strong background in a wide range of legal, regulatory and government relations matters. In addition, due to his service as General Counsel of Verizon Communications Inc. and GTE Corporation, Mr. Barr has knowledge of and experience in consumer-focused businesses with international operations in the communications field. As a director of Selected Funds, Mr. Barr has knowledge of and experience in finance and investments.

Table of Contents**COMPANY PROPOSALS**

Jeffrey L. Bewkes **Age 61** **Director since 2007**
Chairman of the Board and Chief Executive Officer of the Company January 2009 to present.

- ***Prior Professional Experience:*** Mr. Bewkes served as President and Chief Executive Officer of the Company from January 2008 through December 2008; President and Chief Operating Officer of the Company from January 2006 through December 2007; Chairman, Entertainment & Networks Group, of the Company from July 2002 through December 2005; Chairman and Chief Executive Officer of the Home Box Office division of the Company from 1995 to July 2002; and President and Chief Operating Officer of the Home Box Office division of the Company from 1991 to 1995.
- ***Public Company Directorships:*** During the past five years, Mr. Bewkes served as a director of AOL Inc. (from November 17, 2009 to December 8, 2009) when it was a subsidiary of the Company.
- ***Other Directorships:*** Mr. Bewkes is a member of the board of non-profit organizations, including Yale University.
- ***Key Skills and Qualifications:*** Mr. Bewkes has 23 years of leadership and senior management experience serving as the Chief Executive Officer or in other senior executive positions at the Company and HBO. His more than 30 years of experience at the Company and its subsidiaries provide him with a unique in-depth knowledge of the Company’s history and businesses, including its international operations, and the media and entertainment industry. His deep understanding of the Company’s business operations and strategy, as well as the media and entertainment industry, provide him a strong foundation for leading the Board, as Chairman, and facilitating effective communication between management and the Board.

Stephen F. Bollenbach **Age 71** **Director since 2001**
Former Co-Chairman and Chief Executive Officer of Hilton Hotels Corporation.

- ***Prior Professional Experience:*** Mr. Bollenbach served as Co-Chairman and Chief Executive Officer of Hilton Hotels Corporation from May 2004 to October 2007; President and Chief Executive Officer of Hilton Hotels Corporation from 1996 to 2004; Senior Executive Vice President and Chief Financial Officer of The Walt Disney Company from 1995 to 1996; President and Chief Executive Officer of Host Marriott Corporation from 1993 to 1995; and Chief Financial Officer of Marriott Corp. from 1992 to 1993.
- ***Public Company Directorships:*** Mr. Bollenbach serves as a director of KB Home, Macy’s, Inc., Moelis & Company and Mondelēz International, Inc. During the past five years, Mr. Bollenbach also served as a director of American International Group, Inc. He also served as a director of a predecessor company of Time Warner from 1997 to January 2001.
- ***Key Skills and Qualifications:*** Mr. Bollenbach, who serves as the Company’s Lead Independent Director, has more than 15 years of leadership and senior management experience as a former Chief Executive Officer or senior executive of several major companies. In particular, he has experience in the media and entertainment industry, international operations, and consumer-facing businesses through his experience at companies including The Walt Disney Company and Hilton Hotels Corporation. Further, Mr. Bollenbach has extensive knowledge of and experience in finance and investments as a former Chief Financial Officer of several major companies, including The Walt Disney Company.

Table of Contents

Robert C. Clark **Age 70** **Director since 2004**
Distinguished Service Professor at Harvard University **July 2003 to present.**

- **Prior Professional Experience:** Mr. Clark served as the Dean and Royall Professor of Law at Harvard Law School from 1989 to 2003; a professor at Harvard Law School from 1978 to 2003; a professor at Yale Law School from 1974 to 1978; and an associate at Ropes & Gray from 1972 to 1974.
- **Public Company Directorships:** Mr. Clark serves as a director of Omnicom Group, Inc.
- **Other Directorships:** Mr. Clark is a trustee of TIAA, a large pension fund serving the higher education community.
- **Key Skills and Qualifications:** Mr. Clark has 14 years of leadership experience as a former Dean of Harvard Law School. Mr. Clark's expertise and insights in the areas of corporate law, governance, finance and regulation are useful to the Nominating Committee, which he chairs, as well as the rest of the Board. His service on the boards of directors of other companies provides him with experience in a number of industries. As a trustee of a large pension fund, Mr. Clark also brings his understanding of finance, investments and the views of pension funds and other institutional investors.

Mathias Döpfner **Age 51** **Director since 2006**
Chairman and Chief Executive Officer of Axel Springer SE, an integrated multimedia company based in Germany
January 2002 to present.

- **Prior Professional Experience:** Mr. Döpfner served as Head of the Newspapers Division (from November 2000 to December 2011) and the International Division (from January 2008 to December 2011) of Axel Springer SE; a member of Axel Springer's Executive Board and Head of the Multimedia Division from July 2000 to November 2001; Editor-in-Chief of Die Welt from 1998 to 2000; Editor-in-Chief of Hamburger Morgenpost from 1996 to 1998; and Editor-in-Chief of Wochenpost from 1994 to 1996.
- **Public Company Directorships:** Mr. Döpfner serves as a supervisory board member of RHJ International SA.
- **Key Skills and Qualifications:** Mr. Döpfner brings more than 12 years of leadership and senior management experience serving as Chairman and Chief Executive Officer of Axel Springer SE. Because Axel Springer's business largely consists of newspaper and magazine publishing and digital media, Mr. Döpfner has a deep understanding of the media industry, including publishing and online activities. As the Chairman and Chief Executive Officer of a major media company with operations throughout Europe, Mr. Döpfner has knowledge and experience in managing a major consumer-focused media company with international operations.

Table of Contents**COMPANY PROPOSALS**

Jessica P. Einhorn **Age 66** **Director since 2005**
Former Dean of the Paul H. Nitze School of Advanced International Studies (SAIS) at The Johns Hopkins University.

- **Prior Professional Experience:** Ms. Einhorn served as Dean of the Paul H. Nitze School of Advanced International Studies (SAIS) at The Johns Hopkins University from June 2002 through June 2012; a consultant at Clark & Weinstock, a strategic communications and public affairs consulting firm, from 2000 to 2002; a Visiting Fellow at the International Monetary Fund from 1998 to 1999; and in various executive positions (including Managing Director for Finance and Resource Mobilization) at The World Bank from 1978 to 1979 and 1981 to 1999.
- **Public Company Directorships:** Ms. Einhorn serves as a director of BlackRock, Inc.
- **Other Directorships:** Ms. Einhorn serves as a director of the Peterson Institute for International Economics and the National Bureau of Economic Research. Ms. Einhorn is also Resident Senior Advisor and a member of the advisory board of The Rock Creek Group.
- **Key Skills and Qualifications:** Ms. Einhorn brings leadership experience in international organizations and education administration, including 10 years as Dean of the Paul H. Nitze School of Advanced International Studies (SAIS) at The Johns Hopkins University (retired in June 2012) and more than 18 years serving in various staff and executive positions at The World Bank. Ms. Einhorn has extensive knowledge of policies and practices in international finance, economic development and government relations through her roles at the International Monetary Fund and The World Bank, membership on the boards of research and public policy institutions and her ongoing research interest in finance. She serves on the board of BlackRock, Inc. and the advisory board of The Rock Creek Group, a global alternative asset manager.

Carlos M. Gutierrez **Age 60** **Director since 2013**
Co-Chair of Albright Stonebridge Group, a global strategy firm February 2014 to present.

- **Prior Professional Experience:** Mr. Gutierrez served as Vice Chair of Albright Stonebridge Group from April 2013 to February 2014; Vice Chairman of the Institutional Clients Group at Citigroup Inc. from January 2011 to February 2013; a consultant at the Global Political Strategies division of APCO Worldwide Inc., a communications and public affairs consulting firm, from December 2009 to April 2013; Chairman of the Global Political Strategies division of APCO Worldwide Inc. from January 2010 to January 2011; the 35th U.S. Secretary of Commerce from February 2005 to January 2009; Kellogg Company's Chairman of the Board (from April 2000 to February 2005), Chief Executive Officer (from April 1999 to February 2005) and President (from 1998 to September 2003); and in various executive and non-executive positions at Kellogg Company from 1975 to 1998.
- **Public Company Directorships:** Mr. Gutierrez serves as a director MetLife, Inc. and Occidental Petroleum Corporation. During the past five years, Mr. Gutierrez also served as a director of Corning Incorporated, United Technologies Corporation and Lighting Science Group Corporation.
- **Key Skills and Qualifications:** Mr. Gutierrez brings more than 10 years of leadership and senior management experience and nearly 30 years of international business experience at Kellogg Company, a consumer-focused company with international operations. At Kellogg Company, Mr. Gutierrez was responsible for major consumer brands in a complex worldwide business. As a result of this experience, Mr. Gutierrez brings significant knowledge of brand management, marketing and product development. He also brings leadership experience and knowledge of international commerce and government relations as former U.S. Secretary of Commerce.

Table of Contents

Fred Hassan Age 68 Director since 2009
Partner and Managing Director at Warburg Pincus LLC, a private equity firm January 2011 to present.

- **Prior Professional Experience:** Mr. Hassan served as Senior Advisor at Warburg Pincus from November 2009 through December 2010; Chairman and Chief Executive Officer of Schering Plough Corporation (now part of Merck & Co., Inc.) from 2003 to November 2009; Chairman and Chief Executive Officer of Pharmacia Corporation from 2001 to 2003; Chief Executive Officer of Pharmacia Corporation from 2000 to 2001; and Chief Executive Officer of Pharmacia & Upjohn, Inc. from 1997 to 2000.
- **Public Company Directorships:** Mr. Hassan serves as a director of Valeant Pharmaceuticals International, Inc. During the past five years, Mr. Hassan also served as a director of Avon Products Inc. and Schering-Plough Corporation (now part of Merck & Co., Inc.).
- **Key Skills and Qualifications:** Mr. Hassan brings more than 12 years of leadership and senior management experience as a former Chairman and/or Chief Executive Officer of major pharmaceutical companies with intellectual-property based business models and international operations, which provided him with strong and relevant operational and strategic experience. Because the pharmaceutical business is a highly regulated field, Mr. Hassan also has knowledge and experience in regulatory and government relations. As a partner at Warburg Pincus, Mr. Hassan also brings his knowledge of finance and investments to the Board and the Audit and Finance Committee.

Kenneth J. Novack Age 72 Director since 2001
Former Partner of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC.

- **Prior Professional Experience:** Mr. Novack served as Vice Chairman of the Company from January 2001 through December 2003; Vice Chairman of America Online, Inc. (now known as Historic AOL LLC) from 1998 to January 2001; and Of Counsel (from 1998 to 2001) and an attorney (from 1966 to 1998) at Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC. Mr. Novack served on the law firm's executive committee from 1972 until his retirement in 1998.
- **Other Directorships:** Mr. Novack serves in the noted capacities at the following privately held companies: a director of Appleton Partners, Inc. and Leerink Swann Holdings, LLC and an advisory board member of General Catalyst Partners. He also served as a director of a predecessor company of Time Warner from January 2000 to January 2001.
- **Key Skills and Qualifications:** Mr. Novack has held key leadership and senior management roles at the Company and at Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC, a major law firm. With more than five years of experience serving as Vice Chairman of the Company or a predecessor company of Time Warner, he has an in-depth knowledge of the Company's businesses. In addition, Mr. Novack brings more than 30 years of legal, corporate governance and regulatory experience as a corporate attorney at Mintz, Levin. Mr. Novack also brings his experience in finance and investments through his service on the boards of privately held investment companies and experience practicing securities law for over 30 years.

Table of Contents

COMPANY PROPOSALS

Paul D. Wachter

Age 57

Director since 2010

Founder and Chief Executive Officer of Main Street Advisors, Inc., a private company that provides investment and financial advisory services to businesses and high net worth individuals 1997 to present.

- **Prior Professional Experience:** Mr. Wachter served as Managing Director of Schroder & Co. Incorporated from 1993 to 1997; Managing Director of Kidder Peabody from 1987 to 1993; an investment banker at Bear, Stearns & Co., Inc. from 1985 to 1997; and an attorney at Paul, Weiss, Rifkind, Wharton and Garrison from 1982 to 1985.
- **Other Directorships:** Mr. Wachter serves in the noted capacities at the following privately held companies: a director of Haworth Marketing and Media Company, Oak Productions, Inc. and Content Partners LLC (Co-Chairman) and a member of the board of managers of Beats Electronics, LLC and Beats Music LLC.
- **Key Skills and Qualifications:** Mr. Wachter brings his knowledge of and experience in finance, investments and banking as the founder and Chief Executive Officer of Main Street Advisors, through serving as the Chairman of the Investment Committee of the Board of Regents of the University of California, and as a former Managing Director at several investment banks. Mr. Wachter also has a background in the entertainment and media industry as a former investment banker focusing on the entertainment and media industry and as a director or a member of the board of managers of Beats Electronics, LLC (a technology-based company that manufactures and distributes headphones and other sound-related products), Beats Music, LLC (a streaming music service) and Content Partners LLC (a company that acquires profit participations in films, television shows and music). Mr. Wachter also has experience in regulatory and government relations through his service on the Board of Regents of the University of California, as an adviser to the former Governor of California and through his work as a tax attorney at a major law firm.

Deborah C. Wright

Age 56

Director since 2005

Chairman and Chief Executive Officer of Carver Bancorp, Inc. February 2005 to present. Carver Bancorp, Inc. is the holding company for Carver Federal Savings Bank, a federally chartered savings bank.

- **Prior Professional Experience:** Ms. Wright served as President and Chief Executive Officer of Carver Bancorp, Inc. and Carver Federal Savings Bank from 1999 to 2005; President and Chief Executive Officer of the Upper Manhattan Empowerment Zone Development Corporation from 1996 to 1999; Commissioner of the Department of Housing Preservation and Development from 1994 to 1996; a member of the New York City Housing Authority Board from 1992 to 1994; and a member of the New York City Planning Commission from 1990 to 1992.
- **Public Company Directorships:** Ms. Wright serves as a director of Carver Bancorp, Inc. During the past five years, Ms. Wright also served as a director of Kraft Foods Inc. (now Mondelēz International, Inc. and Kraft Foods Group Inc.).
- **Key Skills and Qualifications:** Ms. Wright brings to the Board and to her role as Chair of the Audit and Finance Committee leadership, senior management and financial experience through her more than 14 years of service as the Chairman and/or Chief Executive Officer of Carver Bancorp., Inc. and Carver Federal Savings Bank and approximately 9 years of leadership roles at non-profit organizations or governmental bodies. Ms. Wright also brings to the Board her experience with businesses that provide products or services directly to customers gained through her service at Carver Bancorp., Inc. and Carver Federal Savings Bank, as well as her prior long-term service as a director of Kraft Foods Inc. Ms. Wright also has extensive experience in regulatory and government relations through her senior roles in government and non-profit organizations.

Table of Contents

Proposal 2: Ratification of Appointment of Independent Auditor

The Audit and Finance Committee of the Board of Directors (the "Audit Committee") is responsible for the appointment, compensation and oversight of the Company's independent auditor. Ernst & Young LLP has served as the Company's independent auditor since 2001, when the Company was formed through the merger of America Online, Inc. (now known as Historic AOL LLC) and Time Warner Inc. (now named Historic TW Inc.). The Audit Committee annually reviews the independent auditor's qualifications, performance, fees and independence. Following its review in December 2013, the Audit Committee appointed Ernst & Young LLP as the Company's independent auditor for 2014.

As the committee responsible for overseeing management and the consolidated financial statements prepared by management, the Audit Committee believes it is important for the independent auditor to maintain its objectivity and independence. Accordingly, the Audit Committee considers annually since 2004 whether the Audit Committee should have a policy requiring the regular rotation of the independent auditor and reports its conclusion to the Board. To date, the Audit Committee has determined not to adopt such a policy. In addition, in accordance with SEC rules and the Company's Policy Regarding Audit Partner Rotation, audit partners are subject to limitations on the number of consecutive years that they may provide services to the Company. For the lead audit partner, the maximum number of consecutive years in that capacity is five years. The prior lead audit partner completed five years of service in that capacity with the completion of the audit of the Company's consolidated financial statement for 2013, and a new lead audit partner was selected for the audit of the Company's 2014 financial statements. The Audit Committee and its Chairman are involved in the process for selecting the lead audit partner.

The Audit Committee and the Board of Directors believe that the appointment of Ernst & Young LLP as the Company's independent auditor is in the best interests of the Company and its shareholders, and the Company is requesting that the shareholders ratify the appointment of Ernst & Young LLP as the Company's independent auditor for 2014. Representatives of Ernst & Young LLP will be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and to respond to appropriate questions from shareholders.

The Board of Directors recommends a vote **FOR** the ratification of the appointment of Ernst & Young LLP as independent auditor.

Vote Required for Approval

The affirmative vote of a majority of the votes duly cast by the holders of Common Stock is required to ratify the appointment of Ernst & Young LLP. However, shareholder approval is not required for the appointment of Ernst & Young LLP because the Audit Committee is responsible for selecting the Company's independent auditor. No determination has been made as to what action the Audit Committee or the Board of Directors would take if shareholders do not ratify the appointment.

Table of Contents

COMPANY PROPOSALS

Proposal 3: Annual Advisory Vote to Approve Named Executive Officer Compensation

The Company is asking shareholders to approve the following resolution at the Annual Meeting:

RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation paid to the Company's named executive officers, as disclosed in the Company's Proxy Statement for the 2014 Annual Meeting of Shareholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narratives.

2013 was another successful year for Time Warner. The Company delivered strong financial results, including 16.4% Adjusted EPS growth, and made significant progress on achieving its key long-term strategic objectives. The Company's Common Stock price increased 45.8% during 2013, and its one-year total shareholder return was 48.6% compared to 32.4% for the S&P 500 Index. The Compensation Committee and the Board of Directors believe that the 2013 compensation for the NEOs appropriately reflects the Company's strong financial performance and the NEOs' individual performance.

The pay-for-performance design of the executive compensation program, the Company's 2013 performance, the NEOs' individual performance and the Compensation Committee's determination of the 2013 compensation paid to the NEOs are described in the Compensation Discussion and Analysis section of this Proxy Statement beginning on page 34. Shareholders should read this section before deciding how to vote on the proposal.

The Board of Directors recommends a vote **FOR** the approval of the resolution.

Vote Required for Approval

The affirmative vote of a majority of the votes duly cast by the holders of Common Stock is required to approve this proposal. However, the vote on executive compensation is advisory and, therefore, not binding on the Company, the Board of Directors or the Compensation Committee. The Board of Directors and the Compensation Committee intend to take into account the outcome of the vote when making future executive compensation decisions.

Table of Contents

SHAREHOLDER PROPOSAL

Proposal 4: Independent Chairman of the Board

Mr. Kenneth Steiner, 14 Stoner Avenue, 2M, Great Neck, NY 11021, the beneficial owner of no less than 500 shares of Common Stock, has advised the Company that he intends to propose a resolution at the Annual Meeting. Mr. Steiner has appointed John Chevedden of 2215 Nelson Ave., No. 205, Redondo Beach, CA 90278, and/or his designee to act on his behalf in matters relating to the proposed resolution. The proposed resolution and statement in support are set forth below:

Proposal 4 Independent Board Chairman

RESOLVED: Shareholders request that our Board of Directors to adopt a policy, and amend other governing documents as necessary to reflect this policy, to require the Chair of our Board of Directors to be an independent member of our Board. This independence requirement shall apply prospectively so as not to violate any contractual obligation at the time this resolution is adopted. Compliance with this policy is waived if no independent director is available and willing to serve as Chair. The policy should also specify how to select a new independent chairman if a current chairman ceases to be independent between annual shareholder meetings.

When our CEO is our board chairman, this arrangement can hinder our board's ability to monitor our CEO's performance. Many companies already have an independent Chairman. An independent Chairman is the prevailing practice in the United Kingdom and many international markets. This proposal topic won 50%-plus support at 5 major U.S. companies in 2013 including 73%-support at Netflix. This topic is particularly important for our company because our Lead Director, Stephen Bollenbach, 70, had 12-years long-tenure (independence concern) and was over-committed with service on a total of 4 company boards. We also had 2 inside-related directors: James Barksdale and Kenneth Novack which may result in an easing of CEO/Chairman oversight.

This proposal should also be more favorably evaluated due to our Company's clearly improvable corporate governance performance as reported in 2013:

GMI Ratings, an independent investment research firm, reported that there was \$25 million for Jeffrey Bewkes and shareholders had a potential 12% stock dilution. Mr. Bewkes also received an annual bonus of \$13 million. Furthermore, \$4 million of this bonus consisted of an Individual Performance Amount that was determined at the discretion of our executive pay committee, thereby undermining the integrity of pay-for-performance. In addition, Mr. Bewkes received \$6 million in the form of restricted stock units and stock options, both of which vested simply over time without job performance criteria. Equity pay should have performance-vesting features in order to assure full alignment with shareholder interests and market-priced stock options may provide rewards due to a rising market alone, regardless of individual performance. Additionally Time Warner lacked confidential voting and cumulative voting.

Returning to the core topic of this proposal from the context of our clearly improvable corporate governance, please vote to protect shareholder value:

Independent Board Chairman Proposal 4

Company Recommendation

The Board of Directors recommends a vote **AGAINST** this proposal because (1) the Board has strong policies and procedures requiring that the Board review its leadership structure at least annually, which help ensure that the Board has the appropriate leadership in light of the Company's circumstances at the time; (2) the Board's existing leadership structure and composition provide effective independent oversight of management, through a Lead Independent Director, all directors but one being independent, and all members of Board committees being independent; and (3) the current leadership structure is working effectively.

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First, in 2009, following consultation with stockholders, the Board of Directors adopted the Policy on Determining the Leadership Structure of the Board of Directors (the Board Leadership Policy), which requires it to review the Board's leadership at least annually. The Board Leadership Policy, which is posted on the Company's website at

14 [Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#)

Table of Contents

SHAREHOLDER PROPOSAL

www.timewarner.com/leadership, requires the Nominating and Governance Committee and Board to consider the following factors in the review:

- the scope and nature of the respective responsibilities for each of the Chairman of the Board, Lead Independent Director, and Chief Executive Officer positions;
- the effectiveness of the policies, practices and people in place to help ensure strong, independent Board oversight of management;
- the views expressed by the Company's directors as part of the Board's annual self-evaluation process;
- the views of the Company's stockholders, including the voting results in connection with stockholder proposals regarding this subject and the views expressed by different types of stockholders;
- the Company's circumstances at the time;
- the Company's ability to attract and retain well-qualified individuals for the three positions at the particular point in time;
- the practices at other companies in the United States and other countries;
- legislative and regulatory developments, trends in governance, and academic or other studies on the topic of board leadership structure, including studies of the impact of leadership structures on stockholder value; and
- how a particular leadership structure is likely to affect the Company's performance.

The Company posts a report on the Board's determination of its leadership structure on the Company's website at *www.timewarner.com/leadership* so that stockholders are able to review the basis for the Board's determination. Finally, the Board Leadership Policy requires the Nominating and Governance Committee to conduct an annual evaluation of the performance of the individuals who serve as Chairman of the Board, Lead Independent Director and Chief Executive Officer.

The Board believes that the Company's stockholders are better served by the Board Leadership Policy which requires the careful consideration of this matter by the Board at least annually and appropriate disclosure to stockholders, while preserving the Board's flexibility to change its leadership structure and choose the best qualified person or persons to serve as Chairman of the Board and Chief Executive Officer to address changing circumstances rather than by a policy that requires that the Chairman of the Board be an independent director and thereby unnecessarily restrict the Board's ability to adopt the most effective leadership structure for the Company.

Second, the Board's existing leadership structure and composition provide effective independent oversight of management, including (i) a strong Lead Independent Director who possesses significant authority and responsibilities and provides an effective counterbalance to the Chairman of the Board and (ii) an independent Board in which every director other than Mr. Bewkes is independent and each Board committee consists solely of independent directors.

Since February 2006, the Board has had a designated Lead Independent Director, who is elected by the independent members of the Board. Mr. Stephen Bollenbach has served as Lead Independent Director since May 2012. The Lead Independent Director's significant authority and responsibilities, as set forth in the Company's Corporate Governance Policy, include:

- presiding at meetings of the Board at which the Chairman of the Board is not present and at executive sessions of the Board (unless the matter under consideration is within the jurisdiction of one of the Board's committees);
- having the authority to call meetings of independent directors;
- serving as the liaison between the Chairman of the Board and the other directors;
- having the authority to approve the agenda (including time allocated to items) and information for Board meetings;
- advising the Chairman of the Board with respect to consultants who may report directly to the Board;
- serving as interim Chairman of the Board in the event of the death or incapacitation of the Chairman; and
- being available, as appropriate, for communication with the Company's stockholders.

The Board's composition (with every director other than Mr. Bewkes being independent and each Board committee consisting solely of independent directors) and the Company's policies and practices also provide effective independent oversight of management. In addition to the Lead Independent Director's approval of the agenda for

Table of Contents

Board meetings, any other director may suggest agenda items. Also, the independent directors meet by themselves, without management or employee directors present, at every regularly scheduled Board meeting unless they determine otherwise. Finally, additional executive sessions may be held at the request of any independent director.

Third, the effectiveness of the current Board leadership structure is reflected in the Company's very strong performance during Mr. Bewkes' tenure as Chairman and Chief Executive Officer of the Company. For example, the Company's Adjusted EPS has increased at a compound annual growth rate of 22% since December 2008, the total stockholder return of the Company's common stock for the three years ended December 31, 2013 was at the 91st percentile of companies in the S&P 500 Index, and the price of the Company's Common Stock increased 45.8% during 2013. In addition, as described in the Company's most recent Report on Determination of Current Board Leadership Structure, dated February 2014, the Nominating and Governance Committee noted that having Mr. Bewkes serve as Chairman and Chief Executive Officer has (i) promoted unified leadership and resulted in clear decision-making processes and accountability as the Company executes its long-term strategy as a content-focused company and (ii) facilitated the flow of information to, and discussion among, Board members regarding the Company's businesses.

In summary, the Board believes that it is important to retain the flexibility to adopt the most effective Board leadership structure as facts and circumstances warrant and to be able to select the director best suited to serve as Chairman. In addition, the Board firmly believes that the Company's current Board leadership structure with Mr. Bewkes serving as Chairman and Chief Executive Officer and Mr. Bollenbach serving as Lead Independent Director has served the Company very well, as reflected in the Company's strong financial performance and progress on the Company's key long-term strategic objectives over the last several years. Accordingly, the Board of Directors believes that the proposal is not in the best interests of the Company and its stockholders and recommends a vote **AGAINST** the proposal.

The Board of Directors recommends a vote **AGAINST** the shareholder proposal.

Vote Required for Approval

The affirmative vote of a majority of the votes duly cast by the holders of Common Stock is required to adopt this proposal.

Table of Contents

CORPORATE GOVERNANCE AND BOARD MATTERS

Time Warner is committed to maintaining strong corporate governance practices that allocate rights and responsibilities among the Company's shareholders, the Board of Directors and management in a manner that benefits the long-term interests of the Company's shareholders. The Board regularly reviews and updates its corporate governance practices in light of proposed and adopted laws and regulations, the practices and experience of other leading companies, the recommendations of various corporate governance authorities, and discussions with the Company's shareholders.

Board Leadership

The Company's governance documents provide the Board with flexibility to select the appropriate leadership structure for the Company. In making leadership structure determinations, the Board considers many factors, including the Company's Policy on Determining the Leadership Structure of the Board, which helps ensure that the Company has the appropriate leadership in light of the Company's circumstances at the time. The current leadership structure consists of a combined Chairman of the Board and Chief Executive Officer, an independent director serving as Lead Independent Director and strong, active independent directors. The Board believes this structure is working effectively.

Current Leadership Structure

Chairman and CEO	Jeffrey L. Bewkes
Lead Independent Director	Stephen F. Bollenbach
Independent Directors	11 of 12 directors are independent
Board Committees	All members are independent

Policy on Determining the Leadership Structure of the Board of Directors

For more than a decade, the Nominating Committee and Board have reviewed, at least annually, the leadership structure of the Board as part of the Board's self-evaluations. In January 2009, the Board enhanced and further documented the Company's practices in this area by adopting the Policy on Determining the Leadership Structure of the Board of Directors, which provides for the review of the Board's leadership structure and the performance of the individuals who serve in Board leadership positions on an annual basis and whenever there are changes in the individuals serving in Board leadership positions. As part of this review, the Nominating Committee evaluates:

- the leadership positions the Company should have (*e.g.*, Chairman of the Board, Lead Independent Director and CEO),
- the responsibilities of those positions, and
- the qualifications for those positions, including whether the position of Chairman of the Board should be held by the CEO, an independent director, or a non-independent director other than the CEO (if any).

The Nominating Committee makes its recommendations to the Board, which is responsible for approving the leadership structure of the Board. The policy sets forth the factors the Nominating Committee and Board consider in making the determinations.

Determination of Current Leadership Structure

In January 2014, upon the recommendation of the Nominating Committee, the Board determined that the current Board leadership structure is an appropriate structure for Time Warner at this time. The report on the Board's determination of its leadership structure is posted on the Company's website at www.timewarner.com/leadership.

Table of Contents

As set forth in this report, the Board believes that having Mr. Bewkes serve as both Chairman and CEO has resulted in clear decision-making processes, leadership and accountability as the Company executes its strategy as a content-focused company, including driving the digital transformation and international expansion of its businesses, increasing its investment in programming to drive future ratings and revenue increases, and improving operating and capital efficiency. The Board also believes that having Mr. Bewkes serve as Chairman and CEO has continued to facilitate the flow of information to, and discussion among, members of the Board regarding the Company's businesses. The Nominating Committee also noted that the Lead Independent Director has substantial responsibilities that enable the individual to provide strong leadership of the independent directors and help the Board provide effective independent oversight of the Chairman and CEO. At the same time, the Nominating Committee discussed revising the description of the role of the Lead Independent Director in the Corporate Governance Policy to clarify the individual's authority and responsibilities. In February 2014, the Board amended the Corporate Governance Policy to clarify the Lead Independent Director's authority and responsibilities, which include:

- presiding at meetings of the Board at which the Chairman of the Board is not present and at executive sessions of the Board (unless the matter under consideration is within the jurisdiction of one of the Board's committees);
- having the authority to call meetings of independent directors;
- serving as the liaison between the Chairman of the Board and the other directors;
- having the authority to approve the agenda (including the schedule of time allocated to items) and information for Board meetings;
- advising the Chairman of the Board with respect to consultants who may report directly to the Board;
- serving as interim Chairman of the Board in the event of the death or incapacitation of the Chairman; and
- being available, as appropriate, for communication with the Company's shareholders.

The Nominating Committee reviewed the formal qualifications for each Board leadership position and noted that the independent directors appointed Mr. Bollenbach as Lead Independent Director in May 2012 and reappointed him to that position in May 2013. Mr. Bollenbach has more than 15 years of leadership experience in senior roles, including Chief Executive Officer and Chief Financial Officer, at several major companies with international operations, including Hilton Hotels Corporation and The Walt Disney Company, and also has extensive knowledge of and experience in finance and investments from his service as Chief Financial Officer of several major companies. Mr. Bollenbach also has deep knowledge of the Company from his 13 years of service as a director, including his service as Chair of two of the Board's committees.

Changes to the Board and Board Policies in 2013

The Board believes that the Company is best served by a board of directors with a mix of tenure and that a board with a mix of long experience at the Company and fresh experience can strengthen the Board's ability to provide effective oversight. In 2013, the Nominating Committee and the Board assessed the overall composition of the Board (including the combination of professional experience, skills, knowledge, viewpoints and backgrounds represented by directors) in light of the retirement of two directors from the Board in May 2012, the expected retirement of additional directors in future years pursuant to the mandatory retirement age policy, and the Company's current and expected future business needs and structure. The Nominating Committee and the Board determined that the Board composition would benefit from the appointment of an additional independent director.

In addition, to avoid a near-term loss of several directors and allow the Board to have director departures occur more evenly over the next few years, the Board amended the Corporate Governance Policy to change the mandatory retirement age to a policy that non-employee directors will not be eligible for nomination for a term during which they will reach age 75. At the same time, reflecting a commitment to board refreshment and, in light of views expressed by shareholders, the Board also amended the Corporate Governance Policy to add a statement that the Board believes the Board and the Company are well-served by having non-employee directors with a mix of tenures and expects that the average tenure of non-employee directors will generally not exceed 10 years. In October 2013, the Board elected Carlos M. Gutierrez to the Board. Following the appointment of Mr. Gutierrez, the percentage of directors who are independent increased to 91.7% (11 of 12 directors). See page 5 for a description of some of the factors that the Board considered in electing Mr. Gutierrez as a director and page 9 for a description of his qualifications and experience.

Table of Contents

CORPORATE GOVERNANCE AND BOARD MATTERS

Board and Committee Responsibilities

Board Responsibilities and Oversight of Risk

The Board's primary responsibility is to seek to maximize long-term shareholder value. The Board selects senior management of the Company, monitors the performance of management and the Company, and provides advice and counsel to management. At least annually, the Board reviews the Company's strategy and approves a long-range business plan that includes an annual budget and capital plan. The Board also reviews and approves transactions pursuant to guidelines that the Board has adopted and reviews from time to time. The Board is also charged with general oversight of the management of the Company's risks. The Board considers, as appropriate, risks to the Company among other factors in reviewing the Company's strategy, business plan, budget, capital plan and major transactions. The Board implements its risk oversight function both as a whole and through delegation to Board committees, which meet regularly and report back to the full Board. Each of the Board's committees assists the Board in overseeing the management of the Company's risks within the areas delegated to the committee. In particular:

- the Audit Committee reviews and discusses a report from management at least annually on the risks the Company faces, management's actions to address those risks, and the Company's risk management and mitigation processes. The report is also provided to the Board.
- the Compensation Committee oversees risks related to the Company's compensation programs and policies. The Compensation Committee reviews and discusses at least annually management's report on such risks. See Executive Compensation Compensation Programs and Risk Management beginning on page 54.

In fulfilling the Board's responsibilities, directors have full access to the Company's management, internal and external auditors, and outside advisors.

The Committees of the Board

The Board has three standing committees: the Audit and Finance Committee (also referred to as the Audit Committee), the Nominating and Governance Committee (also referred to as the Nominating Committee) and the Compensation and Human Development Committee (also referred to as the Compensation Committee), each of which has a written charter that is posted on the Company's website at www.timewarner.com/governance. Each committee is composed entirely of independent directors, and the Chair of each committee is elected by the Board. Each committee holds regular executive sessions at which management is not present.

Each committee is authorized to retain its own outside consultants, legal counsel and other advisors as it desires. The Compensation Committee's charter requires the Committee to assess the independence of any compensation consultant, legal counsel or other advisor prior to retaining or receiving such advisor's advice (subject to certain exceptions), taking into consideration factors relevant to such advisors' independence, including the factors specified in the NYSE listing standards. The Nominating Committee's charter contains similar requirements with respect to any consultant, legal counsel or other advisor who will provide the Committee with advice regarding non-employee director compensation.

Table of Contents

The table below provides a summary of the committees' current members and the number of meetings held by each committee during 2013:

Independent Director	Audit Committee	Nominating Committee	Compensation Committee
James L. Barksdale			
William P. Barr			CHAIR
Stephen F. Bollenbach			
Robert C. Clark		CHAIR	
Mathias Döpfner			
Jessica P. Einhorn			
Carlos M. Gutierrez ⁽¹⁾			
Fred Hassan			
Kenneth J. Novack			
Paul D. Wachter ⁽¹⁾			
Deborah C. Wright	CHAIR		
Number of Meetings in 2013	8	5	7

(1) Mr. Wachter served on the Audit Committee throughout 2013 and until January 30, 2014. Mr. Gutierrez's service on the Audit Committee commenced January 30, 2014.

- Audit Committee.** The Audit Committee assists the Board of Directors in fulfilling its responsibilities in connection with the Company's (i) independent auditor, (ii) internal audit function, (iii) ethics and compliance program, (iv) earnings releases and guidance, financial statements and systems of disclosure controls and procedures and internal control over financial reporting, (v) capital structure and strategy, (vi) risk management policies and processes, (vii) responses to any regulatory actions involving financial, accounting and internal control matters, (viii) retirement programs with respect to their performance and funding, (ix) insurance coverage, and (x) tax status and strategy. The Board has determined that each of the members of the Audit Committee is financially literate in accordance with the NYSE listing standards. In addition, the Board has determined that each of Ms. Wright and Messrs. Clark, Gutierrez and Hassan is an audit committee financial expert as defined under SEC rules.
- Nominating Committee.** The Nominating Committee is responsible for assisting the Board in relation to (i) corporate governance, including regulatory developments relating to corporate governance, (ii) director nominations, (iii) committee structure and appointments, (iv) Board leadership structure, (v) Chairman and CEO performance evaluations and CEO succession planning, (vi) annual Board performance evaluations, (vii) non-employee director compensation, (viii) shareholder proposals and communications, (ix) related person transactions, and (x) the Company's public policy and corporate social responsibility activities.
- Compensation Committee.** The Compensation Committee is responsible for (i) approving the compensation of and employment agreements for, and reviewing benefits provided to, the Company's senior executives, (ii) approving long-term incentive program design and awards, (iii) reviewing shareholder advisory votes regarding executive compensation, (iv) overseeing the Company's disclosure regarding executive compensation, advisors retained by the Committee and risks related to the Company's compensation programs and policies, (v) reviewing the Company's overall compensation structure and benefit plans, including risks related to the Company's compensation programs and policies, (vi) reviewing the Company's response to regulatory developments affecting compensation, (vii) reviewing and recommending officer appointments, and (viii) overseeing the Company's human development programs, including recruitment, retention, development, diversity and internal communication programs.

Table of Contents

CORPORATE GOVERNANCE AND BOARD MATTERS

Board Meetings, Executive Sessions and Attendance

The Board of Directors generally holds at least six meetings each year. Although the Board discusses the Company's progress on its long-term strategy at each Board meeting, the Board also devotes one meeting each year to focus solely on the Company's strategy. The Company's independent directors generally meet by themselves, without management or any non-independent directors present, at each regularly scheduled Board meeting, and at other times, upon the request of any independent director. These executive sessions are led by the Lead Independent Director, except when it is more appropriate for the Chair of the committee that has primary responsibility for the matter being discussed to lead the discussion. The Board of Directors also communicates informally with management on a regular basis.

During 2013, the Board met nine times. No incumbent director attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board held during the period for which he or she served as a director and (ii) the total number of meetings of the committees held during the period for which he or she served as a committee member. The Company's directors are encouraged and expected to attend the annual meetings of the Company's shareholders. All of the 11 directors nominated for election at the 2013 Annual Meeting of Shareholders attended that meeting.

Independent Directors

The Board undertook its annual review of director independence in April 2014 applying the listing standards of the New York Stock Exchange (the NYSE), the Company's By-laws and the categorical standards for director independence adopted by the Board and set forth in the Company's Corporate Governance Policy. The categorical standards establish guidelines as to employment and commercial relationships that may affect a director's independence as well as categories of relationships that are not deemed material for purposes of director independence. The Board must also determine that the director has no material relationship with the Company or its subsidiaries and that the director is free of any other relationship whether with the Company or otherwise that would interfere with his or her exercise of independent judgment. **As a result of its annual review of director independence, the Board determined that all of the current directors and all of the nominees for director are independent, except for Mr. Bewkes. Mr. Bewkes is an executive officer of the Company and thus cannot qualify as an independent director.** In addition, each member of the Audit Committee, Compensation Committee, and Nominating Committee satisfies the respective standards of independence applicable to such committees.

In determining the independence of each current director other than Mr. Bewkes, the Board considered the transactions described below, all of which it determined were immaterial to the directors' independence.

- **Business Transactions:** Under the Board's categorical standards for director independence, transactions in the ordinary course between the Company and another entity with which a director or a member of a 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) the director is an executive officer, employee or substantial owner, or the director's immediate family member is an executive officer, of the other entity and (ii) such transactions represent (A) more than 5% of the Company's consolidated gross revenues for the prior fiscal year or (B) more than \$250,000 and 2% of the other entity's gross revenues for the prior fiscal year. **The Company did not have any transactions that were outside the ordinary course of business or that surpassed the numerical thresholds contained in the Company's categorical standards for director independence, other than the ordinary course business transaction with CNN Films discussed below under Related Person Transactions.**

The Board also considered ordinary course business transactions described in this paragraph, even though none raised any independence issues under the NYSE listing standards and all were well below the numerical thresholds contained in the Company's categorical standards for director independence. The Company and its subsidiaries in the ordinary course of business received advertising revenues in 2013 from Harvard University (where Mr. Clark is a Distinguished Service Professor) that were less than 0.01% of the Company's total revenues in 2013. In addition, the Board considered that Time Warner Foundation Inc., a non-profit corporation, holds one certificate of deposit for approximately \$310,000 at Carver Federal Savings Bank (where Ms. Wright serves as Chairman and Chief Executive Officer), which was approximately 0.06% of Carver Federal Savings Bank's total deposits as of December 31, 2013 and earned interest at a market rate during 2013.

Table of Contents

- **Charitable Contributions:** Under the Board's categorical standards for director independence, 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 (i) if they occurred more than three years prior to the determination of materiality or (ii) if they are consistent with the Company's philanthropic practices, unless (a) the director, spouse or domestic partner is an executive officer or director of the organization and (b) the Company's contributions represent, for the most recent fiscal year, more than the greater of \$100,000 or 10% of any individual organization's annual gross revenues (for organizations with gross revenues up to \$10 million per year), or the greater of \$1 million or 2% of any individual organization's annual gross revenues (for organizations with gross revenues of more than \$10 million per year), or the greater of \$1 million or 2% of all such organizations' annual gross revenues in the aggregate. **No charitable contributions by the Company raised any independence issues.** In 2013, the Company made aggregate contributions of approximately \$138,000 to the University of California, the highest amount to a non-profit entity affiliated with a non-employee director, spouse or domestic partner. Mr. Wachter serves on the Board of Regents of the University of California.

The Board was also advised that Mr. Novack has been a retired partner of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC (Mintz, Levin) since 1998. As a retired partner, Mr. Novack does not practice law or have a direct or indirect financial interest in the legal services provided by Mintz, Levin to the Company, which are unrelated to Mr. Novack's service on the Board or to matters involving the Board.

Related Person Transactions

Policy and Procedures Governing Related Person Transactions

The Board has adopted the Time Warner Inc. Policy and Procedures Governing Related Person Transactions, which is a written policy that sets forth procedures for the review and approval or ratification of transactions involving related persons, which consist of directors, director nominees, executive officers, holders of more than 5% of any outstanding class of the Company's voting securities, and immediate family members or certain affiliated entities of any of the foregoing persons. The Nominating 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). The General Counsel or his designee assesses whether a proposed transaction involving a related person is a related person transaction covered by the policy. If so, the transaction is presented to the Nominating Committee for review and consideration at its next meeting or, in certain instances when waiting until the next meeting is not advisable, to the Chair of the Nominating Committee. In determining whether to approve or ratify a related person transaction covered by the policy, the Nominating Committee may review such facts and circumstances and take into account such factors as it deems appropriate.

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 \$120,000 in any calendar year, (ii) the Company (including any of its consolidated subsidiaries) is, will or may be expected to be a participant, and (iii) any related person has or will have a direct or indirect material interest. The policy also specifies 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 Committee. The policy is posted on the Company's website at www.timewarner.com/governance.

Related Person Transactions

The following related person transactions were subject to the Time Warner Inc. Policy and Procedures Governing Related Person Transactions and were approved or ratified by the Nominating Committee or its Chair.

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Howard Averill became Executive Vice President and Chief Financial Officer of the Company in January 2014. Mr. Averill's daughter, Kimberly Kuwata, is employed in an advertising sales position at a subsidiary of Turner Broadcasting System, Inc., a wholly-owned subsidiary of the Company (Turner). Ms. Kuwata has been employed by Turner since 2008, and her 2013 compensation, including salary, bonus and commissions, was approximately \$159,000.

[22](#) [Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#)

Table of Contents

CORPORATE GOVERNANCE AND BOARD MATTERS

As disclosed in the Company's 2013 Proxy Statement, in January 2013, CNN Films entered into an ordinary course transaction with a production company controlled by Mr. Novack's son-in-law, Andrew Rossi, pursuant to which CNN Films agreed to pay \$864,000 to the production company to produce a documentary regarding higher education. CNN Films is a production and acquisition unit of Turner, and Mr. Rossi is an established filmmaker. This transaction occurred on an arm's length basis in the ordinary course of business of CNN Films; (ii) Mr. Novack was not involved in the negotiations related to the transaction, nor did he have any knowledge of the transaction until after it had been entered into by the parties; (iii) Mr. Novack has no direct or indirect interest in the transaction or the production company; (iv) the transaction amount is not material relative to CNN's or Turner's annual programming expenses; and (v) CNN Films' decision to enter into the transaction was made independently of Time Warner's Board of Directors or Time Warner's management.

In 2013, WB Games Montreal Inc., a subsidiary of Warner Bros. Entertainment Inc., entered into an ordinary course transaction with metricminds GmbH & Co. KG, a company that provides services ranging from motion capture to fully-produced animated scenes for videogames, videos and commercials. Mathias Döpfner's brother-in-law, Philip Weiss, is the founder, Managing Partner and majority owner of metricminds. In 2013, WB Games paid metricminds 158,512 euro (approximately \$220,000) for video effects work on the game Batman: Arkham Origins. This transaction occurred on an arm's length basis in the ordinary course of business of WB Games. Mr. Döpfner was not involved in the negotiations related to the transaction, and he does not have any direct or indirect interest in the transaction or metricminds.

Other Corporate Governance Matters

Corporate Social Responsibility

Time Warner is committed to effective corporate governance practices, including keeping shareholders, the investment community and others informed of the Company's activities relating to environmental, social and governance matters. The Company updates the information about its corporate social responsibility efforts regularly as appropriate on its website at www.timewarner.com/citizenship to provide shareholders with information in a dynamic and timely manner.

Ethical Sourcing Guidelines

The Time Warner Ethical Sourcing Guidelines set forth the standards in areas such as employment, health, safety and the environment that the Company expects its vendors and licensees to follow. The Company expects that its vendors will establish and actively review, monitor and modify their management processes and business operations so that their operations align with the principles set forth in the Guidelines. The failure to follow the Guidelines may, among other things, impact a vendor's ability to continue to do business with the Company. The Guidelines are posted on the Company's website at www.timewarner.com/citizenship under the heading "Leading Responsibly" and sub-heading "Ethical Sourcing And Supply Chain."

Political Activity Policies, Oversight and Disclosure

The Nominating Committee is responsible for overseeing the Company's public policy activities, which includes policies and practices regarding political contributions and expenditures by the Company, its political action committee (PAC), and trade associations. The Company has processes for advance review of corporate political contributions and the use of Company resources in support of the Company's political activities. In addition, Time Warner discloses at least annually on its website at www.timewarner.com/citizenship under the heading "Leading Responsibly" and sub-heading "Political Activities" all corporate and PAC political contributions (including, if any, independent expenditures made without coordination with any candidate, campaign or their authorized agents) and payments to trade associations and other tax-exempt organizations that are used for political expenditures. **In 2013, the Company was again ranked in the top tier of companies in the Center for Political Accountability's CPA-Zicklin Index, which measures corporate disclosure and accountability for political spending.**

Table of Contents

Corporate Governance Documents and Website

The Company has a corporate governance website at www.timewarner.com/governance. The following documents are available on this website and are also available in print to any shareholder who requests them by writing to the Office of the Corporate Secretary, Time Warner Inc., One Time Warner Center, New York, New York 10019-8016:

- By-laws
- Corporate Governance Policy
- Charters of the Board's three standing committees
- Policy and Procedures Governing Related Person Transactions
- Policy on Determining the Leadership Structure of the Board of Directors
- Policy Statement Regarding Director Nominations
- Most recent Report on Determination of Current Board Leadership Structure
- Standards of Business Conduct, which apply to the Company's employees
- Code of Ethics for Our Senior Executive and Senior Financial Officers, which applies to certain senior executives of the Company, including the Chief Executive Officer, Chief Financial Officer and Controller, and serves as a supplement to the Standards of Business Conduct
- Guidelines for Non-Employee Directors, which serves as a code of conduct for the Company's non-employee directors

There were no waivers in 2013 under either the Code of Ethics for Our Senior Executive and Senior Financial Officers or the Standards of Business Conduct with respect to any of the Time Warner senior executives covered by the Code of Ethics for Our Senior Executive and Senior Financial Officers.

24 [Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#)

Table of Contents

DIRECTOR COMPENSATION

Nominating Committee's Review of Non-Employee Director Compensation

Under its charter, the Nominating Committee is responsible for reviewing the compensation for the Company's non-employee directors and making recommendations regarding director compensation to the Board of Directors for its approval. In carrying out this responsibility, the Nominating Committee is guided by the following key objectives and principles regarding non-employee director compensation:

- Compensation should be generally consistent with the Company's broader compensation philosophy for the Company's employees.
- Compensation should be competitive and structured with a balanced mix of cash and equity compensation so the Company can attract and retain directors from diverse professional and personal backgrounds.
- Compensation should be simple to administer and support the smooth functioning of the Board.
- Compensation should be cost-effective and consistent with investor policies and expectations.
- Compensation should be in compliance with all regulatory requirements.

Under the Corporate Governance Policy, the Nominating Committee reviews the compensation paid to non-employee directors at least every two years to help ensure that the Company's non-employee director compensation program continues to meet the objectives and principles described above. Final decisions regarding director compensation are made by the Board of Directors, based on recommendations by the Nominating Committee.

In 2013, the Nominating Committee reviewed non-employee director compensation. The Nominating Committee had previously reviewed non-employee director compensation in 2011, but did not make any changes to the program at that time. The Committee engaged Farient Advisors LLC (Farient) as its independent consultant to provide the Committee information regarding market trends in director compensation and pay practices at peer group companies and to present recommendations regarding changes to the Company's non-employee director compensation. The Nominating Committee and the Board considered the information and recommendations provided by Farient and, in October 2013, approved changes to the annual compensation that non-employee directors will receive following the 2014 Annual Meeting. Each non-employee director will receive annual compensation of \$290,000, consisting of a cash retainer of \$145,000 and an equity grant with an aggregate grant date fair value of approximately \$145,000 (\$100,000 in restricted stock units (RSUs) and \$45,000 in stock options). The Board also approved an amendment to the Corporate Governance Guidelines to change the stock ownership guidelines for non-employee directors. Each non-employee director is now expected to own the lesser of at least 10,000 shares of the Company's Common Stock or shares of the Company's Common Stock with a value equal to four times the annual cash retainer. Each non-employee director who has been a member of the Board for at least five years meets these stock ownership guidelines.

All of the services provided by Farient during 2013 were to the Nominating Committee, and Farient did not provide any additional services to the Company. The Nominating Committee believes that there was no conflict of interest between Farient and the Nominating Committee during the year ended December 31, 2013. In reaching this conclusion, the Nominating Committee considered the factors set forth in the SEC rule effective July 27, 2012 regarding compensation adviser independence.

Table of Contents

2013 Non-Employee Director Compensation

From 2010 through 2013, each non-employee director's overall annual compensation was set at \$250,000, consisting of (i) a cash retainer of \$125,000 and (ii) an equity grant with an aggregate fair value of approximately \$125,000 on the date of grant. Each non-employee director elected to the Board at the 2013 annual meeting of shareholders received, on the day following the annual meeting, a grant of (1) stock options having a fair value of approximately \$40,000 on the date of grant (based on the closing sale price of a share of Common Stock as reported on the NYSE Composite Tape on the date of grant and the Black-Scholes methodology of valuing options), and (2) RSUs having a fair value of approximately \$85,000 on the date of grant (based on the closing sale price of a share of Common Stock as reported on the NYSE Composite Tape on the date of grant).

Non-employee directors may choose to defer any or all of his or her annual cash retainer pursuant to the Time Warner Inc. Non-Employee Directors' Deferred Compensation Plan (as described below). New directors who join the Board other than at an annual meeting of shareholders, such as Mr. Gutierrez, received the above compensation on a pro-rated basis. No additional compensation is paid for service as Lead Independent Director, a committee chair or member or for attendance at meetings of the Board or any Board committee.

Cash Retainer

The annual cash retainer is intended to provide a balance between cash and equity compensation, as well as to allow the directors to use the cash to pay taxes on their RSUs as they vest without having to sell shares to pay those taxes.

Equity Grants

- The stock options granted to non-employee directors in 2013 have an exercise price equal to the fair market value of the Common Stock on the date of grant and expire 10 years from the grant date. The stock options granted in 2013 vest one year from the date of grant or immediately if the director ceases to serve as a director of the Company as a result of certain designated circumstances, including because the director is not nominated by the Board of Directors to stand for re-election at the annual meeting of shareholders, is not re-elected by the shareholders at the annual meeting, or resigns after receiving fewer than a majority of votes in the votes cast in an uncontested election of directors.
- The RSUs represent a contingent right to receive the designated number of shares of Common Stock upon completion of the vesting period. The RSUs granted in 2013 vest on the anniversary of the first day of the month in which the RSUs were granted and immediately if the director ceases to serve as a director of the Company as a result of certain designated circumstances, including (i) retirement either due to a mandatory retirement policy or after serving at least five years as a director, (ii) failure to be re-elected by the shareholders after nomination, (iii) resignation after receiving fewer than a majority of votes in the votes cast in an uncontested election of directors, (iv) death or disability, (v) the occurrence of certain transactions involving a change in control of the Company, or (vi) under certain other designated circumstances, with the approval of the Board on a case-by-case basis. If a non-employee director leaves the Board for any other reason, then his or her unvested RSUs are forfeited to the Company.
- RSUs and options do not have any voting rights. Directors receive dividend equivalents on the RSUs in an amount equal to the regular quarterly cash dividends declared and paid by the Company at the same time that the dividends are paid on outstanding shares of Common Stock.

Expenses

Non-employee directors are reimbursed for expenses (including costs of travel, food and lodging) incurred in attending Board, committee and shareholder meetings. While travel to such meetings may include the use of Company aircraft, if available and appropriate under the circumstances, the directors generally use commercial air or rail transportation services. Directors are also reimbursed for reasonable expenses associated with other Company-related business activities, including participation in director education programs.

Table of Contents

DIRECTOR COMPENSATION

The Company provides directors with representative samples of the Company's products (such as movies and television programs on DVDs and Blu-ray Discs), promotional items and other merchandise. The Company also periodically invites and provides for directors and their spouses or guests to attend Company-sponsored events, such as film premieres, screenings, cultural events and the annual meeting of shareholders. For the year ended December 31, 2013, the aggregate incremental cost to the Company for providing directors these Company products and the attendance of directors and their spouses or guests at Company events was well below \$10,000 per director. The Company also reimburses each non-employee director for the estimated taxes incurred in connection with any income recognized by the director as a result of the attendance by the director, spouse or guest at such events. From time to time, spouses or guests may also join non-employee directors on Company aircraft when a non-employee director is traveling to or from Board or committee meetings, which may result in the non-employee director recognizing income for tax purposes. The Company does not reimburse the non-employee director for the estimated taxes incurred in connection with such income.

Deferred Compensation Plan

Under the Time Warner Inc. Non-Employee Directors' Deferred Compensation Plan, non-employee directors may elect each year to defer receipt of 10% to 100% of their cash compensation payable during the next calendar year. Each director can elect from the following crediting alternatives to determine the amounts that will be paid after the deferral period: (i) the amount deferred plus annual interest at the prime rate in effect on May 1 of each annual period plus 2%, (ii) the value of a hypothetical investment in shares of Common Stock made at the time of the deferral, plus the notional reinvestment of dividend equivalents based on any regular cash dividends paid by the Company on the Common Stock, or (iii) an allocation of 50% of the amount deferred to each of the crediting alternatives. Amounts deferred are payable in cash in a lump sum or in installments after a director leaves the Board, based on the director's election made at the time the director elected to defer receipt of the compensation.

Prior Retirement and Deferred Compensation Programs

- The Company does not currently maintain a retirement plan for its non-employee directors. Mr. Novack receives retirement benefits under the terms of the Company's benefit plans as a result of his past service as an employee of the Company.
- The Company also has a prior deferred compensation plan for non-employee directors under which the directors could previously elect to defer all or a portion of their cash compensation. The Company currently maintains an account under this plan on behalf of Mr. Bollenbach. Amounts previously deferred were increased by one of two separate calculation methods until the participant experienced a distribution event (reaching age 70 or leaving the Board of Directors) and the deferral period ended: (i) the application of the average seven-year Treasury constant maturity bond rate for the year at the end of the year or (ii) the hypothetical investment of the amounts deferred in shares of Common Stock and any dividends that would be earned thereon. The method that would result in the greater value at the end of the deferral period was used to calculate the amount to be paid until the end of the deferral period, and thereafter the account will accrue interest based on the Treasury rate method. Mr. Bollenbach reached age 70 during 2012 and, as a result, amounts deferred by Mr. Bollenbach became payable in installments over ten years beginning in 2013.

Table of Contents**Director Compensation Table**

The table below sets forth 2013 compensation information regarding the Company's non-employee directors. Mr. Bewkes is the only director who is an officer and employee of the Company, and he does not receive any additional compensation for his Board service. The material factors necessary to understand the director compensation set forth in the table are described under "2013 Non-Employee Director Compensation" above.

DIRECTOR COMPENSATION FOR FISCAL YEAR 2013

Name	Fees Earned or Paid in				Total
	Cash	Stock Awards ⁽¹⁾⁽²⁾	Option Awards ⁽²⁾⁽³⁾	All Other Compensation ⁽⁴⁾	
James L. Barksdale	\$125,000	\$85,008	\$40,205		\$250,213
William P. Barr	\$125,000	\$85,008	\$40,205		\$250,213
Stephen F. Bollenbach	\$125,000	\$85,008	\$40,205		\$250,213
Robert C. Clark	\$125,000	\$85,008	\$40,205		\$250,213
Mathias Döpfner	\$125,000	\$85,008	\$40,205		\$250,213
Jessica P. Einhorn	\$125,000	\$85,008	\$40,205		\$250,213
Carlos M. Gutierrez	\$ 72,917	\$49,562	\$22,898		\$145,377
Fred Hassan	\$125,000	\$85,008	\$40,205	\$91	\$250,304
Kenneth J. Novack	\$125,000	\$85,008	\$40,205		\$250,213
Paul D. Wachter	\$125,000	\$85,008	\$40,205		\$250,213
Deborah C. Wright	\$125,000	\$85,008	\$40,205	\$91	\$250,304

(1) The amounts set forth in the Stock Awards column represent the aggregate grant date fair value of RSUs granted by the Company to non-employee directors in 2013. On May 24, 2013, the Company awarded 1,434 RSUs to each of the non-employee directors serving on that date. Mr. Gutierrez, who was appointed to the Board on October 31, 2013, was awarded 721 RSUs by the Company on that date. The grant date fair value of each RSU award was determined using the closing sale price of the Common Stock on the NYSE Composite Tape on the date of grant. The actual value, if any that is realized by a director from any RSU award will depend on the market price of the Common Stock in future years. For information about the weighted average grant date fair value of the RSUs granted in 2013, see Note 12 to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Form 10-K").

(2) Presented below is the aggregate number of outstanding stock awards and stock option awards held by the non-employee directors on December 31, 2013.

Name	Total Stock Awards (Restricted Stock and RSUs) Outstanding at 12/31/13	Total Option Awards Outstanding at 12/31/13
	James L. Barksdale	1,434
William P. Barr	1,434	21,990
Stephen F. Bollenbach	1,782	41,255
Robert C. Clark	1,434	21,990
Mathias Döpfner	1,434	32,585
Jessica P. Einhorn	1,434	20,371
Carlos M. Gutierrez	721	1,341
Fred Hassan	1,434	21,990
Kenneth J. Novack	1,434	8,948

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Paul D. Wachter	1,434	15,632
Deborah C. Wright	1,434	25,843

28 [Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#)

Table of Contents

DIRECTOR COMPENSATION

(3) The amounts set forth in the Option Awards column represent the aggregate grant date fair value of stock options granted by the Company in 2013. On May 24, 2013, the Company awarded options to purchase 2,872 shares of Common Stock to each of the non-employee directors serving on that date. Mr. Gutierrez, who was appointed to the Board on October 31, 2013, was awarded options to purchase 1,341 shares of Common Stock by the Company on that date.

The grant date fair value of the stock options awarded to the non-employee directors on May 24, 2013 was calculated using the Black-Scholes option pricing model based on the following assumptions: an expected volatility of 29.65%, an expected term to exercise of 5.90 years from the date of grant, a risk-free interest rate of 1.13%, and a dividend yield of 1.94%. The grant date fair value of the stock options awarded to Mr. Gutierrez on October 31, 2013 was calculated using the Black-Scholes option pricing model based on the following assumptions: an expected volatility of 28.92%, an expected term to exercise of 5.90 years from the date of grant, a risk-free interest rate of 1.69%, and a dividend yield of 1.70%. For information about the weighted-average assumptions used to determine the grant date fair value of options granted in 2013, see Note 12 to the Company's consolidated financial statements included in the 2013 Form 10-K. The discussion in Note 12 reflects weighted-average assumptions on a combined basis for both retirement-eligible and non-retirement eligible employees and non-employee directors.

The actual value, if any, that is realized by a non-employee director from any stock option will depend on the amount by which the market value of the Common Stock exceeds the exercise price of the stock option on the date the stock option is exercised. Accordingly, there is no assurance that the value realized by a non-employee director will be at or near the grant date fair value presented above. These amounts should not be used to predict stock performance.

(4) The amounts set forth in the All Other Compensation column consist of the Company's payments made in 2014 for the estimated taxes incurred in 2013 for income recognized by Mr. Hassan and Ms. Wright due to attendance by a family member at a Company event in 2013.

Table of Contents**SECURITY OWNERSHIP****Security Ownership of the Board of Directors and Executive Officers**

The following table sets forth information concerning the beneficial ownership of Time Warner Common Stock as of February 28, 2014 for each current director, each nominee for election as a director, each of the persons named in the Summary Compensation Table and for all current directors and executive officers as a group. None of the foregoing persons beneficially owned any equity securities of the Company's subsidiaries as of February 28, 2014.

Name of Beneficial Owner	Time Warner Common Stock Beneficially Owned ⁽¹⁾			Percent of Class
	Number of Shares	Option Shares ⁽²⁾	RSUs ⁽³⁾	
James L. Barksdale	51,749	38,383		*
William P. Barr ⁽⁴⁾	31,770	19,118		*
Jeffrey L. Bewkes ⁽⁵⁾	225,517	3,862,948		*
Stephen F. Bollenbach ⁽⁶⁾	24,356	38,383		*
Paul T. Cappuccio ⁽⁵⁾	62,234	393,951		*
Robert C. Clark	24,969	19,118		*
Mathias Döpfner	12,100	29,713		*
Jessica P. Einhorn	18,007	17,499		*
Gary L. Ginsberg	6,070	68,798	3,203	*
Carlos M. Gutierrez				*
Fred Hassan	41,546	19,118		*
John K. Martin, Jr. ⁽⁵⁾	954	817,567		*
Kenneth J. Novack ⁽⁷⁾	29,324	6,076		*
Olaf Olafsson	71,677	274,307		*
Paul D. Wachter ⁽⁸⁾	12,252	12,760		*
Deborah C. Wright	18,340	22,971		*
All current directors and executive officers (18 persons) as a group ⁽⁴⁾⁻⁽⁹⁾	712,001	4,941,754	7,403	*

* Represents beneficial ownership of less than one percent of the outstanding Common Stock as of February 28, 2014.

(1) Beneficial ownership has been determined in accordance with Rule 13d-3 of the Exchange Act. Unless otherwise indicated, beneficial ownership represents both sole voting and sole investment power. This table does not include, unless otherwise indicated, any shares of Common Stock or other equity securities of the Company that may be held by pension and profit-sharing plans of other corporations or endowment funds of educational and charitable institutions for which various directors and officers serve as directors or trustees.

Under some of the Company's deferred compensation programs, a participant may elect to have the value of the participant's deferred compensation paid out based on an assumed investment in the Common Stock during the deferral period. Participants do not have any right to vote or receive any Common Stock in connection with these assumed investments, which are represented by share equivalents, or phantom units, but are ultimately paid in cash. Under the Company's deferred compensation programs, Mr. Bewkes has been credited with 22,024 share equivalents and Mr. Bollenbach has been credited with 35,526 share equivalents. These share equivalents are not included in the table above.

(2) Reflects shares of Common Stock underlying stock options awarded by the Company that were exercisable within 60 days of February 28, 2014. These shares are not included in the Number of Shares column.

30 [Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#)

Table of Contents**SECURITY OWNERSHIP**

- (3) Reflects shares of Common Stock that were issuable within 60 days of February 28, 2014 upon the vesting of RSUs. These shares are not included in the Number of Shares column.
- (4) The number of shares includes 3,200 shares of Common Stock held by the Barr Family LLC, of which Mr. Barr is the manager and he and his spouse collectively own a 1% interest and his three adult children collectively own a 99% interest.
- (5) The number of shares includes the following individuals' interests in shares of Common Stock held by a trust under the Time Warner Savings Plan: Mr. Bewkes (approximately 35,724 shares); Mr. Cappuccio (approximately 267 shares); and Mr. Martin (approximately 954 shares).
- (6) The number of shares held by Mr. Bollenbach includes 348 shares of restricted stock.
- (7) Includes 175 shares of Common Stock held by the Novack Family Foundation, of which Mr. Novack and his wife are two of nine trustees who share voting power with respect to the shares. Mr. Novack disclaims beneficial ownership of shares held by the Novack Family Foundation.
- (8) Includes 6,000 shares of Common Stock held by the Wachter Family Trust, of which Mr. Wachter and his spouse are the trustees and beneficiaries. Mr. Wachter and his spouse share voting and investment power with respect to the shares.
- (9) The number of shares held by all current directors and executive officers as a group includes (i) aggregate interests in approximately 36,338 shares of Common Stock held by a trust under the Time Warner Savings Plan and (ii) an aggregate of approximately 6,448 shares of Common Stock held directly by or in the 401(k) plan of an executive officer's spouse, for which the executive officer disclaims beneficial ownership.

Security Ownership of Certain Beneficial Owners

Based on a review of filings with the SEC, the Company has determined that the following entity is the holder of more than 5% of the outstanding shares of Common Stock as of December 31, 2013:

Name and Address of Beneficial Owner	Shares of Stock	
	Beneficially Owned	Percent of Class
BlackRock, Inc. ⁽¹⁾ 40 East 52nd Street New York, NY 10022	52,766,118	5.8%

(1) Based solely on a Schedule 13G filed by BlackRock, Inc. with the SEC on February 4, 2014.

[Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#) **31**

Table of Contents

AUDIT-RELATED MATTERS

Report of the Audit and Finance Committee

In accordance with its charter, the Audit Committee assists the Board of Directors in fulfilling its responsibilities in a number of areas. These responsibilities are described above under Corporate Governance and Board Matters Board and Committee Responsibilities beginning on page 19 and in the Audit Committee's charter, which is posted on the Company's website at www.timewarner.com/governance.

In connection with its review of the Company's 2013 financial statements, the Audit Committee reviewed and discussed with management and the independent auditor the audited consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting and the independent auditor's evaluation of the effectiveness of the Company's internal control over financial reporting. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles. The Audit Committee also discussed with the independent auditor the matters required to be discussed by the Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended and as adopted by the Public Accounting Oversight Board in Rule 3200T, including the quality and acceptability of the Company's accounting policies, financial reporting processes and controls.

In addition, the Audit Committee received the written disclosures and the letter from the independent auditor required by the Public Company Accounting Oversight Board Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, regarding the independent auditor's communications with the Audit Committee concerning independence. The Audit Committee also discussed with the independent auditor the auditor's independence from the Company and its management. In determining that the auditor is independent, the Audit Committee also considered whether the provision of any of the non-audit services described below under Fees of the Independent Auditor is not compatible with maintaining their independence.

In performing its functions, the Audit Committee acts only in an oversight capacity and necessarily relies on the work and assurances of the Company's management and independent auditor, which, in their reports, express opinions on the fair presentation of the Company's annual consolidated financial statements in conformity with U.S. generally accepted accounting principles and the effectiveness of the Company's internal control over financial reporting. In reliance on the reviews and discussions referred to in this Report of the Audit and Finance Committee and in light of its role and responsibilities, the Audit Committee recommended to the Board of Directors, and the Board approved, that the audited consolidated financial statements of the Company be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC.

Members of the Audit and Finance Committee

Deborah C. Wright (Chair)
Robert C. Clark
Jessica P. Einhorn
Carlos M. Gutierrez
Fred Hassan

Table of Contents

AUDIT-RELATED MATTERS

Policy Regarding Pre-Approval of Services Provided by the Independent Auditor

The Audit Committee has established a policy (the Pre-Approval Policy) requiring its pre-approval of all audit services and permissible non-audit services provided by the independent auditor, along with the associated fees for those services. The Pre-Approval Policy provides for the annual pre-approval of specific types of services pursuant to policies and procedures adopted by the Audit Committee, and gives detailed guidance to management as to the specific services that are eligible for such annual pre-approval. The Pre-Approval Policy requires the specific pre-approval of all other permitted services. The Audit Committee has delegated to its Chair the authority to address certain requests for pre-approval of audit and permissible non-audit services between meetings of the Audit Committee, and the Chair must report her pre-approval decisions to the Audit Committee at its next regular meeting.

Services Provided by the Independent Auditor

The aggregate fees for services provided by Ernst & Young LLP to the Company with respect to the years ended December 31, 2013 and 2012 are as set forth below.

FEES OF THE INDEPENDENT AUDITOR

Type of Fees	2013	2012
Audit Fees ⁽¹⁾	\$17,622,000	\$16,559,000
Audit-Related Fees ⁽²⁾	5,519,000	693,000
Tax Fees ⁽³⁾	2,613,000	2,108,000
All Other Fees ⁽⁴⁾	20,000	50,000
Total Fees for Services Provided	\$25,774,000	\$19,410,000

- (1) *Audit Fees* were for audit services, including (a) the annual audit (including required quarterly reviews), subsidiary audits and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements, (b) the audit of the effectiveness of the Company's internal control over financial reporting, (c) consultation with management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, the Financial Accounting Standards Board or other regulatory or standard-setting bodies, (d) international statutory audits, and (e) services that only the independent auditor reasonably can provide, such as services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings and assistance in responding to SEC comment letters.
- (2) *Audit-Related Fees* were principally for services related to (a) agreed-upon procedures or expanded audit procedures to comply with contractual arrangements or regulatory reporting requirements, (b) audits of employee benefit plans, and (c) services pertaining to acquisitions, dispositions and the related accounting or disclosure treatment for such transactions or events. The increase in audit-related fees in 2013 reflects additional services for the audit of the financial statements of the Company's subsidiary, Time Inc., and related accounting consultation services. The Company expects to complete the spin-off of Time Inc. to its shareholders during the second quarter of 2014. Following the spin-off, Time Inc. will be an independent publicly-traded company.
- (3) *Tax Fees* were for services related to (a) tax compliance, (b) tax planning and tax advice, and (c) expatriate tax services.

(4)

All Other Fees were for services related to a benchmarking study related to the theatrical and home entertainment releases of companies in the motion picture industry that participated in the study.

[Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#) **33**

Table of Contents**EXECUTIVE COMPENSATION****Compensation Discussion and Analysis****Introduction**

This Compensation Discussion and Analysis or CD&A describes the Company's executive compensation principles and programs, with a focus on the Compensation Committee's decisions on 2013 compensation for the Company's named executive officers, or NEOs. The NEOs for 2013 were:

Name	Position with the Company During 2013
Jeffrey L. Bewkes	Chairman and Chief Executive Officer
John K. Martin, Jr.	Chief Financial and Administrative Officer
Paul T. Cappuccio	Executive Vice President and General Counsel
Gary L. Ginsberg	Executive Vice President, Corporate Marketing & Communications
Olaf Olafsson	Executive Vice President, International & Corporate Strategy

The Company encourages you to read this CD&A in conjunction with *Proposal 3: Annual Advisory Vote to Approve Named Executive Officer Compensation* beginning on page 13.

Table of Contents

Section		Page
1.	Executive Summary	34
2.	Compensation Principles	42
3.	Components of Executive Compensation	42
4.	2013 Executive Compensation	43
5.	Strong Governance Practices to Determine Executive Compensation	48
6.	Shareholder Engagement on Executive Compensation	51
7.	Compensation Policies and Practices	52

Section 1 Executive Summary**The Company's Businesses**

Time Warner is a global leader in media and entertainment with businesses in television networks, television and film production, and publishing. The Company has four operating divisions:

Operating Division	Description
Turner	Owns and operates leading cable television networks and related digital properties in the U.S. and internationally, including TBS, TNT, CNN, Cartoon Network, Adult Swim, truTV and Turner Sports. Turner accounted for 33% of the Company's total revenues in 2013.
Home Box Office	Operates leading premium pay television services HBO and Cinemax, both in the U.S. and internationally. Home Box Office accounted for 17% of the Company's total revenues in 2013.
Warner Bros.	Global leader in entertainment with businesses that produce and distribute feature films, television programming, home entertainment, comic books, and videogames, and license characters and brands for

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consumer products. Warner Bros. accounted for 39% of the Company's total revenues in 2013.

Time Inc.

One of the largest magazine publishers based on readership and print advertising revenues; also operates related websites and operations. Time Inc. accounted for 11% of the Company's total revenues in 2013. The Company plans to spin off Time Inc. to its shareholders in 2014.

Table of Contents**EXECUTIVE COMPENSATION****The Company's Operating Strategy**

Under the leadership of Chairman and CEO Jeff Bewkes, since 2008 Time Warner has implemented and successfully executed a content-based strategy that focuses on using the Company's industry-leading operating scale and brands to create, package and deliver engaging content across multiple distribution outlets worldwide. Successfully executing this strategy has delivered attractive growth and returns to shareholders while operating in a highly competitive industry that is undergoing fundamental changes. These changes include increased competition from new content creators, consolidation among traditional content distributors (e.g., cable companies), the emergence of new and sometimes disruptive distribution outlets, and changes in consumer behavior, as consumers seek more control over when, where and how they consume content. In addition to spinning off Time Warner Cable Inc. and AOL Inc. in 2009 to become more content-focused, the Company has made significant and steady progress on all elements of its strategy, as highlighted in the table below.

Strategy	2013 Highlights
<p>Use the Company's leading scale and brands to create the best content</p>	<p>Invested aggressively to create, acquire and distribute compelling content</p> <ul style="list-style-type: none"> ● Turner <ul style="list-style-type: none"> ◆ TBS ranked as the #1 ad-supported cable network in primetime among adults 18-34 and adults 18-49, Adult Swim ranked #2 among adults 18-34, and TNT aired four of the top 15 original series on ad-supported cable ◆ Exercised right to expand its coverage of the NCAA Men's Basketball Championship Tournament to include the Elite Eight and Final Four games starting in 2014 ● Home Box Office <ul style="list-style-type: none"> ◆ Won more Primetime Emmy awards than any other network for the 12th year in a row, with critically acclaimed series such as <i>Game of Thrones</i> and made-for-HBO films such as <i>Behind the Candelabra</i> ● Warner Bros. <ul style="list-style-type: none"> ◆ #1 at the worldwide box office for the third time in five years, with its films grossing over \$5 billion in 2013, led by <i>The Hobbit: The Desolation of Smaug</i>, <i>Gravity</i> and <i>Man of Steel</i> ◆ #1 producer of primetime broadcast series for the 2013-2014 television season and for 22 of the last 27 years; over 60 series airing on television for the 2013-2014 season
<p>Use the Company's scale advantage and its culture of innovation to lead the digital transition of its industries</p>	<p>Continued to lead the development of new digital services and business models, such as TV Everywhere (including HBO GO), UltraViolet, Disc-to-Digital and digital magazines</p> <ul style="list-style-type: none"> ● HBO GO active users grew over 30% and average monthly usage grew at a double digit rate ● Increased monetization of content through platforms such as subscription video on demand
<p>Expand internationally in faster-growing territories</p>	<p>Continued to expand its international businesses</p> <ul style="list-style-type: none"> ● Turner launched networks in both Asia and Latin America, expanding its global reach to more than 150 channels in over 200 countries ● Home Box Office launched premium services in Denmark, Norway and India and purchased its partners' interests in HBO Asia, HBO South Asia and HBO Nordic

Table of Contents

Continued Strong Financial Performance in 2013

As illustrated by the tables below, the Company delivered strong results on key financial measures in 2013 and over the last several years.

- *Adjusted Operating Income grew 7.7% in 2013 to a record \$6.6 billion*

- *Adjusted EPS rose 16.4%¹ to \$3.77 in 2013*
- *Five consecutive years of double-digit growth*

- *Free Cash Flow up 20% to \$3.5 billion in 2013*

- *Maintained a high level of Return on Invested Capital (ROIC²), an alternative measure of return on assets that the Company uses to evaluate its capital efficiency*

¹The Company has recast its historical financial results to reflect the presentation of its investment in Central European Media Enterprises Ltd. s (CME) common stock and Class A convertible preferred stock under the equity method of accounting for all prior periods from the date of the Company s initial investment in CME in May 2009.

²ROIC excludes the impact of purchase price adjustments from the merger of Time Warner Inc. (now known as Historic TW Inc.) with America Online, Inc. (now known as Historic AOL LLC) in 2001 and the restructuring of Time Warner Entertainment Company, L.P. in 2003. See page 44 for a discussion of why return on assets and return on equity are not meaningful measures of the Company s financial performance.

Table of Contents

EXECUTIVE COMPENSATION

- *Committed to providing direct returns to shareholders through share repurchases and dividends*

- *Delivered one-year, three-year and five-year total shareholder returns (TSR) well above the S&P 500 s TSR over the same time periods.³*

Sustained Operating and Financial Performance Supported by the Executive Compensation Program s Design

Pay-for-Performance Approach. The Compensation Committee promotes performance and effective leadership by (1) allocating the majority of executive compensation to variable performance-based components, (2) using varying time horizons and a balanced mix of both short-term and long-term performance measures that are important to the Company and its shareholders and (3) setting challenging financial and strategic goals at the beginning of the performance period.

The design of the Company s executive compensation program has been informed by its longstanding practice of engaging with shareholders. See page 51 for more information regarding shareholder engagement.

³ TSR data set forth in the table and on page 13 were provided by FactSet.

Table of Contents

- **Compensation Mix Focused on Components that Drive Performance.**

*The percentages in the charts reflect the base salary, target annual bonus and target annual value of long-term incentive awards. The charts do not include health and welfare benefits, retirement programs or personal benefits, which constitute less than 3% of each NEO's 2013 direct target compensation.

- **Performance-Based Compensation Uses Multiple Performance Measures and Varying Time Horizons.** The following table summarizes the performance-based incentive components and the performance measures selected by the Compensation Committee and the 2013 outcomes.

Incentive Component	Time Horizon	Performance Measure	How the Company and NEOs Performed on the Performance Measures		2013 Outcome
Annual Cash Bonus	1-year	Adjusted Divisional Pre-Tax Income (ADPTI)	70%	8% growth in 2013	145% financial performance rating (maximum 150%)
		Free Cash Flow		20% growth in 2013	
		Annual progress on key long-term strategic objectives	30%	See pages 45 to 46 for individual performance achievements	Individual performance ratings ranged from 130% to 140% (maximum 150%)
PSUs with a performance period ending in 2013	3-year	TSR relative to the S&P 500		130.7% TSR (2011-2013) ⁴ 91 st percentile of the S&P 500 ⁴	182.2% payout for 2011-2013 PSUs
Stock Options	4-year vesting period	Company common stock price		1-year increase 45.8% 3-year increase 116.7% 5-year increase 235.7%	Value realized determined by long-term stock price performance

⁴For PSUs, (1) TSR is calculated using the average closing price for the 30 trading days ending on the first and last days of the performance period and (2) the S&P 500 percentile rank calculation excludes companies that were removed from the S&P 500 Index during the performance period due to the decline of such companies' stock price below the minimum market capitalization standard only if their stock is no longer traded on a national exchange.

38 [Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#)

Table of Contents

EXECUTIVE COMPENSATION

- ***Challenging Financial and Strategic Goals for Annual Cash Bonuses.*** The Compensation Committee set financial goals for the 2013 bonuses that were meaningfully higher than for 2012 bonuses. The 2013 goals required the Company to deliver significantly higher ADPTI and Free Cash Flow to receive the same financial performance rating as in 2012. For example, to achieve the 150% maximum financial performance rating required:
 - ◆ 9% growth in ADPTI in 2013 compared to 6% growth in 2012; and
 - ◆ \$600 million more in Free Cash Flow than was required in 2012.See pages 44 to 45 for more information on the financial goal-setting. The Committee also approved individual goals for the NEOs that were focused on supporting the Company's key long-term strategic objectives as well as talent development and diversity.

Key 2013 Executive Compensation Decisions

- ***January 2013 Employment Agreement for Chairman and CEO.*** Mr. Bewkes became CEO of the Company in January 2008 and then Chairman and CEO in January 2009. The Board and Compensation Committee believe that Mr. Bewkes has been highly effective and successful as Chairman and CEO, as demonstrated by the Company's financial results during his tenure. See pages 36 to 37 for more information on the Company's financial performance. The Company and Mr. Bewkes entered into a five-year employment agreement in November 2012, which became effective in 2013.

The compensation structure under the January 2013 agreement was informed by shareholder feedback:

- Increase in target compensation consisted only of long-term performance-based incentive opportunity (PSUs and stock options)
- No increase in base salary or target bonus
- No upfront grant of equity awards, and no further grants of time-vested RSUs
- Removed excise tax gross-up

The terms of Mr. Bewkes' employment agreement were disclosed in the proxy statement for the 2013 Annual Meeting of Shareholders.

In 2013, the stock ownership requirement for Mr. Bewkes was increased to 8 times base salary from 5 times, reflecting the increase in the annual target value of his long-term incentive opportunity.

The entire increase in target compensation under the 2013 employment agreement was in the form of a higher performance-based long-term incentive opportunity. The value Mr. Bewkes will realize depends on future Company financial and stock price performance.

Table of Contents

- **2013 Compensation Decisions.** Taking into account shareholder feedback received in recent years and the strong outcome on the 2013 advisory vote on NEO compensation, with 93% of the votes cast in favor, the Compensation Committee determined to maintain the overall executive compensation structure for 2014. The Committee took the following actions regarding 2013 executive compensation:

Component	Chairman and CEO	Other NEOS
Base Salary	<ul style="list-style-type: none"> • No change 	<ul style="list-style-type: none"> • Mr. Martin No change • Other NEOs 3% increases
Annual Cash Bonus	<ul style="list-style-type: none"> • No change in target bonus 	<ul style="list-style-type: none"> • Mr. Martin No change • Other NEOs Target bonuses (expressed as a percentage of base salary) increased in proportion to base salary increases
	<ul style="list-style-type: none"> • <i>Financial Criteria:</i> The Committee approved a 145% financial performance rating, reflecting strong results in 2013 compared to more challenging goals set at the beginning of the year ADPTI grew 8% and Free Cash Flow increased 20% • <i>Individual Performance:</i> The Committee approved individual performance ratings ranging from 130% 140% (including 140% for Mr. Bewkes), reflecting that each of the NEOs had significant accomplishments during the year that helped the Company make progress on its key long-term strategic objectives 	
Long-Term Incentive Awards	<ul style="list-style-type: none"> • Target annual value of long-term incentive awards increased under the terms of the January 2013 employment agreement • Awards entirely performance-based, with 50% of target value in PSUs and 50% in stock options 	<ul style="list-style-type: none"> • No change

Table of Contents**EXECUTIVE COMPENSATION****Strong Governance Relating to Executive Compensation**

The Company's compensation governance policies and practices are designed to mitigate compensation-related risk without diminishing the effectiveness of the incentives provided by the executive compensation program. See pages 52 to 54 for more information.

The Company's Executive Compensation Practices	Executive Compensation Practices the Company Does Not Engage In
<ul style="list-style-type: none"> ü Pay-for-Performance: Tie compensation to performance by setting clear and challenging Company financial goals and individual goals and having a majority of total target compensation consist of performance-based components. 	<ul style="list-style-type: none"> û No Targeting Specific Percentiles: The Compensation Committee does not target a specific percentile of total compensation or individual compensation components of executives at peer companies.
<ul style="list-style-type: none"> ü Multiple Performance Metrics: Use different performance measures (e.g., for cash bonuses and PSUs) and multi-year vesting or measurement periods. 	<ul style="list-style-type: none"> û No Guaranteed Bonuses: The Company does not provide NEOs with guaranteed bonuses.
<ul style="list-style-type: none"> ü Share Ownership and Retention Requirements: NEOs must comply with share ownership and stock retention requirements. The CEO share ownership requirement was increased in 2013 to 8 times base salary from 5 times. 	<ul style="list-style-type: none"> û No Excise Tax Gross-Ups: The Company does not provide any excise tax gross-up payments in connection with a change in control.
<ul style="list-style-type: none"> ü Regular Engagement with Shareholders: The Company regularly engages with shareholders throughout the year regarding executive compensation and corporate governance matters. 	<ul style="list-style-type: none"> û No Change in Control Agreements: The Company does not have change in control agreements with the NEOs and none of the NEOs' employment agreements provide for any payments solely on a change in control.
<ul style="list-style-type: none"> ü Limited Personal Benefits: The Company provides limited personal benefits. 	<ul style="list-style-type: none"> û No Tax Gross-Ups for Personal Benefits: The Company does not provide tax gross-ups to NEOs for personal benefits.
<ul style="list-style-type: none"> ü Limit on Equity Dilution: The Compensation Committee maintains a policy limiting annual equity dilution, which caps the maximum annual run rate at 1.5% of the total outstanding Common Stock at December 31 of the preceding year. 	<ul style="list-style-type: none"> û No Repricing or Buyouts of Stock Options: The Company's only active equity plan prohibits repricing or buyouts of underwater stock options.
<ul style="list-style-type: none"> ü Annual Compensation-Related Risk Review: The Company conducts an annual review of compensation-related risks to confirm that any such risks are not reasonably likely to have a material adverse effect on the Company. 	<ul style="list-style-type: none"> û No Hedging or Pledging: NEOs are prohibited from engaging in hedging transactions with Company Common Stock, holding Common Stock in a margin account or pledging Common Stock as collateral for a loan.
<ul style="list-style-type: none"> ü Clawback Policy: The Company has a policy on the recovery of previously paid executive compensation. 	<ul style="list-style-type: none"> û No Excessive Overhang or Dilution: The Company's 2013 and 2012 equity grants represented less than 1% of the total outstanding Common Stock each year. As of February 28, 2014, the total number of equity awards outstanding (including maximum PSUs) represented approximately 5% of the total outstanding Common Stock as of that date.
<ul style="list-style-type: none"> ü Use of Independent Compensation Consultant: The Compensation Committee has retained an independent compensation consulting firm that performs no other consulting services for the Company and has no conflicts of interest. 	<ul style="list-style-type: none"> û Limits on Pension Credits and Calculations: The value of equity awards is not included in pension calculations. NEOs do not receive pension credit for years not worked.

Table of Contents**Section 2 Compensation Principles**

The Compensation Committee is guided by the following key principles in determining the compensation of the Company's executive officers:

Key Principle	Description
Accountability for Business Performance	Compensation is tied in part to financial and operating performance, so executives are held accountable through their compensation for the performance of the Company's businesses
Accountability for Individual Performance	Compensation is tied in part to individual performance to encourage and reflect individual contributions to the Company's performance and long-term success
Alignment with Shareholder Interests	Compensation is tied in part to stock performance to align executives' and shareholders' interests
Attract, Retain and Motivate Talent	Compensation reflects the competitive marketplace, so the Company can attract, retain, and motivate talented executives
Independent Decisions	An independent committee of the Board is responsible for reviewing and establishing the compensation for executive officers, as well as the overall compensation and benefits programs

The Compensation Committee has retained an independent consultant, who reports directly to the Committee, to assist the Committee in carrying out its responsibilities

Section 3 Components of Executive Compensation

The Compensation Committee uses the following components of executive compensation to promote performance and effective leadership:

Component	Description	Objectives
Base Salary	<ul style="list-style-type: none"> Committee reviews annually Consistent with pay-for-performance principles, this fixed pay element represents the smallest component of total target compensation 	<ul style="list-style-type: none"> Attract, retain, and motivate NEOs by providing a competitive level of fixed compensation
Annual Cash Bonus	<ul style="list-style-type: none"> Performance-based annual compensation component linked to the Company's financial performance and individual performance compared to pre-set goals 	<ul style="list-style-type: none"> Motivate and reward executives and promote alignment with shareholder interests by determining bonus amounts based on both annual financial performance and progress made during the year on key long-term strategic objectives

Table of Contents

EXECUTIVE COMPENSATION

Component	Description	Objectives
Long-Term Incentive Awards	<ul style="list-style-type: none"> ● Performance-based multi-year compensation component linked to stock price and Company performance ● Stock options and PSUs for CEO; mix of stock options, RSUs and PSUs for other NEOs <ul style="list-style-type: none"> ◆ Stock Options 4-year vesting period; 10-year term ◆ PSUs 3-year performance period ◆ RSUs 4-year vesting period <ul style="list-style-type: none"> ● Value ultimately earned by NEOs depends on the stock price at vesting or exercise and, for PSUs, also on Company financial performance 	<ul style="list-style-type: none"> ● Provide incentives for executives to deliver strong Company stock and financial performance over the long-term ● Reinforce alignment between the interests of NEOs and shareholders ● Promote retention
Retirement Programs	<ul style="list-style-type: none"> ● Consist of (1) a qualified savings plan and nonqualified deferred compensation plans and programs and (2) a qualified defined benefit pension plan and a non-qualified defined benefit plan (both now frozen) 	<ul style="list-style-type: none"> ● Enable employees to plan and save for retirement at a reasonable cost to the Company
Personal Benefits	<ul style="list-style-type: none"> ● Include financial services reimbursement, life insurance benefits and transportation-related services ● No tax gross-up taxes on personal benefits are the sole responsibility of the NEOs 	<ul style="list-style-type: none"> ● Provide a competitive level of benefits at a reasonable cost to the Company ● For security reasons, the Chairman and CEO is provided with a car and driver and is encouraged to use Company aircraft for business and personal use

Section 4 2013 Executive Compensation

Considerations in Determining 2013 Compensation. At the beginning of the year, the Compensation Committee sets target compensation levels for each NEO, including the base salary, target bonus, and target award value of long-term incentives. In determining target compensation levels, the Committee considers:

- Nature and scope of each NEO's duties
- Terms of each NEO's employment agreement
- NEO's prior compensation and individual performance
- Information on compensation levels of similarly positioned executives at entertainment industry peer companies
- Economic environment
- Results of the advisory vote on NEO compensation at the most recent annual meeting and the views expressed by shareholders
- Internal pay positioning, taking into account each NEO's pay components and levels relative to other executives with respect to role, length of time the NEO has served in his current position, seniority and levels of responsibility

In making compensation decisions for each NEO, the Committee exercises its judgment with respect to the factors considered, as well as the relative importance of each factor.

Table of Contents

Base Salary. In 2013, the Compensation Committee reviewed and approved the base salaries for each NEO. The Committee determined to keep the salaries for Messrs. Bewkes and Martin the same as in 2012. The Committee approved 3% increases in the base salaries for Messrs. Cappuccio, Ginsberg and Olafsson in 2013, which were consistent with average increases for employees at the Company generally, and reflected the Committee's evaluation of the executives' strong performance and the competitive market.

Performance-Based Compensation Cash Bonuses.

1. **Set Target Bonuses.** In early 2013, the Compensation Committee reviewed and approved the target bonus for each NEO. The Committee determined not to make any changes to the target bonuses for NEOs. However, because their target bonuses are expressed as a percentage of base salary, the target bonuses for Messrs. Cappuccio, Ginsberg and Olafsson increased as a result of their base salary increases. See the table on page 46 for each NEO's target bonus for 2013. Maximum bonus payouts are generally limited to 150% of the target bonus.
2. **Set Performance Measures and Goals.** In early 2013, the Compensation Committee selected ADPTI and Free Cash Flow as Company financial criteria for the annual cash bonuses and assigned the measures a collective 70% weighting. The Committee also approved individual performance goals (30% weighting) that measure progress on the Company's key long-term strategic objectives. The relative weightings of the financial and individual performance measures emphasize the Committee's view of the importance of achieving strong financial performance while reinforcing individual accountability for each NEO's performance. The financial measures and the relative weightings used in 2013 are the same as have been used for the last several years.

- **Financial Performance Measures.** The Compensation Committee selected ADPTI and Free Cash Flow as performance measures to encourage growth and efficient use of capital:
 - ADPTI is consistent with Adjusted Operating Income and is one of the primary measures the Company uses to evaluate its profitability. The Committee selected ADPTI to provide greater accountability for capital allocation.
 - Free Cash Flow gives a clear view of the Company's ability to generate cash, which can be used for investment in the Company, returns to shareholders and other actions that enhance shareholder value.
 - The Committee assigned a weighting of 70% to ADPTI and 30% to Free Cash Flow based on its view of the relative importance of these measures as indicators of the Company's operating performance over both the short and long term.
 - NEOs can achieve the highest bonus only when there is significant profitability and free cash flow.

The Compensation Committee periodically reviews the performance measures it uses in the executive compensation program, including considering other measures. For example, the Committee previously considered using return on assets and return on equity to measure performance, but concluded that these are not meaningful measures of the Company's financial performance due to the goodwill and intangible assets recorded in the Company's balance sheet in connection with accounting for the merger of Historic TW Inc. with Historic AOL LLC in 2001 and the restructuring of Time Warner Entertainment Company, L.P. in 2003. The accounting treatment of these transactions has the impact of depressing returns due to the substantial amount of goodwill and intangible assets that remain on the Company's balance sheet.

- **Financial Performance Goals.** The Compensation Committee used the 2013 budget approved by the Board of Directors as the starting point to develop the financial goals for the 2013 cash bonuses. The Committee set more challenging financial goals for 2013 than it had for 2012 across the entire financial performance framework that required higher growth to achieve the same rating, whether a 50% rating or the maximum 150% rating. For example, to achieve the maximum financial performance rating of 150% required:
 - 9% growth in ADPTI in 2013 compared to 6% growth in 2012; and
 - \$600 million more in Free Cash Flow than was required in 2012.

The Committee recognized that the 2013 goals were also more challenging because the higher growth in ADPTI would be required despite a significant planned restructuring at Time Inc. (the cost of which would lower ADPTI) and plans to increase investments in

enterprise services initiatives. The Company has launched

44 [Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#)

Table of Contents**EXECUTIVE COMPENSATION**

multi-year enterprise services initiatives to deliver certain business support services (e.g., real estate and certain information technology functions) centrally to the Company's divisions, including the consolidation of the office space occupied by the Company's businesses in New York City into a single location in late 2018. The Company expects these initiatives to generate significant savings annually and benefit the Company's long-term results.

- **Individual Performance Goals.** The individual goals for the NEOs were tailored to each individual's position and focused on supporting key long-term strategic objectives as well as talent development and diversity.

3. **Evaluate Company Financial Performance.** In January 2014, the Compensation Committee reviewed Company performance with respect to the financial criteria established by the Committee. The Company delivered strong financial performance in 2013, with ADPTI up 8% over 2012 and Free Cash Flow that was almost \$600 million greater than in 2012. The Committee approved a 145% financial performance rating, which the Committee believes appropriately reflects the Company's strong financial performance in 2013. The rating the Committee approved was slightly less than the 147% rating calculated based on the ADPTI and Free Cash Flow the Company achieved.

Performance Measure (\$ in millions)	% of Financial Component	2013 Financial Performance Framework ⁽¹⁾		Performance	Performance Rating
		50%	150% ⁽²⁾		
Adjusted Divisional Pre-Tax Income	70%	\$6,177	\$6,627	\$6,610	146%
Free Cash Flow	30%	\$1,995	\$3,195	\$3,516	150%
2013 Financial Performance Rating Approved by the Committee					145%

(1) If the performance is between the levels shown, payouts are determined by interpolation.

(2) Represents the performance for the maximum rating. Amounts above these levels would not result in a higher rating.

The 2013 financial performance framework in the table above reflects adjustments approved by the Committee in 2014 to address the impact of a change in the accounting for the Company's investment in CME from the cost method to the equity method of accounting and unbudgeted investments, restructurings and programming impairments, which adversely affected 2013 financial results, but were undertaken to further long-term goals and performance. These adjustments were consistent with the Committee's practice of taking into account transactions, changes in accounting treatment and strategic decisions that were not known or anticipated when the budget was developed and the financial performance criteria were approved at the beginning of the year, and that would have been reflected if they had been known or anticipated at the time. The Committee believes that the adjustments for strategic business decisions mitigate the adverse impact on bonus payouts of actions that reduce short-term results but improve long-term performance.

4. **Evaluate Individual Performance.** In January 2014, Mr. Bewkes discussed his recommendations for the individual performance ratings of the other NEOs with the Compensation Committee. The Committee evaluated the individual performance of Mr. Bewkes and each of the other NEOs in 2013 with respect to their respective goals and approved individual performance ratings (based on a maximum possible rating of 150%) of 140% for Messrs. Bewkes and Martin, 135% for Mr. Olafsson and 130% for Messrs. Cappuccio and Ginsberg. The Committee recognized the following significant accomplishments during 2013 that helped the Company make progress on its key long-term strategic objectives.

Mr. Bewkes

- Effectively led the execution of key long-term strategic objectives, including Turner's renewal of distribution agreements covering almost half of the U.S. subscribers to Turner's networks, the planned spin-off of Time Inc., Home Box Office securing renewal of its final major studio output arrangement and Turner's, Home Box Office's and Warner Bros.' significant progress on their content strategies (see page 35 for more information)
- Oversaw leadership transitions at Corporate and all of the Company's divisions during 2013, including Mr. Martin becoming chief executive officer of Turner and Howard M. Averill succeeding Mr. Martin as the Company's Chief Financial Officer in January 2014

Table of Contents

- Oversaw efforts to improve the efficiency and effectiveness of key business operations, including through the Company's enterprise services initiatives
- Successfully communicated the Company's progress in executing its strategy and creating shareholder value to external constituencies

Mr. Martin

- Provided strategic advice to the Chairman and CEO regarding acquisitions, dispositions and investments; was actively involved in the development of the strategy and plans for the spin-off of Time Inc. and key negotiations on a number of potential and completed transactions
- Assisted with the development and execution of Turner's affiliate distribution agreement renewal strategy, with distribution agreements covering almost half of the U.S. subscribers to Turner's domestic networks executed in 2013
- Successfully executed the long-term capital plan and effectively led the Company's finance and administration organizations
- Led efforts to improve operational efficiencies, including through the sale and leaseback of the Company's office space in Time Warner Center in New York City

Mr. Cappuccio

- Continued to provide effective legal advice and assistance, individually and through the legal department on significant transactions, including the planned spin-off of Time Inc.
- Provided important and effective legal and business strategy advice to the Chairman and CEO, the Board and the divisions relating to digital distribution and regulatory developments
- Maintained and refined the Company-wide compliance program

Mr. Ginsberg

- Executed several communications initiatives to advance the Company's reputation for industry leadership in a year of significant change with the announcement of the planned spin-off of Time Inc. and the transitions in leadership at all of the Company's divisions
- Formulated and coordinated effective messaging regarding digital strategies
- Fostered collaboration across the Company by coordinating external messaging on key initiatives and developments

Mr. Olafsson

- Provided advice and assistance to the Chairman and CEO and to the divisions on the implementation and evolution of the Company's digital strategy
- Led review of international television strategy across the Company's businesses
- Provided advice and assistance on a number of potential and completed acquisitions and investments and actively managed the Company's portfolio of investments

5. **Reward Performance: Determine Final Bonus Amounts.** The Compensation Committee approved final bonus amounts for each NEO that reflect the Company's strong financial performance in 2013 and the NEO's individual performance.

	Company Performance				Individual Performance	
	Component		Component		Rating	
	Rating Multiplied		Rating Multiplied		Multiplied	
	2013 Target	by 70% of Target	by 30 % of	Bonus	Bonus	
Bonus Amount	Rating	Bonus	Rating	Target Bonus	Bonus	Amount
Jeffrey L. Bewkes	\$10,000,000	145%	\$10,150,000	140%	\$4,200,000	\$14,350,000

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John K. Martin, Jr.	4,800,000	145%	4,872,000	140%	2,016,000	6,888,000
Paul T. Cappuccio	2,660,000	145%	2,699,900	130%	1,037,400	3,737,300
Gary L. Ginsberg	1,700,000	145%	1,725,500	130%	663,000	2,388,500
Olaf Olafsson	1,297,500	145%	1,316,963	135%	525,487	1,842,450

Table of Contents**EXECUTIVE COMPENSATION**

Performance-Based Compensation Long-Term Incentives The Company provides long-term incentive awards to motivate and reward its NEOs for contributions toward achieving the Company's key long-term strategic objectives and long-term performance. The awards also reinforce the alignment between the interests of the NEOs and the Company's shareholders by tying the value ultimately realized from the awards to the performance of the Common Stock over the long term and, for PSUs, determining the number of shares paid out based on the Adjusted EPS and relative TSR for the three-year performance period.

At its meeting in January 2013, the Compensation Committee approved long-term incentive awards for the NEOs, with 50% of the value of equity awards granted to Mr. Bewkes delivered through stock options and 50% through PSUs. For the other NEOs, the mix of equity awards in 2013 was intended to deliver 30% of the estimated award value through stock options and 35% of the award value through each of RSUs and PSUs.

The equity awards were granted on February 15, 2013, which was consistent with the Compensation Committee's past practice and followed the release of financial results for the prior year. The RSUs granted in 2013 were subject to a one-year performance condition based on Adjusted Net Income, which is intended to make awards granted to the NEOs deductible under Section 162(m) of the Code for tax purposes. In January 2014, the Committee reviewed and certified that the performance condition had been satisfied.

	Target Annual Value	Number of Stock Options Awarded	Number of RSUs Awarded	Number of Target PSUs Awarded	Total Grant Date Fair Value
Jeffrey L. Bewkes	\$16,000,000	605,144		143,446	\$16,024,826
John K. Martin, Jr.	4,300,000	102,219	28,120	26,986	4,271,913
Paul T. Cappuccio	2,750,000	65,372	17,984	17,258	2,732,018
Gary L. Ginsberg	750,000	17,829	4,905	4,707	745,129
Olaf Olafsson	1,300,000	30,903	8,501	8,159	1,291,508

PSUs Granted in 2013 Performance Measures. The PSUs granted in 2013 have a three-year performance period ending December 31, 2015. Reflecting changes made to the PSU program design in 2012, at the end of the three-year performance period, a percentage (between 0% and 200%) of the target number of PSUs awarded will be determined based on the cumulative Adjusted EPS achieved (the EPS Factor) as compared to the goal established by the Compensation Committee at the start of the performance period. The EPS Factor will then be multiplied by a modifier ranging from 80% to 120% (the TSR Modifier), depending on the Company's TSR percentile for the performance period relative to the TSR of the other companies in the S&P 500 Index. The number of shares that can be earned is capped at 200% of the target number of PSUs awarded. In determining the Adjusted EPS achieved, the Committee may take into account the impact of extraordinary, unusual or nonrecurring items and reflect other factors that the Committee deems appropriate, such as excluding the effect of any unbudgeted share repurchases that would otherwise have the impact of increasing the Company's Adjusted EPS.

The chart below illustrates how the two measures are used to determine the final payout of shares for the PSUs. For example, if 100 target PSUs were awarded and after the three-year performance period (1) the Company's cumulative Adjusted EPS is at a level that would result in a payout of 100% of the target PSUs and (2) the relative TSR of the Common Stock is at the 75th percentile, the final PSU payout would be 120 shares of Common Stock, calculated by multiplying the 100 target shares by an EPS Factor of 100% and a TSR Modifier of 120%.

Relative TSR Performance	TSR Modifier	0%	50%	100%	150%	200%	← Payout Based on EPS Factor Alone (as Percentage of Target)
≤ 25 th Percentile	80%	0%	40%	80%	120%	160%	
50 th Percentile	100%	0%	50%	100%	150%	200%	Final Payout after Applying TSR Modifier
≥ 75 th Percentile	120%	0%	60%	120%	180%	200%	

The PSUs granted in 2013 were also subject to a one-year performance condition based on Adjusted Net Income, which is intended to make awards granted to the NEOs deductible under Section 162(m) of the Code for tax purposes. In January 2014, the Committee reviewed and certified that this performance condition had been satisfied.

PSUs Granted in Prior Periods Payouts. The PSUs granted in 2010 and 2011 had a three-year performance period and performance measures reflecting the design used for PSUs awarded from 2009 through 2012, which

Table of Contents

were based on (1) the Company's TSR relative to the TSR of the other companies in the S&P 500 Index and (2) the Company's growth in Adjusted EPS compared to that of the S&P 500 Index (as reported by Bloomberg). The Adjusted EPS measure would be triggered only if the Company's relative TSR was below the 50th percentile and its Adjusted EPS growth was at or above the 50th percentile, i.e., if strong operating performance was not reflected in the Company's stock price due to market or other conditions outside of management's control.

- *Performance Periods Ending in 2012.* In January 2013, the Compensation Committee reviewed and discussed the Company's performance for the 2010-2012 performance period with respect to the PSUs granted in 2010. The Committee certified the Company's TSR at the 78.9th percentile for the three-year performance period and, as a result, the Adjusted EPS measure did not apply. In February 2013, the PSUs paid out shares of Common Stock at 157.8% of the target number of PSUs that had been granted. The Committee also reviewed and certified the level of performance for the 2008-2012 performance periods with respect to the award of PSUs made to Mr. Bewkes in January 2008 when he became CEO (the Upfront PSUs). The Committee certified the Company's TSR at the 78th percentile for the five-year performance period and, as a result, in February 2013, the Upfront PSUs paid out shares of Common Stock at 157.2% of the target number of PSUs. The shares paid out to the NEOs for these PSUs are disclosed in the Option Exercises and Stock Vested During 2013 table.
- *Performance Period Ended in 2013.* In January 2014, the Compensation Committee reviewed and discussed the Company's performance for the 2011-2013 performance period with respect to the PSUs granted in 2011. The Committee certified the Company's TSR at the 91.4th percentile for the three-year performance period and, as a result, the Adjusted EPS measure did not apply. In February 2014, these PSUs paid out shares of Common Stock at 182.2% of the target number of PSUs that had been granted. The payout reflected the Company's very strong performance over the three year performance period, with the Common Stock price increasing almost 117% and dividends totaling \$3.13 per share having been paid.

Section 5 Strong Governance Practices to Determine Executive Compensation

Role of the Compensation Committee. The Compensation Committee, which is composed of five independent directors, is responsible for determining the compensation of the NEOs. At the beginning of each fiscal year, the Committee reviews and approves target compensation and performance goals for the NEOs for that year (plus for any performance period cycles for long term incentive programs beginning that year), bonus payouts for the prior year and the level of performance achieved for any completed long-term incentive performance periods. This timing allows the Committee to consider financial results for the most recent year as it makes compensation decisions and sets performance targets for the upcoming year and performance periods. The Committee reviews compensation with a view to providing incentives to achieve both superior financial results and progress against the Company's key long-term strategic objectives and to recognize performance. The Committee's charter, which sets out its duties and responsibilities and addresses other matters, can be found on the Company's website at www.timewarner.com/governance.

Role of the Board of Directors. The Board has retained the authority to approve new executive compensation plans, new equity plans and material amendments to existing executive compensation plans. It has delegated its authority with respect to other executive compensation matters to the Compensation Committee. The Board receives reports from the Committee on its actions and recommendations following every Committee meeting. The Board also reviews the Company's executive compensation and benefits programs each year.

Role of Management. At the Compensation Committee's request, management provides the Committee information, analyses and recommendations regarding the Company's executive compensation program and policies and assists the Committee in carrying out its responsibilities. During 2013, each of Mr. Bewkes, Mr. Martin, the Senior Vice President & Chief Human Resources Officer, and the Senior Vice President, Global Compensation and Benefits, attended the Committee's meetings. The Committee also meets regularly in executive session outside the presence of management, including with its independent compensation consultant. While the Committee considers the recommendations of Mr. Bewkes (other than with respect to his own pay) and the input received from

its compensation consultant, the Committee makes all decisions regarding NEO compensation.

Role of Compensation Consultant. The Compensation Committee has retained Pay Governance LLC as its compensation consultant. The compensation consultant assists the Committee in the development and evaluation of the Company's executive compensation policies and practices and the Committee's determination of executive

Table of Contents

EXECUTIVE COMPENSATION

compensation, and provides advice to the Committee on other matters related to the Committee's responsibilities. The compensation consultant reports directly to the Committee and the Committee has the sole authority to retain and terminate the consultant and to review and approve the consultant's fees and other retention terms. A representative of the compensation consultant attends meetings of the Committee, and communicates with the Committee chair between meetings as necessary or requested.

During 2013, at the Committee's request, Pay Governance LLC performed the following services for the Committee:

- Provided competitive market data on compensation for executives at the Company and its divisions
- Provided information on executive employment agreement terms among the Company's peer groups
- Conducted analyses of long-term incentive award practices, including vesting and share utilization by the Company's peer groups
- Reviewed compensation-related disclosures in the Company's 2013 Proxy Statement
- Provided information with respect to emerging compensation-related practices and policies

Pay Governance LLC did not perform any other services for the Company in 2013.

The Committee assessed the consultant's performance and independence in 2013. The Committee determined that the consultant had no conflicts of interest that would prevent it from advising the Committee and confirmed the consultant's independence.

Although compensation levels at the companies in the entertainment industry peer group (some of which are effectively controlled by a single shareholder) are generally higher than in many other industries, the Committee believes that the Company competes most directly with these companies for the limited pool of executives with the creative and management skills and relevant industry experience needed to successfully operate the Company's businesses.

Use of Peer Groups. As one of the largest content-focused media and entertainment companies in the United States, Time Warner competes most directly for talent with a small group of other large U.S.-based media and entertainment companies. Therefore, the Compensation Committee primarily uses an entertainment industry peer group composed of the five other large U.S.-based media and entertainment companies. The Committee does not target a specific percentile of compensation provided to executives at the entertainment industry peer group companies in making compensation decisions. However, the Committee believes that an understanding of the compensation provided to executives in comparable positions at these companies is important given the skills and experience required of our top executives. Referring to this entertainment industry peer group helps the Committee set total target compensation provided to the NEOs at appropriate competitive levels that attract, retain and reward top performers over the long term.

The Committee also uses a secondary peer group, consisting of 22 companies, as a general reference point for compensation practices and related governance matters, such as the stock ownership requirements for executive officers. The secondary peer group includes a broad range of multi-national and multi-divisional companies with consumer-oriented branded businesses. The Committee selected the companies in the secondary peer group based on revenue, market capitalization, and organizational complexity, also factoring in whether a company has a consumer focus and significant brand recognition. While the Committee reviews this peer group each year based on these factors, it does not make frequent changes because there can be significant fluctuations in some of these factors (e.g., market capitalization) over the short-term. Instead, the Committee considers changes based on a longer-term perspective.

Following a comprehensive review and update of both peer groups in 2012, the Committee only made changes to the peer groups in 2013 to reflect corporate transactions undertaken by the companies in the peer groups. In October 2013, the Committee retained (1) Twenty-First Century Fox, Inc. instead of News Corporation following the separation of the newspaper publishing business from the film, television, cable and satellite businesses (which are held by Twenty-First Century Fox, Inc.) and (2) Mondelez International, Inc. instead of Kraft Foods Inc. following

Table of Contents

the separation of the global snack-food business (which is held by Mondelēz International) from its North American grocery business. After these actions, the companies in the peer groups are the following:

Entertainment Industry Peer Group		
CBS Corporation	Comcast Corporation	Twenty-First Century Fox, Inc.
Viacom Inc.	The Walt Disney Company	

Secondary Peer Group		
Altria Group, Inc.	Amazon.com, Inc.	CBS Corporation
Colgate-Palmolive Company	Coca-Cola Co.	Comcast Corporation
DirectTV	DISH Network Corporation	Google Inc.
Johnson & Johnson	Kimberly-Clark Corp	McDonald's Corp.
Microsoft Corporation	Mondelēz International, Inc.	Nike, Inc.
PepsiCo Inc.	Philip Morris International Inc.	Target Corporation
Time Warner Cable Inc.	Twenty-First Century Fox, Inc.	Viacom Inc.
The Walt Disney Company		

Total Target Direct Compensation Comparison. The following table shows how each NEO's 2013 total target direct compensation (consisting of base salary, target cash bonus and the target annual value of long-term incentive awards) compared against the 2012 (and, where available, 2013) total target direct compensation of executives in comparable roles at the companies in the entertainment industry peer group, including the annualized value of any upfront equity awards granted to such executives. Information is not available for comparable positions at every company in the peer group, and the scope and nature of responsibilities for these positions may vary substantially among the entertainment industry peers. The Compensation Committee takes these factors into account when reviewing the competitive market data.

	Companies in Entertainment Industry Peer Group with Information Available	Entertainment Industry Peer Group
Jeffrey L. Bewkes	CBS Corporation, Comcast Corporation, Twenty-First Century Fox, Inc., The Walt Disney Company and Viacom Inc.	Within range
John K. Martin, Jr.	CBS Corporation, Comcast Corporation, Twenty-First Century Fox, Inc., The Walt Disney Company and Viacom Inc.	Within range*
Paul T. Cappuccio	CBS Corporation, Twenty-First Century Fox, Inc., The Walt Disney Company and Viacom Inc.	Within range
Gary L. Ginsberg	The Walt Disney Company and Viacom Inc.	Above range**
Olaf Olafsson	The Walt Disney Company, NBC Universal (a subsidiary of Comcast Corporation) and Viacom Inc.	Within range***

* Mr. Martin had responsibility for administration functions in addition to the areas traditionally overseen by chief financial officers.

** Mr. Ginsberg has responsibility for corporate marketing as well as corporate communications.

*** Mr. Olafsson is responsible for international and corporate strategy and investments.

Table of Contents**EXECUTIVE COMPENSATION****Section 6 Shareholder Engagement on Executive Compensation**

The Company has a long-standing practice of engaging with its shareholders throughout the year on a range of topics, including executive compensation. The Compensation Committee is regularly updated on shareholder feedback for its consideration, and the Committee views this continuing constructive dialogue as an integral part of the process of designing and refining the Company's executive compensation program and maintaining strong corporate governance practices.

The Company's executive compensation program received strong support from shareholders in 2013, with shareholders representing 93% of the votes cast at the annual meeting voting in favor of the compensation of the NEOs included in the 2013 Proxy Statement, continuing an upward trend over the last few years. Taking into account the feedback from shareholders in recent years and the results of the 2013 advisory vote on NEO compensation, the Committee determined to maintain the overall executive compensation structure for 2014, and increased the CEO stock ownership requirement.

Following the 2013 Annual Meeting, the Company continued to engage with shareholders, speaking with shareholders representing over 40% of the outstanding Common Stock in late 2013 on compensation and governance matters.

The Company's engagement with shareholders has helped inform the Committee's deliberations and decisions in recent years. The following chart summarizes the key points that the Company heard from shareholders over the last several years and the actions the Committee has taken with regard to the topics discussed.

What we heard from our shareholders	What we did	When
Supported higher stock ownership by the CEO	Significantly increased the CEO's stock ownership requirement to 8 times base salary from 5 times base salary	Adopted in 2013
CEO's employment agreement should provide greater emphasis on long-term compensation and performance-based equity grants	Entered into 5-year agreement with CEO Increase in compensation consisted entirely of higher performance-based long-term incentive opportunity	Executed in November 2012; effective January 1, 2013
Supported extension of Mr. Bewkes employment	No increase in base salary, no increase in target bonus and no future grants of time-vested RSUs	
Some expressed reservations about <ul style="list-style-type: none"> The level of CEO compensation in the media and entertainment industry; Large up-front grants of equity awards as part of new executive employment agreements; and Change-in-control excise tax gross-up provisions in employment agreements 	No up-front equity awards Removed change-in-control excise tax gross-up provision	
Expressed support for a new stock incentive plan that would provide the Company with more flexibility to grant RSUs and PSUs	2013 Stock Incentive Plan adopted by Committee and Board	The 2013 Stock Incentive Plan was approved by shareholders in May 2013, with 91% of the votes cast in favor
Positive response to proposed change to the performance measures for the PSUs	Implemented new performance measures for PSUs primary performance measure is	Starting with PSUs granted in 2012

three-year Adjusted EPS target established
by the Committee, with a payout modifier
based on the Company's three-year TSR
relative to the S&P 500

Table of Contents

What we heard from our shareholders	What we did	When
Supported having a significant portion of full-value equity awards to executives be performance-based	Adopted policy that 50% of full-value equity awards to executive officers be performance-based	Policy on performance-based equity awards effective in 2007 and first PSUs granted in 2007
Expressed concern that dilution from equity awards be managed appropriately	Implemented PSUs for executive officers The Committee decided to award stock options only to the Company's most senior management. Other eligible employees receive only RSUs. This decision reduced the dilutive impact of awards while also providing market-competitive equity-based compensation.	Most employees receive only RSUs beginning in 2012

Section 7 Compensation Policies and Practices

The Compensation Committee has adopted a number of policies and practices to support its compensation principles and help drive performance and align executive and shareholder interests. In addition, these policies and practices are designed to mitigate compensation-related risk without diminishing the incentive nature of the executive compensation program. For information regarding the Company's annual risk assessment of the compensation programs and practices, see Compensation Programs and Risk Management .

Pay-for-Performance Policy. Under the Compensation Committee's policy, a majority of total target compensation for NEOs consists of performance-based components, which include a cash bonus, stock options and PSUs. This policy also incorporates the Company's commitment that at least 50% of the estimated fair value of full-value stock awards (*i.e.*, RSUs and PSUs) made to the Company's executive officers will be performance-based, such that achievement of performance measures will determine the size and/or vesting of the awards.

Equity Dilution Policy. The Compensation Committee's policy on equity dilution addresses how the Company determines the appropriate level of equity dilution within the context of its shareholder-approved equity plans and establishes general guidelines for monitoring and managing equity dilution and annual share usage rate. The Company regularly analyzes its equity compensation program, including whether dilution rates are in line with those of its peer companies. The equity dilution policy currently sets annual share usage limits consistent with the Time Warner Inc. 2013 Stock Incentive Plan, which caps the number of shares that may be issued during a calendar year at 1.5% of the total outstanding Common Stock at December 31 of the preceding year. Within that limit, the Compensation Committee determines the amount and mix of equity awards to be granted in any single year. The equity awards granted in 2013 represented 0.5% of the Company's Common Stock outstanding on December 31, 2012, well within the equity dilution policy.

Stock Ownership and Retention Guidelines. The Compensation Committee has adopted stock ownership and retention guidelines to help promote a focus by NEOs on longer-term goals and further align the interests of executives and shareholders. In December 2013, the Committee increased the CEO's required stock ownership multiple significantly to 8 times base salary from 5 times, effective January 1, 2014. Following election to a position that is subject to the stock ownership guidelines, an executive has five years to meet the applicable stock ownership requirement, as set forth in the table below:

Executive Level	Multiple of Salary in Equity Ownership Value
Chairman and CEO	8 times
Executive Vice Presidents and Chief Financial & Administrative Officer	2 times

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Shares held directly by the individual, interests in the Time Warner Inc. Stock Fund in the Company's qualified savings and nonqualified deferred compensation plans, restricted stock and unvested RSUs, and the value of expected net after-tax shares for PSUs for which the performance period has been completed are included in determining whether the ownership requirement has been met and sustained. As of December 31, 2013, each of the NEOs met the applicable stock ownership requirement.

The Committee has adopted stock retention requirements with respect to stock option awards. Executive officers must retain for at least 12 months after exercise of stock options granted while an executive officer (or, if no longer

[52 Time Warner Inc. Notice of 2014 Annual Meeting of Shareholders and Proxy Statement](#)

Table of Contents**EXECUTIVE COMPENSATION**

employed by the Company, for at least 12 months after the date of exercise, but not beyond the first anniversary of the termination of employment) shares of Common Stock representing at least 75% of the after-tax gain that the executive realizes upon exercise (assuming a 50% tax rate for purposes of the calculation).

Hedging and Pledging Common Stock. The Company's executive officers and directors may not engage in short sales of Common Stock and may not purchase or sell puts, calls, straddles, collars or other similar risk reduction devices involving Common Stock. The Company's executive officers and directors may not hold Common Stock in a margin account or pledge Common Stock as collateral for a loan, except in very limited circumstances in which the compliance officers for the Company's supplemental trading policies are confident that sufficient other assets are available to satisfy the loan and that the likelihood of the pledged shares being sold is low.

Recovery of Previously Paid Executive Compensation (Clawback Policy). By policy, if the Board determines that an executive officer intentionally caused a material financial misstatement that resulted in artificially inflated executive compensation, the Board will determine appropriate actions to remedy the misconduct and prevent its recurrence and any actions with respect to the executive. The Board may consider a number of factors in determining whether to seek to recover compensation paid to an executive, including the nature of the underlying misconduct and the role of the executive; the amount of excess compensation paid as a result of the material financial misstatement; the risks, costs and benefits associated with pursuing the recovery of the compensation; and other actions the Company or third parties may have taken with respect to the executive who caused the misstatement.

Employment Agreements. Employment agreements are standard in the entertainment industry for top executives, and the Compensation Committee believes it is in the Company's best interest to secure the employment of each of the NEOs through an employment agreement. All of the NEOs are, and were during 2013, parties to employment agreements with the Company. The terms and provisions of these agreements are described on pages 68 to 70. The Committee approves all employment agreements with NEOs.

The employment agreements with the NEOs provide for payments and benefits upon termination of employment in various circumstances, as described under Potential Payments Upon Termination of Employment, Disability, Death or Change in Control beginning on page 70. The NEOs' respective employment agreements include negotiated provisions that provide more favorable terms for the treatment of some of their equity awards upon various employment termination events. The objective of these provisions is to recruit and retain talent in a competitive marketplace.

Section 162(m) Considerations. Section 162(m) of the Code limits to \$1 million the amount of compensation the Company can deduct for federal income tax purposes in any one year for compensation paid to the chief executive officer and the three other most highly-compensated executive officers employed by the Company at the end of the year (other than the Company's chief financial officer). However, the \$1 million deduction limit generally does not apply to compensation that is performance-based and provided pursuant to a shareholder-approved plan. While the Compensation Committee considers deductibility as one factor in determining executive compensation, the Committee believes that shareholder interests are best served by the Committee retaining the flexibility to approve compensation that is not deductible by the Company for tax purposes. Because there are uncertainties to the application of Section 162(m) of the Code, it is possible that the Company's deductions may be challenged or disallowed.

- ***Base Salary.*** The Company believes that base salaries paid to the executive officers who are covered by Section 162(m) of the Code for 2013 will be deductible by the Company, except for the portions of Messrs. Bewkes' and Cappuccio's 2013 base salary that exceeded the \$1 million limit.
- ***Cash Bonuses.*** In 2009, the Board and shareholders approved the Annual Incentive Plan for Executive Officers, which provides for the payment of an annual cash bonus and the grant of RSUs. Awards under the Annual Incentive Plan are intended to qualify as performance-based compensation under Section 162(m) of the Code. Pursuant to the Annual Incentive Plan, the maximum annual bonus that can be paid to each participant and be tax-deductible is the lower of 1.5% of the Company's Adjusted Net Income for such year and \$20 million. For 2013, the maximum bonus that would qualify as tax-deductible under the Annual Incentive Plan was \$20 million. This amount is greater than the amount that generally would be payable to the NEOs under the annual bonus framework and target bonuses described in Section 4 2013 Executive Compensation Performance-Based Compensation Cash Bonuses. The Company believes that the cash

bonuses for 2013 paid to the executive officers who are covered by Section 162(m) of the Code will be deductible by the Company.

Table of Contents

- **Long-Term Incentives.** The Company awards stock options, RSUs and PSUs to its executive officers pursuant to plans and with performance measures and processes that the Company believes satisfy the requirements of Section 162(m) of the Code. The Company believes that the compensation realized from the vesting of the RSUs and PSUs granted in 2013 and the exercise of the stock options granted in 2013 to the executive officers who are covered by Section 162(m) of the Code will be deductible by the Company.

Compensation and Human Development Committee Report

The Compensation and Human Development Committee of the Board of Directors has reviewed and discussed with management the foregoing Compensation Discussion and Analysis. Based on such review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Members of the Compensation and Human Development Committee

William P. Barr (Chair)
Stephen F. Bollenbach
Mathias Döpfner
Fred Hassan
Paul D. Wachter

Compensation Committee Interlocks and Insider Participation

None of the Compensation Committee members (i) has ever been an officer or employee of the Company or (ii) was a participant in a related person transaction in 2013. None of the Company's executive officers serves, or in 2013 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 Committee.

Compensation Programs and Risk Management

In early 2014, the Company completed its annual risk assessment of its compensation programs and policies for employees, including executive officers. In particular, the Company reviewed and analyzed the major components of compensation at the Company and its divisions, including:

- base salary
- annual bonuses
- long-term incentive programs (including cash-based incentive plans and equity-based incentive plans)
- sales incentive plans and commission plans, and
- retirement programs (including defined benefit programs, defined contribution programs, deferred compensation programs, and profit-sharing arrangements).

In reviewing the major components of compensation, the Company evaluated the key characteristics of the compensation plans and programs, such as the performance measures used in the performance-based programs, the combination and number of such metrics, eligibility for participation, any individual payout maximums, and the timing of payouts. The Company analyzed whether any of the major compensation components gave rise to different types of risk, such as strategic, financial, operational and reputational risk, which included but were not limited to the

Table of Contents

EXECUTIVE COMPENSATION

risk factors identified in the Company's then most recent Annual Report on Form 10-K. The Company also reviewed the distribution of pay versus revenue share for each of the Company's divisions and considered the situations that may trigger disclosure specified in the SEC's rules. In addition, the Company considered steps taken in 2013 to increase the effectiveness and efficiency of the governance, administration and design of the compensation programs and thereby further mitigate any potential compensation-related risks. These steps included enhanced processes for tracking of compensation expense at each of the Company's divisions.

Based on its review of its compensation policies and practices, the Company has determined that any risks arising from its compensation programs and policies are not reasonably likely to have a material adverse effect on the Company. The Company's compensation programs and policies mitigate risk through a combination of design elements and pay practices that are intended to support building long-term shareholder value. Throughout the Company, total compensation is heavily weighted toward fixed salary, while executive compensation includes a balanced mix of short-term and long-term compensation, cash-based and stock-based compensation, and fixed and performance-based compensation. The combination of performance measures for annual bonuses and the equity compensation programs, stock ownership and retention guidelines for executive officers (including the increased stock ownership requirement for the CEO adopted in 2013), as well as the multiyear vesting schedules for equity awards, encourage employees to maintain both a short and a long-term view with respect to Company performance and thereby discourage behavior that leads to excessive risk taking.

Independent Compensation Consultant

The Compensation Committee retained Pay Governance LLC as its independent executive compensation consultant in 2013. Pay Governance LLC provides advice to the Compensation Committee on matters related to the fulfillment of the Compensation Committee's responsibilities under its charter and on a wide range of executive compensation matters, including the overall design of the executive compensation program and competitive market data. All of the services provided by Pay Governance LLC during 2013 were to the Compensation Committee, and Pay Governance LLC did not provide any additional services to the Company. At least annually, the Compensation Committee conducts a review of its compensation consultant's performance and independence. The Compensation Committee believes that there was no conflict of interest between Pay Governance LLC and the Compensation Committee during the year ended December 31, 2013. In reaching this conclusion, the Compensation Committee considered the factors set forth in the SEC rule effective July 27, 2012 regarding compensation adviser independence. During 2013, at the Compensation Committee's request, Pay Governance LLC provided the services described on pages 48 to 49 in the CD&A.

Table of Contents

Summary Compensation Table

The following table presents information concerning compensation paid to the Company's Chief Executive Officer, Chief Financial & Administrative Officer and each of the three other most highly compensated executive officers who served in such capacities on December 31, 2013 (collectively, the Company's named executive officers or NEOs). For information regarding the components of the NEOs' total compensation, see the Compensation Discussion and Analysis section of this Proxy Statement beginning on page 34.

SUMMARY COMPENSATION TABLE FOR FISCAL YEAR 2013

	Change in Pension Value and
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