

Report of the Compensation and Human Development Committee of the Board of  
Directors of Time Warner Inc.  
on the Selection and Retention of its Consultant  
August 2009

**Introduction**

Under the charter of the Compensation and Human Development Committee (the “Committee”), the Committee has authority to retain its own consultants, counsel, and other advisors. Approximately seven and one-half years ago, the Committee decided to retain John England, Managing Principal, of Towers, Perrin, Forster & Crosby, Inc. (“Towers Perrin”) as its consultant to advise the Committee in matters relating to executive compensation. This report provides information on the Committee’s selection and retention of Mr. England.

**Selection and Retention of Consultant**

In late 2001, the Committee determined that it would be appropriate to retain its own consultant on executive compensation. The Committee selected Mr. England on the basis of a recommendation by an independent Director and then-Committee member, in light of the quality of the work that Mr. England had performed at other companies.

Beginning in 2002, the Committee has conducted at least annual reviews of Mr. England’s work for the Committee, including his independence. As part of its initial review during Mr. England’s first year of working for the Committee, the Committee held a series of discussions over the course of a number of meetings considering whether a consultant who works for a company’s compensation committee, but who is associated with a firm that performs other services for the company, may be considered independent. As part of its analysis, the Committee considered regulatory standards, industry practices, blue-ribbon panel recommendations, the services that Mr. England and Towers Perrin respectively, provide to the Committee and the Company, and the fees for those services. The Committee also considered the quality and independence of the advice and information that Mr. England had provided to the Committee.

The Committee has continued to conduct at least annual reviews since then. Over time, it has considered other factors as part of its reviews (in addition to those listed above), including: (i) views expressed by investors on the subject of compensation consultants, (ii) the safeguards that have been established by Towers Perrin, the Committee, and the Company to reinforce the independent nature of the advice and information that Mr. England provides to the Committee, and (iii) Mr. England’s work for other companies.

With regard to investors’ views, the Committee has considered suggestions by the Company’s stockholders. In particular, in response to constructive engagement on

the subject with stockholders, the company has enhanced the disclosure that it provides regarding its compensation consultant in the Company's annual proxy statement.

With regard to independence safeguards, the Committee has considered the following:

- Mr. England reports directly to the Committee, which has authority over his hiring, firing, and compensation;
- Mr. England does not perform any work for the Company (except for periodically providing information to another board committee on non-employee director compensation and providing management with information on matters to be presented to the Committee);
- Mr. England is not the client-relationship manager for Towers Perrin, does not report to that individual, and neither he nor any member of his team is involved in soliciting or developing additional business with Time Warner;
- The Committee receives annual reports on his and Towers Perrin's work for the Company; and
- The Committee reviews his independence and performance at least annually.

And, with regard to Mr. England's work for other companies, the Committee has specifically considered Mr. England's work for Countrywide Financial Corporation, which was the subject of press and legislative attention in March 2008, including any implications that may have for independence, ethics, and conflicts-of-interest. The Committee has reviewed the congressional staff report, press reports, and Mr. England's response on the subject. Among other things, the Committee has noted that the circumstances at Countrywide were considerably different from that at the Company: at Countrywide, Mr. England was retained in connection with an impasse between management and the Board; at the Company, it is clear that Mr. England works for the Committee.

The Committee conducted its most recent review of Mr. England's performance and independence in July 2009. As part of this review, the Committee considered an array of factors, including: the legislative and regulatory environment; industry practices and blue-ribbon panel recommendations; the views of the Company's stockholders and investors generally; the nature of, and fees associated with, the work that Towers Perrin and Mr. England provide to the Company; the safeguards in place regarding independence; Mr. England's work for other companies; and the findings of recent academic studies relating to compensation consultant independence. The Committee has concluded that (i) it continues to be satisfied by Mr. England's performance and independence in his work for the Committee and (ii) that it will continue to consider this matter carefully in the future in light of regulatory developments, evolving industry practices, and the potential merger of Towers Perrin and Watson Wyatt announced in June 2009.