



## *Foster Wheeler AG*

### *Compensation Committee Charter*

#### **I. Purpose**

The purpose of the Compensation Committee of the board of directors (the "Board") of Foster Wheeler AG (the "Company") is to (1) assist the Board in the discharge of the Board's responsibilities relating to compensation of the Company's CEO and other senior executives, including by reviewing and approving and recommending to the Board for approval and evaluating the compensation plans, policies and programs of the Company and its subsidiaries and (2) produce the Compensation Committee Report on Executive Compensation (the "Compensation Committee Report") for inclusion in the Company's proxy materials in accordance with applicable rules and regulations. The Compensation Committee shall ensure that compensation programs are designed to enhance shareholder value and to link the financial interests of the Company's executive officers to the interests of its shareholders and other stakeholders, to encourage support of the Company's long-term goals, to tie executive compensation to the Company's performance, to attract, retain and motivate talented leadership and to encourage significant ownership of the Company's registered shares by executive officers.

In addition to the powers and responsibilities expressly delegated to the Compensation Committee in this Charter, the Compensation Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time consistent with the Company's articles of association and organizational regulations. The powers and responsibilities delegated by the Board to the Compensation Committee in this Charter or otherwise shall be exercised and carried out by the Compensation Committee as it deems appropriate without requirement of Board approval, and any decision made by the Compensation Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Compensation Committee hereunder) shall be at the Compensation Committee's sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Compensation Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law, the Compensation Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

#### **II. Membership**

The size of the Compensation Committee shall be as determined by the Board. None of the members of the Compensation Committee shall be an employee of the Company and each shall (1) satisfy the independence requirements of NASDAQ, (2) be a "non-employee director" within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and (3) be a member of the Board.

The members of the Compensation Committee, including the Chair of the Compensation Committee, shall be appointed by the Board on the recommendation of the Board's Governance and Nominating Committee. Compensation Committee members may be removed from the Compensation Committee, with or without cause, by the Board. Any action duly taken by the Compensation Committee shall be valid and effective, whether or not the members of the Compensation Committee at the time of such action are later determined not to have satisfied the requirements for membership provided herein.

### **III. Meetings and Procedures**

The Chair (or, in his or her absence, a member designated by the Chair) shall preside at each meeting of the Compensation Committee and set the agendas for Compensation Committee meetings. The Compensation Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the articles of association or organizational regulations that are applicable to the Compensation Committee.

The Compensation Committee shall meet on a regularly scheduled basis at least two times per year and more frequently as the Compensation Committee deems necessary or desirable.

Any director may attend and participate in discussions of the Committee, although formal Committee action will only be through the vote of the appointed Committee members.

A majority of the members of the Committee shall constitute a quorum for the transaction of business. The vote of a majority of the members present at any meeting at which a quorum is present shall be the act of the Committee.

The Compensation Committee may, at its discretion, include in its meetings any appropriate members of the Company's management. Notwithstanding the foregoing, the Compensation Committee may also exclude from its meetings any persons it deems appropriate, including but not limited to, any non-management director who is not a member of the Compensation Committee.

The Compensation Committee shall have the sole authority, as it deems appropriate, to retain and/or replace, as needed, any independent counsel, compensation and benefits consultants and other outside experts or advisors as the Compensation Committee believes to be necessary or appropriate. The Compensation Committee may also utilize the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Compensation Committee in its sole discretion, for payment of compensation to any such persons retained by the Compensation Committee.

The Chair shall report the Committee's actions and recommendations to the Board.

Minutes of each meeting of the Committee will be sent to Committee members and to all Board members. The original minutes will be filed in the corporate archives.

#### **IV. Duties and Responsibilities**

1. The Compensation Committee shall, at least annually, review the compensation philosophy of the Company with regard to Senior Executives (as defined below) and review and approve the Company's executive compensation policies, including plan design.

2. The Compensation Committee shall, at least annually:

- review and recommend to the Board corporate goals and objectives relating to the compensation of the Chief Executive Officer of the Company,
- evaluate with the Board the performance of the Chief Executive Officer in light of the financial goals and objectives and the non-financial performance standards agreed to at the beginning of the fiscal year, and
- review and recommend to the Board the compensation of the Chief Executive Officer.

In reviewing and recommending to the Board the long-term incentive component of the Chief Executive Officer's compensation, the Compensation Committee shall consider the Company's performance and relative shareholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies, and the awards given to the Company's Chief Executive Officer in past years. Prior to any such determination of the Chief Executive Officer's compensation, the Chief Executive Officer shall make a presentation or furnish a written report to the Compensation Committee and full Board, indicating his or her progress against established financial and non-financial performance criteria. Any voting or deliberations by the Compensation Committee of the Chief Executive Officer's performance shall be conducted with the Chief Executive Officer absent. The results of the review and evaluation shall be communicated to the Board and the Chief Executive Officer by the Chair of the Compensation Committee.

3. The Compensation Committee shall, at least annually, review (including any management recommendations) salary rates and, as applicable, bonuses, the award of stock options, restricted stock or other equity rights and all other compensation and approve such for all Senior Executives other than the Chief Executive Officer. A "Senior Executive" is any:

- officer (as such term is defined in Rule 16a-1 promulgated under the 1934 Act) of the Company; and,

- any person who is the head of a Business Group of the Company

The Compensation Committee shall review and recommend to the Board goals and objectives relating to the compensation of Senior Executives including those for achieving short term incentive awards.

4. The Compensation Committee shall review and approve Senior Executives' employment agreements and severance arrangements and amendments thereto and recommend to the Board any employment agreement, or amendment thereto, for the Chief Executive Officer.

5. The Compensation Committee shall review and recommend to the Board for approval consulting agreements and amendments thereto, for the Chairman of the Board and any fees and other compensation payable thereunder.

6. The Compensation Committee shall review and establish appropriate stock ownership guidelines for Senior Executives, select management employees and directors.

7. The Compensation Committee shall act as administrator of the Company's benefits and compensation plans when so designated by the plans or related governing documents, the plans' sponsors, or the Board. At present, such plans include: the Foster Wheeler Annual Executive Short-term Incentive Plan, the 1995 Stock Option Plan of Foster Wheeler Inc., the Foster Wheeler Inc. Directors Stock Option Plan, the Foster Wheeler Inc. Directors Deferred Compensation and Stock Award Plan, and the Foster Wheeler AG Omnibus Incentive Plan. If any of these plans or related governing documents so provide, the Compensation Committee shall have the authority to consider and make amendments to such plan or to terminate it; otherwise, it shall make recommendations regarding the same to the Board. With respect to each such plan for which the Compensation Committee is the administrator, it shall have authority and responsibility for:

(i) general administration;

(ii) reviewing and approving any awards to Senior Executives other than to the Chief Executive Officer for whom it will make a recommendation to the Board, including stock options and other equity rights allowed under such plan(s), and approving the delegation of authority to make individual awards to non-Senior Executive employees as provided by such plan(s);

(iii) concluding that any and all performance targets used for any performance-based equity compensation plans have been met before payment of any executive bonus or compensation or exercise of any award granted under any such plan(s); and

(iv) repurchasing securities from terminated employees.

8. The Compensation Committee shall have the powers and duties allocated to it by any charter applicable to the Company's benefit and compensation plans.

9. The Compensation Committee shall establish and periodically review policies concerning perquisite benefits.

10. The Compensation Committee shall periodically review the need for a Company policy regarding compensation paid to the Company's Senior Executives in excess of limits deductible under Section 162(m) of the Internal Revenue Code.

11. The Compensation Committee shall determine the Company's policy with respect to change of control or "parachute" payments.

12. The Compensation Committee shall review compensation for directors and make recommendations to the Board.

13. The Compensation Committee shall review and discuss with the Company's management the Compensation Discussion and Analysis required by Securities and Exchange Commission Regulation S-K, Item 402. Based on such review and discussion, the Compensation Committee shall determine whether to recommend to the Board that the Compensation Discussion and Analysis be included in the Company's annual report or proxy statement for the annual general meeting of shareholders (or extraordinary general meeting, if required). The Compensation Committee shall provide, over the names of the members of the committee, the required Compensation Committee Report for the Company's annual report or proxy statement for the annual general meeting of shareholders (or extraordinary general meeting, if required). The Compensation Committee shall also review and discuss with the Company's management any similar compensation disclosure required under Swiss law.

14. The Compensation Committee shall evaluate its own performance on an annual basis, including its compliance with this Charter, and provide the Board with any recommendations for changes in procedures or policies governing the Compensation Committee. The Compensation Committee shall conduct such evaluation and review in such manner as it deems appropriate.

15. The Compensation Committee shall review and reassess this Charter at least annually and submit any recommended changes to the Board for its consideration.

## **V. Delegation of Duties**

In fulfilling its responsibilities, the Compensation Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Compensation Committee, except that it shall not delegate its responsibilities set forth in paragraphs 3 and 5 of Section IV above.

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