



## *Foster Wheeler AG*

### *Corporate Governance Guidelines*

#### **I. Introduction**

The Board of Directors (the "**Board**") of Foster Wheeler AG (the "**Company**") has adopted the following Corporate Governance Guidelines (the "**Guidelines**") to promote the functioning of the Board and its Committees, to set forth a common set of expectations as to how the Board should perform its functions and to serve the interests of the Company and its shareholders. The Guidelines should be interpreted in the context of all applicable laws, the Company's Articles of Association (the "**Articles of Association**"), organizational regulations and other corporate governance documents. The Guidelines acknowledge the leadership exercised by the Board's standing Committees and their Chairs and are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. The Guidelines are subject to modification from time to time by the Board as the Board in its discretion may deem appropriate in the best interests of the Company and its shareholders or as required by applicable laws and regulations.

The Guidelines are available on the Company's website at "[www.fwc.com/corpgov](http://www.fwc.com/corpgov)" and to any shareholder who requests a copy. The Company's Annual Report on Form 10-K will state the foregoing.

#### **II. Composition of the Board of Directors**

- **Board Size and Mix**

The size of the Board should facilitate substantive discussions of the whole Board in which each Director can participate meaningfully, while allowing for a diversity of perspectives and backgrounds. The Articles of Association provide that the number of Directors shall not be fewer than 3 nor more than 20. The Board, acting on the recommendation of the Board's Governance and Nominating Committee (the "**Governance and Nominating Committee**") will periodically review the size of the Board to determine the size that it considers is most effective in relation to then current and future operations.

- **Board Evaluation**

The Board will perform an annual self-evaluation regarding an assessment of the effectiveness of the Board using a format established by the Governance and Nominating Committee.

- **Independence**

A majority of the Board shall consist of Directors (the "**Independent Directors**") who are neither officers or employees of the Company or its subsidiaries nor have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director, and who are otherwise "independent" under the rules of NASDAQ.

The Board will review annually the relationships that each Director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those Directors who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) will be considered Independent Directors, subject to additional qualifications prescribed under the listing standards of NASDAQ.

- **Board Election**

The Directors are divided into three classes and each class is elected for a term of office to expire at the third succeeding Annual General Meeting after their election in accordance with article 21 of the Articles of Association.

- **Director Candidate Selection**

The Board will stand for election by the shareholders of the Company at the Company's Annual General Meeting. Each year, at the Annual General Meeting, the Board will recommend a slate of Directors for election by the shareholders. The Board may also recommend candidates for election by shareholders at an extraordinary general meeting. The Governance and Nominating Committee is responsible for identifying, screening and recommending candidates to the entire Board for Board membership. Directors and shareholders may recommend candidates to the Board.

- **Board Membership Criteria**

The Board, through the Governance and Nominating Committee, is continually assessing which functional skills or areas of expertise are needed to round out the existing strengths of the Board as part of its Director selection process.

The Governance and Nominating Committee is responsible for periodically reviewing with the Board the appropriate characteristics, skills and experience required for the Board as a whole and its

individual members. In evaluating the suitability of individual candidates (both new candidates and current Board members), the Governance and Nominating Committee shall establish and periodically re-evaluate qualification criteria for membership on the Board based on the skills and experience needed to assist the Company to achieve its current and future objectives and to satisfy the independence standards required by the Guidelines and NASDAQ as well as any other applicable law or regulatory requirements. Factors to be considered by the Governance and Nominating Committee in recommending candidates for election, and the Board in approving such nominees, are set forth in Qualifications for Board Members.

The Board evaluates each individual in the context of the Board as a whole, with the objective of assembling a group that can best perpetuate the success of the business and represent shareholder interests through the exercise of sound judgment using its diversity of experience, skills and perspectives in these various areas. In determining whether to recommend a Director for re-election, the Governance and Nominating Committee considers a Director's overall effectiveness, including whether changes in employment status, health, community activity or other factors may impair a Director's continuing contributions to the Board, the Director's past attendance at meetings and participation in and contributions to the activities of the Board.

- **Deputy Chairman**

A Deputy Chairman has been elected by the Board of Directors. The Deputy Chairman (1) serves as Executive Session Presiding Director of all private meetings of the Independent Directors, (2) serves as temporary acting Chairman in the event of incapacitation of the Chairman, (3) serves as the primary interface between the Chairman and CEO and the full Board in the event the Chairman and CEO positions are filled by one individual, and (4) assists in the preparation of agendas for the board and committee meetings.

- **Leadership**

The Board believes it is important to select its Chairman and the Company's Chief Executive Officer in the manner it considers in the best interests of the Company at any given point in time. Accordingly, these positions may be filled by one individual or by two different individuals. In the event the Chairman and CEO positions are filled by two individuals, the Chairman shall serve as primary interface between the CEO and the full Board.

### **III. Orientation and Continuing Education**

Materials are provided to newly appointed directors to familiarize them with the Company's businesses, industry and corporate governance practices. Senior management and other appropriate personnel and outside advisors are also made available to brief new directors.

Directors are encouraged to take advantage of continuing education opportunities that will enhance their ability to fulfill their responsibilities and the Company shall reimburse directors for their reasonable expenses in pursuing such opportunities.

### **IV. Director Compensation**

The Board establishes Director compensation. The Compensation Committee, with the assistance of outside consultants, periodically reviews the amount and composition of Director compensation and makes recommendations to the Board as needed.

Director compensation is a combination of cash and equity of the Company. It is the policy of the Board that the only remuneration received from the Company by any non-employee director is compensation for services as a director. Directors who are employees of the Company receive no additional compensation for serving as directors.

### **V. Board Meetings**

- **Frequency**

The number of regularly scheduled Board meetings is established by the Board upon the recommendation of the Governance and Nominating Committee. Further meetings may be held (or action may be taken by circular resolution in accordance with section C4.3 of the organizational regulations) at the discretion of the Board.

- **Agenda**

The Chairman of the Board is responsible for preparing an agenda for each Board meeting, based in part on input received from the other Directors, including the Chief Executive Officer. The Board expects that meeting agendas will include on a regular basis a review of the Company's financial performance, strategies and risk profile. Management presentations are made to the Board and its Committees regularly on various aspects of the Company's operations.

- **Access to Senior Management and Employees**

The Board encourages the Chairman of the Board or the Chair of any Committee to bring Company management and outside advisors or

consultants from time to time into Board and/or Committee meetings. Attendance of non-Directors at Board meetings is at the discretion of the Board. Members of the Board have direct access to any of the Company's employees.

All Directors are invited to contact the Chief Executive Officer at any time to discuss any aspects of the Company's business. The Board expects that there will be frequent opportunities for Directors to meet with the Chief Executive Officer and other members of management in Board and Committee meetings and in other formal or informal settings.

Non-employee Directors in their discretion may contact senior managers of the Company without senior corporate management present.

- **Executive Sessions**

To ensure free and open discussion and communication between the non-management Directors, executive sessions without management Directors or management present will be held in conjunction with the regularly scheduled meetings of the Board. The Chairman will serve as the presiding Director at each executive session of the non-management Directors. The name of the Deputy Chairman will be published along with a means for shareholders to communicate with the non-management Directors. Non-management Directors are all Directors who are not Company officers (as that term is defined in Rule 16a-1(f) under the Securities Act of 1933, as amended), or who are not independent by virtue of a material relationship, former status or family membership, or for any other reason.

In addition, if the non-management Directors include Directors who are not also Independent Directors, the Independent Directors shall also meet separately at least twice per year in executive session. The Deputy Chairman will serve as the presiding Director at each executive session of the Independent Directors.

## **VI. Board Committees**

- **Number and Duties of Board Committees**

At present, the Company has established the following Board Committees: Audit Committee, Governance and Nominating Committee and Compensation Committee. The Board may, from time to time, establish other committees to assist in carrying out its duties. The duties of each standing Committee of the Board will be set forth in a Committee charter, which shall periodically be reviewed and approved by the Board.

Each Committee annually conducts a review and evaluation of the performance of such Committee. The current charters of each Committee are published on the Company's website.

- **Composition and Leadership of Board Committees**

Based on the recommendations of the Governance and Nominating Committee, the Board appoints Committee members and Committee Chairs according to criteria set forth in the applicable Committee charter and such other criteria that the Board determines to be appropriate in light of the responsibilities of each Committee.

- **Committee Agendas**

The Chair of each Committee, in consultation with the appropriate members of the Committee, will develop the Committee's agenda.

All Directors, whether members of a Committee or not, are invited (i) to make suggestions to a Committee Chair for additions to the Committee agenda or (ii) to request that an item from a Committee agenda be considered by the Board.

- **Committee Reporting and Self-Evaluations**

The Chair of each Committee will give a periodic report of the Committee's activities to the Board. Each Committee will review its performance and charter annually and recommend to the Board any changes it deems necessary.

- **Independence of Certain Board Committees**

Each of the Governance and Nominating Committee, the Audit Committee and the Compensation Committee shall be composed of Independent Directors. A Director may serve on more than one Committee for which he or she qualifies.

## **VII. Board Responsibilities**

In addition to its general oversight of management and the other non-transferable and inalienable duties, the Board also performs a number of specific functions, including:

### **A. Management Succession**

At least annually, the Chief Executive Officer addresses succession planning with the Governance and Nominating Committee and, together with the Chair of that Committee, reviews with the Board a succession plan addressing the policies and principles for selecting a successor to the Chief Executive Officer and each other elected corporate officer, both in an emergency situation and in the ordinary course of business. At the Board's discretion, succession planning may be reviewed with the full Board without consultation with the Governance and Nominating Committee. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to such officers. There should also be available to the Governance and Nominating

Committee, on a continuing basis, the Chief Executive Officer's recommendations regarding his or her successor should he or she be unexpectedly disabled.

**B. Evaluation and Compensation of Executive Officers**

A major responsibility of the Board is to monitor the performance of the Chief Executive Officer, and in consultation with the Chief Executive Officer, the performance of other key executive officers.

- **Evaluation and Approval of Chief Executive Officer Compensation**

The Board, upon recommendation of the Compensation Committee, with input from the Chief Executive Officer, shall annually establish the performance criteria (including both long-term and short-term goals) to be considered in connection with the Chief Executive Officer's next annual performance evaluation. At the end of each year, the Chief Executive Officer shall make a presentation or furnish a written report to the Compensation Committee and the Board, indicating his or her progress against such established performance criteria. Thereafter, with the Chief Executive Officer absent, the Compensation Committee shall meet to review the Chief Executive Officer's performance. The results of the review and evaluation shall be communicated to the Board and the Chief Executive Officer by the Chairman (and the Chair of the Compensation Committee). Based upon the recommendation of the Compensation Committee, and without the Chief Executive officer present, the Board shall review his or her performance and approve his or her compensation.

- **Evaluation and Approval of Executive Compensation**

The Compensation Committee reviews and approves compensation for senior executives other than the Chief Executive Officer to ensure that such compensation is appropriate, competitive and properly reflects the Company's goals and objectives.

- **Determination of Goals and Objectives for Annual Short-Term Incentives**

Annually, the Chief Executive Officer meets with the Compensation Committee to propose the goals and objectives for the annual short-term incentive plan for executives, which are then reviewed and approved by the Board, upon recommendation of the Compensation Committee.

### **C. Monitor Compliance**

The Board, with the assistance of the General Counsel and/or the Corporate Secretary, or such other officer(s) performing substantially similar functions, and the Chief Corporate Compliance Officer shall monitor the processes in place for maintaining the integrity of the Company.

## **VIII. Access to Independent Advisors**

The Board Committees may hire independent advisors as set forth in their applicable charters and the Company shall provide for appropriate funding. The Board as a whole shall have access to such advisors and such other independent advisors that the Company retains or that the Board considers necessary or appropriate to discharge its responsibilities.

## **IX. Expectations of Directors**

The business and affairs of the Company shall be managed by or under the direction of the Board in accordance with Swiss law, including through one or more of its Committees as set forth in the organizational regulations and Committee charters. In performing their duties, the primary responsibility of the Directors is to exercise their business judgment in the best interests of the Company. Each Director is expected to spend the time and effort necessary to properly discharge his or her responsibilities.

- **Share Ownership**

Each non-employee director is expected to comply with the Company's Share Ownership Guidelines.

- **Commitment and Attendance**

A Director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. Accordingly, a Director is expected to regularly prepare for and attend meetings of the Board and all Committees on which the Director sits (including separate meetings of non-management Directors and the Independent Directors), with the understanding that, on occasion, a Director may be unable to attend a meeting. A Director who is unable to attend a meeting is expected to notify the Chairman of the Board or the Chair of the appropriate Committee in advance of such meeting, and, whenever possible, participate in such meeting via teleconference.

- **Participation in Meetings**

Each Director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and each Committee on which he or she serves. Upon request, management will make

appropriate personnel available to answer any questions a Director may have about any aspect of the Company's business. Information regarding the topics to be considered at a meeting is essential to the Board's understanding of the business and the preparation of the Directors for a productive meeting. To the extent feasible, the meeting agenda and any written materials relating to each Board meeting will be distributed to the Directors sufficiently in advance of each meeting to allow for meaningful review of such agenda and materials distributed by the Directors. Directors are expected to have reviewed and be prepared to discuss all materials distributed in advance of any meeting.

- **Other Directorships**

The Company values the experience Directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a Director's time and availability and may present conflicts of interest or legal issues. Directors should periodically advise the Chair of the Governance and Nominating Committee and the Chairman of the Board of membership on other boards of Directors or other significant commitments involving affiliation with other business or governmental units. The Governance and Nominating Committee and the Board will take into account such commitments in evaluating the suitability of individual director candidates and current directors and making its recommendations to the Company's shareholders.

Due to the demanding nature of service on the Audit Committee, the members of the Audit Committee may not serve on the audit committees of the boards of directors of more than two other public companies at the same time as they are serving on the Audit Committee.

- **Communications**

Management speaks for the Company. Inquiries from institutional investors, the media, employees and others should be referred to the Chief Executive Officer or the Chief Financial Officer. Individual Directors may from time to time meet with various constituencies of the Company, but the Board expects that this would be done only with its concurrence and that of management.

- **Confidentiality**

The proceedings and deliberations (as well as any materials provided in connection therewith) of the Board and its Committees are confidential. Each Director shall maintain the confidentiality of information received in connection with his or her service as a Director.

**Approved by the Board,  
Zug, August 2, 2011**