Corporate Governance Report

Contents

Leadership

The Board sets the tone of the Company with regards to corporate governance and ensures the application of the Company's values and behaviours. It demonstrates the clear division of responsibilities and the constructive challenge and development of strategy.

Effectiveness

The Board operates effectively for the long-term success of the Company. The Board members demonstrate the correct balance of skills, experience, independence and knowledge and are able to commit sufficient time to undertake the duties and responsibilities appropriately.

Accountability

The Board maintains sound risk management and internal control systems and has well-established committees to assist it in the undertaking of its duties.

Relations with Shareholders and Stakeholders

The Board maintains an open dialogue with shareholders and Board members attend investor events globally.

Remuneration

The Board ensures an open and transparent remuneration policy for the effective recruitment and retention of Board members and Company employees.

The UK Corporate Governance Code

The UK Corporate Governance Code (the 'Code') is published by the Financial Reporting Council and sets out the standards of good practice in relation to matters such as Board composition and effectiveness, the role of Board Committees, risk management, remuneration and relations with shareholders. The Code can be obtained from the Financial Reporting Council via its website at frc.org.uk.

As a listed company, we are required to explain how we have complied with the Code and applied its principles and provisions. We must also provide an explanation of any instances where we have not. This Corporate Governance Report, together with the Nomination, Audit and Remuneration Committee Reports, details how the Company has applied the main principles of the Code in 2017. For the year ended 31 December 2017 to the date of this Annual Report, the Board considers that the Company has complied fully with the Code.

The Financial Conduct Authority's Disclosure and Transparency Rule 7.2.6 ("DTR 7.2.6") requires the corporate governance statement to contain certain information required by Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410). This information relates to significant interests in the securities of the Company, securities carrying special rights with regard to the control of the Company, restrictions on voting rights, rules regarding the appointment and replacement of Directors, rules regarding changes to the Company's Articles of Association and the Directors' powers in relation to the issuing or buying back by the Company of its shares. The relevant information can be found in within the Directors' Report on pages 116 to 118.

The following Corporate Governance Report, including the Committee Reports and the Directors' Report, sets out how we apply these governance standards in practice and demonstrates our compliance with the Code.

Corporate Governance Report

Chairman's introduction to governance

Driving performance through culture

Charles Berry
Chairman

Dear Shareholders,
I am pleased to present the Corporate Governance Report for 2017. As Chairman, I continue to focus on ensuring our governance structure remains appropriate, whilst supporting our strategy and culture and ensuring that the Board delivers prudent and effective leadership in order to discharge its duties responsibly and effectively.

Good corporate governance is critical to building a successful and sustainable business and enabling us to create long-term value more effectively. The focus on corporate governance is forever increasing and the Board is committed to maintaining the highest standards of corporate governance as this is the key to the continued long-term success of your Company.

In the Corporate Governance Report, I describe our governance structure, how the Board works and areas that your Board has focused on during the year as well as the work of the Board Committees.

Statement of Compliance with the UK Corporate Governance Code

I am pleased to report that the Company has fully complied with all the principles of the Code for the year ended 31 December 2017, and from that date to the date of approval of this Annual Report.

Q As Chairman, what is your view on the role of governance?

As Chairman, I focus on ensuring that the Board delivers effective leadership in order to ensure the long-term success of the Company. The Board sets the tone from the top by defining and demonstrating the Company's values and standards. The Board recognises that a robust corporate governance framework is essential to deliver the strategy of the Group and ensure the highest standards of integrity.

Q What role does the Board play in setting the culture of the business?

The Board leads by example and works diligently to ensure that the Weir values, corporate strategy and business model are embedded within our culture and at all levels and aspects of our business. This approach allows us to establish a culture which is resilient and adaptive to change. The Board remains committed to driving the culture of the business and ensuring that this is reflected in our Code of Conduct and commitment to our people.

Q Sustainability is integral to the business. What role does the Board play in managing this?

Every member of the Board views themselves as stewards of the business with a clear responsibility to ensure its long-term success. That long-term approach defines how we develop the strategic direction of the Group, assess risks and opportunities and ultimately deliver sustainable value for all our stakeholders.

Q The Board Effectiveness Review was led externally this year. What did it identify?

It identified that further enhancement of the Non-Executive Directors' engagement with various levels of the business and a more structured schedule of informal site visits would be valuable. A review and possible refinement of the annual programme and schedule of meetings was also recommended.

Q The Board is accountable for the Group's management of risk. How does the Board monitor this?

The Board reviews the Group Risk Dashboard at each Board meeting and receives presentations from Executive Directors, Divisional Presidents, Group Executive members and functional leaders which include aspects of the Group's principal and other risks together with how they are being controlled or otherwise mitigated. The Risk Committee reports bi-annually to the Board with a detailed assessment of each principal risk, internal audit and compliance scorecard results, developments in risk management approaches and any significant matters for the Board's consideration. On an annual basis, the Board will also review the Group's Risk Appetite Statement.

Q What engagement with shareholders has the Board had during the year?

The Board is responsible for ensuring that satisfactory dialogue with shareholders takes places throughout the year. In order to establish and maintain good relationships with the shareholders of the Company, the Directors meet with major shareholders in order to keep them informed of significant developments and to listen to their views. You can read more about how the Board members engaged with shareholders during 2017 on page 83.

Charles Berry
Chairman
28 February 2018

Board of Directors

The right skills and experience to deliver long-term value

Committee membership key

- Chair
- A Audit Committee member
- N Nomination Committee member
- R Remuneration Committee member

Charles Berry
Chairman

N

Independent?
Yes, since appointment in March 2013

Nationality

Tenure on Board
4 years and 10 months

Experience
Charles was an Executive Director of Scottish Power plc from 1999 to 2005 and Chief Executive of its UK operations between 2000 and 2005. Prior to joining Scottish Power, he was Group Development Director of Norwest Holst, a subsidiary of Compagnie Générale des Eaux and held management positions within subsidiaries of Pilkington plc.

He is a former Non-Executive Director and Chairman of Eaga plc, Drax Group plc and Thus Group plc, and a former Non-Executive Director of Impax Environmental Markets PLC and Securities Trust of Scotland plc.

Key external appointments
Charles is a Non-Executive Chairman of Senior plc and a member of the steering group of the Hampton-Alexander Review.

Jon Stanton
Chief Executive Officer

Independent?
No

Nationality

Tenure on Board
CEO – 1 year and 3 months
FD – 6 years and 5 months

Experience
Jon joined the Board as Finance Director in 2010 where he helped shape the Group's strategy and developed Weir's finance, treasury, tax and information services capability.

Before joining Weir, he was a partner with Ernst & Young, one of the world's largest professional services companies, where he led global board-level relationships with a number of FTSE-100 multi-national companies.

Jon is a chartered accountant and a member of the Institute of Chartered Accountants in England and Wales.

Key external appointments
None.

John Heasley
Chief Financial Officer

Independent?
No

Nationality

Tenure on Board
1 year and 3 months

Experience
Prior to his appointment as Chief Financial Officer, John was the Divisional Managing Director for Weir Flow Control.

Prior to joining Weir in 2008, he held a number of senior financial, commercial and operational roles, including positions at PricewaterhouseCoopers and Scottish Power.

He is a chartered accountant and a member of the Institute of Chartered Accountants of Scotland.

Key external appointments
John is a Non-Executive Director of Royal Scottish National Orchestra Society Limited.

Clare Chapman
Non-Executive Director

R

Independent?
Yes, since appointment in August 2017

Nationality

Tenure on Board
5 months

Experience
Clare is the former Group People Director of BT Group plc and Director General of Workforce for the NHS and Social Care. Clare was previously a Non-Executive Director of TUI Travel plc and Chairman of its Remuneration Committee.

Clare was also Group HR Director of Tesco plc from 1999 to 2006 and HR Vice President of PepsiCo's west and central European operations from 1994 to 1999.

Key external appointments
Clare has been a Non-Executive Director of Kingfisher plc since December 2010 and of Heidrick & Struggles International, Inc. since February 2016.

Clare is a commissioner on the Low Pay Commission.

Alan Ferguson
Non-Executive Director

A R

Independent?
Yes, since appointment in December 2011

Nationality

Tenure on Board
6 years

Experience
Alan was Chief Financial Officer and a Director of Lonmin plc, from 2007 until 2010. Prior to this, he was Group Finance Director of the BOC Group plc. Alan also spent 22 years working for Inchcape plc in a variety of roles, including six years as Group Finance Director.

Alan is a member of the Institute of Chartered Accountants of Scotland and sits on its Business Policy Panel.

Key external appointments
Alan is a Senior Independent Non-Executive Director and Audit Committee Chairman of Johnson Matthey plc and Marshall Motor Holdings plc.

Non-Executive Director and Audit Committee Chairman of Croda International plc.

Mary Jo Jacobi
Non-Executive Director

N R

Independent?
Yes, since appointment in January 2014

Nationality

Tenure on Board
4 years

Experience
Mary Jo advises companies on international affairs and reputation management.

She was formerly a senior executive of BP America, Royal Dutch Shell, Lehman Brothers, HSBC Holdings and Drexel Burnham Lambert and a Non-Executive Director of Tate & Lyle plc.

Mary Jo was Special Assistant to President Ronald Reagan, Assistant US Commerce Secretary for President George H.W. Bush and a British Civil Service Commissioner from 2005 until 2010.

Key external appointments
Mary Jo is a Non-Executive Director of Mulvaney Capital Management Limited.

Mary Jo also has the position of Advisory Board co-chair, George Washington University Institute for Corporate Responsibility.

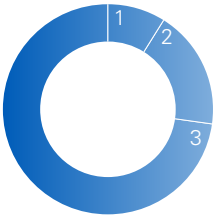
Board diversity by gender

8 Male **3** Female

Board diversity by tenure

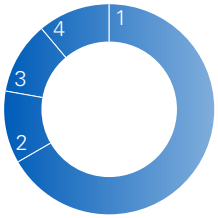
0-3 years **3-5** years **6-10** years

Executive/Non-Executive



1 Chairman	**1**
2 Executive	**2**
3 Non-Executive	**8**

Non-Executive nationality



1 British	**6**
2 American	**1**
3 British/American	**1**
4 South African/ American	**1**

Barbara Jeremiah
Non-Executive Director

A R

Independent?
Yes, since appointment in August 2017

Nationality

Tenure on Board
5 months

Experience
Barbara previously spent over 30 years in a number of roles with Alcoa Inc. (now demerged into Alcoa and Arconic Inc.), the global aluminium producer. Her roles in Alcoa included Executive Vice President, Corporate Development and Chairman's Counsel.

Barbara also previously served as the Chairwoman of Boart Longyear Limited.

Barbara has a BA in political science and is a qualified lawyer.

Key external appointments
Barbara is currently a Non-Executive Director of Aggreko plc, Russel Metals Inc and Allegheny Technologies Incorporated.

Professor Sir Jim McDonald
Non-Executive Director

A

Independent?
Yes, since appointment in January 2015

Nationality

Tenure on Board
3 years

Experience
Jim is Principal and Vice Chancellor of the University of Strathclyde and has held the Rolls-Royce Chair in Electrical Power Systems since 1993. He is also Chairman of the Institute for Energy and Environment.

He is a member of the UK Trade and Investment Energy Excellence Board. He co-chairs the Scottish Energy Advisory Board. He is a fellow of the Royal Academy of Engineering, the Royal Society of Edinburgh, the Institution of Engineering and Technology, and the Institute of Physics.

Key external appointments
Jim is a Non-Executive Director of Scottish Power Limited.

Non-Executive Director of UK Offshore Renewable Energy Catapult Board, Non-Executive Director of National Physical Laboratory and Non-Executive Director of Glasgow Science Centre Charitable Trust.

President of the Conference of European Schools for Advanced Engineering Education and Research (CESAER).

Richard (Rick) Menell
Senior Independent Director

N R

Independent?
Yes, since appointment in April 2009

Nationality

Tenure on Board
8 years and 9 months

Experience
Rick was appointed Chief Executive of Anglovaal Mining in 1996, then Executive Chairman in 2002. In 2005, he was appointed President and Chief Executive of TEAL Exploration & Mining Inc. He was formerly Chairman of Avgold Ltd and Bateman Engineering BV.

Rick is a senior adviser to Credit Suisse and Chairman of Credit Suisse Securities (Johannesburg) (Pty) Limited.

He is a fellow of the Geological Society (London), and of both the Australasian and South African Institutes of Mining and Metallurgy.

Key external appointments
Rick is a Non-Executive Director of Gold Fields Ltd and Sibanye Gold Limited, both South African companies listed on the Johannesburg Stock Exchange and the New York Stock Exchange.

John Mogford
Non-Executive Director

A N

Independent?
Yes, since appointment in June 2008

Nationality

Tenure on Board
9 years and 7 months

Experience
John was formerly a Managing Director for First Reserve, a large global energy-focused private equity firm and an Executive Vice President of BP plc.

He was Chairman of Amromco Energy LLC and White Rose Energy Ventures LLP and a Non-Executive Director of Deep Gulf Energy LP.

He is a fellow of the Institution of Mechanical Engineers and a visiting Professor at the University of Strathclyde. John was a Non-Executive Director of DOF Subsea AS.

Key external appointments
John is a Non-Executive Director of ERM Worldwide Group Limited and BHP Bilton Plc.

Christopher Morgan
Company Secretary and General Counsel

Secretary to the Board, Audit, Nomination and Remuneration Committees

Independent?
n/a

Nationality

Tenure
1 year and 8 months

Experience
Christopher joined the Group as Deputy General Counsel in 2014 and was appointed as Company Secretary and General Counsel in 2016.

He is a qualified solicitor in both Scotland and England and a member of the Law Society of Scotland and the Law Society of England and Wales.

Key external appointments
None.

Melanie Gee
Former Non-Executive Director
Left the Company in 2017

A N R

Independent?
Yes, since appointment in May 2011

Nationality

Tenure on Board
6 years and 4 months

Experience
Melanie is a Senior Adviser at Lazard & Co. Limited, having worked for them since 2008. Formerly, she spent a number of years with S.G. Warburg (now part of UBS) and was appointed a Managing Director of UBS in 1999. Her executive career has involved providing corporate finance advice to a broad range of clients in both the UK and overseas.

Key external appointments
Non-Executive Director, Remuneration Committee Chairman and member of the Risk & Capital Committee and Investment Committee of Standard Life Aberdeen plc. Melanie is a Non-Executive Director of Ridgeway Partners Limited.

Melanie is also a member of the steering committee of the 30% Club.

Group Executive

The right skills and experience to deliver long-term value

Paul Coppinger
Division President of Weir Oil & Gas

Tenure
3 years

Nationality

Experience
Paul joined the Group Executive in January 2015. He joined Weir in 2011 as President of SPM. Prior to joining Weir, Paul was the President of the Energy Group for ten years at Circor International, Inc., a diversified manufacturer of valves and related products. He has been a director of the Petroleum Equipment & Services Association since 2007 and has served as the association's Chairman. Paul is presently a Non-Executive Director of Now Inc. He holds a Bachelor of Science degree in Petroleum Engineering from Texas Tech University.

Ricardo Garib
Division President of Weir Minerals

Tenure
2 years

Nationality

Experience
Ricardo joined the Group Executive in January 2016. He joined Baker Hughes in 1980 and became the Operations Director of Weir Chile following the purchase of Baker Hughes' Minerals division in 1994 by the Weir Group. In 2001 he was promoted to Regional Managing Director of Weir Minerals Latin America and MD of Weir Minerals Chile. Ricardo is Vice President of the Mining Suppliers Association, a Director of SOFOFA Industrial Schools Boards and an elected council member of the Board of the Chilean Federation of Industry. He holds an MBA and is a Civil Mechanical Engineer.

David Paradis
Division President of Weir Flow Control

Tenure
11 months

Nationality

Experience
David joined the Group Executive in January 2017. Prior to this he held the position of President of Pressure Pumping. Before joining Weir, David spent 22 years in the flow control industry with Keystone International and Tyco Valves and Controls. He holds a Bachelor of Science degree in Mechanical Engineering and a Masters of Business Administration from Texas A&M University, where he currently serves on the Masters of Science in Marketing Advisory Board in the Mays Business School. In addition, he is an Advisory Board member of the Petroleum Equipment & Services Association.

Rosemary McGinness
Chief People Officer

Tenure
5 months

Nationality

Experience
Rosemary joined Weir as Chief People Officer in July 2017.

Prior to joining Weir, Rosemary was Group HR Director of William Grant & Sons, for 12 years. Rosemary has held a range of positions covering all aspects of human resources across the globe, including being based in New York in her role as Senior Vice President of HR for document management company Bowne Business Solutions.

Rosemary is an Advisory Board Member to the School for CEO's and an Advisory Board Member of the University of Strathclyde Business School. She is also a Fellow of the Chartered Institute of Personnel and Development.

Geetha Dabir
Chief Technology Officer

Tenure
9 months

Nationality

Experience
Geetha was appointed as Weir's first Chief Technology Officer in March 2017.

Geetha is an electrical and software engineer. Prior to joining Weir she was Vice President and General Manager of Internet of Things (IoT) Applications ready platform group at Intel Corporation, having previously worked for Cisco Systems for 13 years, helping lead their networking, server and IoT efforts. Geetha has been recognised as one of the 25 Powerful Women Engineers in Technology by Business Insider.

Jon Stanton and John Heasley are also members of the Group Executive Committee. Their biographical information can be found on the previous pages.

Andrew Neilson held the position of Director of Strategy and Corporate Affairs and was a member of the Group Executive until June 2017.

Pauline Lafferty held the position of Chief People Officer and was a member of Group Executive until July 2017.

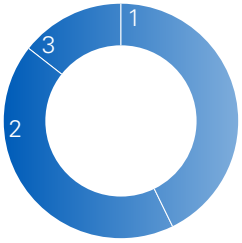
Group Executive by gender

5 Male
2 Female

Group Executive by tenure

0-3 years | **3-5** years | **6-9** years

Group Executive by nationality



1 British	**3**
2 American	**3**
3 Chilean	**1**

Corporate Governance Report

Leadership

Board statements

Requirement	Board statement	Where to find further information
Compliance with the UK Corporate Governance Code (the 'Code')	The Company has fully complied with all the principles of the Code for the year ended 31 December 2017, and from that date to the date of approval of this Annual Report.	• Corporate Governance Report on page 68.
Going concern basis	The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the Directors have reviewed the Group's budgets, plans and cash flow forecasts, including market downturn sensitivities. In addition, the Directors have considered the potential impact of credit risk and liquidity risk detailed in note 30 to the Group financial statements on pages 177 to 183. Each of these items has been considered in relation to the Group's banking facilities described in note 20 on pages 160 and 161.	• Directors' Report on page 116.
Viability statement	In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks documented on pages 50 to 55 of the Annual Report. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2020.	• Risk review: How We Manage Risk on page 46.
Robust assessment of the principal risks facing the Group and annual review of systems of risk management and internal control	During the year, the Board has reviewed the effectiveness of the systems of risk management and internal control and conducted a robust assessment of the principal risks affecting the Group in line with the Risk Appetite Statement. These activities meet the Board's responsibilities in connection with Risk Management and Internal Control set out in the UK Corporate Governance Code.	• Risk review: How We Manage Risk on page 46.
Fair, balanced and understandable	The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.	• Statement of Directors' responsibilities on page 119.
Modern Slavery Statement	As a Company, we understand our role in eradicating modern slavery. Following an extensive review of our existing policies and practices in light of the introduction of the Modern Slavery Act, the Company prepared an annual Modern Slavery Statement and has subsequently developed a training programme.	• A copy of this statement can be found on our website www.global.weir/sustainability/ethics

Corporate Governance Report

Leadership continued

A view from the Boardroom table

Mary Jo Jacobi
Non-Executive Director

Q What do you feel your role as a Non-Executive Director is at the Weir Group?
It can best be described as a mixture of counsel and constructive challenge. As a Non-Executive Director, my job is to bring my experience, objectivity and independence to the Board and use it to offer unbiased scrutiny and guidance, particularly on matters such as strategy, risk, remuneration, succession and assessing the overall performance of the business. To do that you need a good understanding of the Group and, in a very global business such as Weir, that means getting out to operations and meeting employees, customers and other stakeholders. Ultimately, each of us has a responsibility to contribute to building a stronger Weir, just as previous generations did for over a hundred years. I know every member of the Board, Non-Executive and Executive, takes that responsibility very seriously.

Q The composition of the Board has changed in the past year, what difference has that made?
Naturally you miss colleagues who have stepped down, but change opens the door to new perspectives and input from different experiences, which is beneficial and refreshing. Melanie Gee, who left in September, was a great Board member and made very positive contributions to our discussions, particularly on remuneration and portfolio decisions. Since they joined late in 2017, both Clare Chapman and Barbara Jeremiah have already made a significant impact. Ultimately, a successful Board depends on a balance of experienced points of view. I think Weir has a good mix of skills and abilities and, most importantly, a shared understanding of responsibility and purpose.

Q There is an increasing focus on diversity and inclusion on UK Boards. How important an issue do you think this is?
I am passionate about equality of opportunity and about the benefits to businesses and society of diverse and inclusive workplaces. This doesn't mean gender alone, but ethnicity, race, age, personality, nationality and experience. A well-functioning Board – and company – is a blend of different skills and perspectives operating in an inclusive environment. That's why I'm delighted to see that building greater diversity at all levels of the business is a priority for the Group.

Q You serve on both the Remuneration and Nomination Committees; what does membership of these Committees entail?
The Board has several committees dedicated to aspects of the Company, and they require the same approach in terms of scrutiny and support. The Remuneration Committee seeks to determine and recommend to the Board the framework for the rewards and incentives to Executives to encourage them to enhance the Company's performance and ensure delivery of sustainable value over the long term. We do this by assessing Weir against its peers, ensuring legal and regulatory compliance, analysing risk and consulting with shareholders and other stakeholders to be sure there are stretching targets for Executives to meet. The Nomination Committee consists of only Non-Executive Directors and considers the structure and composition of the Board and ensures that the processes of succession planning and nomination, evaluation and selection for both Board and senior management roles are robust and inclusive, something Weir has always taken very seriously.

Q You have Board and corporate governance experience in both the UK and USA. How do the two regimes compare?
Traditionally, the US model has been more "regulator led" while the UK has been more "shareholder led". The financial crisis generated an array of legislative and regulatory changes in the US to make companies more accountable and transparent. In the UK, the Financial Reporting Council is considering major changes to the Corporate Governance Code to improve the quality of governance of the UK's largest companies. The hallmark of both approaches is the recognition of the important impact that companies have on the full array of stakeholders and on society. I think that Weir is well placed with its UK headquarters and extensive US operations to build long-term value for its stakeholders in both countries.

Board composition

During 2017, the Board comprised of the Chairman, two Executive Directors and up to eight Non-Executive Directors.

Barbara Jeremiah and Clare Chapman were appointed to the Board in August 2017. Melanie Gee stepped down from the Board and as Chair of the Remuneration Committee in September 2017.

Biographical information on the Board of Directors, including Directors' relevant experience and significant appointments, can be found on pages 70 and 71.

Roles and responsibilities of Directors

The key responsibilities of the members of the Board of Directors are set out below.

The Board of Directors has a collective duty to promote the long-term success of the Company for its shareholders. The Board sets the strategic aims of the Group and provides leadership and guidance to senior management to ensure that the necessary resources are in place to achieve the agreed strategy. In determining the long-term strategy and objectives of the Group, the Board is mindful of its duties and responsibilities not just to shareholders but also to customers, employees and other stakeholders.

The Board reviews management and financial performance and monitors the delivery of strategy and the achievement of business objectives. At all times, the Board operates within a robust framework of internal controls and risk management. The Board also develops and promotes the collective vision of the Group's purpose, culture, values and behaviours.

Each Director brings different skills, experience and knowledge to the Company, with the Non-Executive Directors bringing additional independent thought and judgement. The roles of the Chairman and Chief Executive Officer are separate, with each having clearly defined duties and responsibilities which are set out in writing and approved by the Board. The roles and responsibilities of the Senior Independent Director are also set out in writing and both documents are available to view on the Company's website at www.corporategovernance.weir.

Directors	Responsibility
Charles Berry Chairman	• Leading the Board in an ethical manner and promoting effective Board relationships. • Building a well-balanced Board, considering succession planning and the Board's composition. • Ensuring the effectiveness of the Board and individual Directors. • Overseeing the Board evaluation and acting on its results. • Ensuring appropriate induction and development programmes. • Setting the Board agenda and chairing Board meetings. • Ensuring effective communication with shareholders and other stakeholders.
Jon Stanton Chief Executive Officer	• Planning the Group objectives and strategy for Board approval. • Ensuring the effective delivery of Group strategies. • Providing leadership to the Group and communicating the Company's culture, values and behaviours. • Day-to-day management of the Company. • Building Group Executive/Leadership team and succession planning • Communications with external stakeholders: investors; governments; academia
John Heasley Chief Financial Officer	• Ensuring an effective financial control environment which is compliant with regulations. • Ensuring effective management of Group capital structure and financing needs. • Provision of timely and accurate financial reporting. • Assisting in formulating the Group objectives and strategy. • Delivery of the Group Value Chain Excellence and IT strategies. • Day-to-day management of the Company.
Rick Menell Senior Independent Director	• Supporting the Chairman in his duties, where necessary. • Leading the annual review of the performance of the Chairman. • Being available to Directors and shareholders who have concerns that cannot be addressed through the normal channels.
Non-Executive Directors Clare Chapman Alan Ferguson Melanie Gee Mary Jo Jacobi Barbara Jeremiah Professor Sir Jim McDonald John Mogford	• Contributing independent challenge and rigour. • Assisting in the development of the Company's strategy. • Ensuring the integrity of the financial information, controls and risk management processes. • Monitoring the performance of the Executive Directors against agreed goals and objectives. • Advising senior management.
Christopher Morgan Company Secretary	• Advising the Board on governance, legislation and regulatory requirements. • Ensuring the presentation of high-quality information to the Board and its Committees. • Ensuring best practice in Board procedures. • Facilitating inductions and development programmes. • Facilitating the Board effectiveness review process.

Corporate Governance Report

Leadership continued

Board Committees

The Board has a number of committees to assist in discharging its responsibilities. The principal committees are the Nomination, Audit and Remuneration Committees. The responsibilities of these committees are set out in the individual Terms of Reference, which are available on the Company's website at www.corporategovernance.weir. The roles and responsibilities of the Board Committees, along with the activities undertaken during the year, are outlined in each of their respective reports found on pages 85 to 118. The Company Secretary is the Secretary to the Board Committees and ensures that the Committees adhere to the highest standards of Corporate Governance and apply the provisions and principles of the Code.

Only Committee members are entitled to attend meetings, however, other Board members may attend at any time if they choose to do so. Professional advisers and members of the senior management team attend Committee meetings when they are invited to do so.

The Board may also set up separate committees to consider specific issues, when the need arises.

Disclosure Committee

The Disclosure Committee is a sub-committee of the Board which comprises the Chief Executive Officer, Chief Financial Officer and the Company Secretary and General Counsel. The Disclosure Committee was established to ensure compliance with the Market Abuse Regulation. The Committee provides information to the Board in order to assist with the identification of inside information. The Committee makes recommendations as to how and when the Company should disclose such information, in accordance with all applicable legal and regulatory requirements. The Terms of Reference of the Disclosure Committee are available on the Company's website at www.corporategovernance.weir set out in writing and approved by the Board.

General Administration Committee

The General Administration Committee is a sub-committee of the Board which comprises two Executive Directors of the Company.

The Committee is responsible to the Board as a whole and meets as required. The principal duties of the Committee include attending to routine procedural and administrative matters in relation to existing banking and finance facilities, the issue and allotment of shares and matters relating to the Company's share capital, including the administration of unclaimed dividends and the Scrip Dividend Scheme. The Committee's Terms of Reference are reviewed annually to ensure its continuing appropriateness. Minutes of meetings of the General Administration Committee are made available to all Directors at Board meetings.

Group Executive

The Group Executive comprises the Chief Executive Officer, Chief Financial Officer, Chief People Officer, Chief Technology Officer and Divisional Presidents. Biographical details of the members of the Group Executive can be found on page 72.

In the year ended 31 December 2017, the Group Executive met 13 times. The Group Executive is responsible for ensuring that each of the Group's businesses is managed effectively and that the key performance indicators of the Group, as approved by the Board, are achieved.

The Group Executive's role includes the preparation of the Group budget for approval by the Board, management of business performance to achieve the Group budget, establishing and maintaining reporting systems which provide clear and consistent information on all aspects of business performance, managing and minimising corporate risk and ensuring that the necessary mechanisms are in place to achieve effective inter-divisional co-ordination in areas such as purchasing, branding

Board and Committee structure

and career development planning. It also approves major items of capital expenditure within limits authorised by the Board.

Management Committees

In addition to the Board Committees, there are several management committees, known as Excellence Committees. The Excellence Committees have clearly defined remits and work across the Group to promote best practice and information sharing. The Executive Directors and members of the Group Executive can delegate their responsibilities to these committees and utilise the areas of expertise contained within them. The Excellence Committees report to the Group Executive and to the Board as required.

The composition of the various committees along with their accompanying Terms of Reference, the matters reserved to the Board for approval and delegated authority matrices combine to create a clear authority matrix across the Group for timely and effective decision-making. This structure provides the Board with confidence that important decisions are being taken at the appropriate levels, and ensures that information flows both up and down the reporting lines.

Board meetings

The Board meets regularly in order to effectively discharge its duties. Board meetings are held in person or by video-conferencing. During 2017, there were eight scheduled meetings and two additional unscheduled Board meetings. In October 2017, the Board meeting was held in South Africa and full details can be found on page 81. In addition to the formal Board meetings, the Board maintains an open dialogue throughout the year and contact by telephone occurs whenever necessary. As encouraged by the Code, the Non-Executive Directors, including the Chairman, met once during the year without Executive Directors present.

The table below details the attendance at Board meetings of each of the Directors during their term of office for the year to 31 December 2017.

The Board's annual timetable is discussed at least 12 months prior to its commencement to allow the Directors to plan their time accordingly. The 2018 annual timetable was discussed at the Board meeting in April 2016 and January 2017 and circulated as soon as it was finalised. This process ensures that the Chairman is comfortable that each Director is able to devote the time and resources required. The Board agenda process ensures that the Board has the confidence that all items are scheduled at the most appropriate time of the year and there is sufficient time for discussion by the Board, allowing the Directors to discharge their duties effectively.

Matters reserved to the Board

The Board recognises that in order to ensure the long-term success of the Company, certain matters should be reserved for the consideration and decision of the Board alone. Other matters may be delegated by the Board to its Committees or executive management. In accordance with the UK Corporate Governance Code, these decisions are formally recorded in a document entitled Matters Reserved to the Board for Approval. This document is reviewed annually to ensure that it remains appropriate and that there is an effective framework in place to support the Board's decision-making process. The document is available on the Company's website at www.corporategovernance.weir.

Board activities during 2017

During the year, the Chairman, supported by the Chief Executive Officer and the Company Secretary, maintained a rolling 12-month agenda for Board and Committee meetings. At each meeting, the Board received reports from the Chief Executive Officer and other members of the Group Executive. This included updates and information on safety, strategy, legal and financial matters. The Board also receives updates from each Committee Chairman on items from the most recent committee meeting as well as periodic updates as required. Standing items also included reviewing the Group's risk dashboard and internal controls, safety, strategy and succession planning.

In order to effectively discharge their duties, the Non-Executive Directors met regularly with senior management and received presentations by members of the Group's senior management team and other external advisers as required. The Board also received an annual review on the following matters: asbestos, insurance and risk management, the Ethics Hotline, Value Chain Excellence, HR, tax, treasury and agents.

Board meeting attendance

Director	Board meetings										% of meetings attended
	18 January	21 February	27 April	26 May[1]	22 June	9 July[1]	21 July	5 September	25 October	12 December	
Charles Berry	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Jon Stanton	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
John Heasley	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Alan Ferguson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Mary Jo Jacobi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Sir Jim McDonald	✓	✓	✓	–	✓	✓	✓	✓	✓	✓	90%
Rick Menell	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
John Mogford	✓	✓	✓	✓	✓	–	✓	✓	✓	✓	90%
Barbara Jeremiah[2]	–	–	–	–	–	–	–	✓	✓	✓	100%
Clare Chapman[3]	–	–	–	–	–	–	–	✓	✓	✓	100%
Melanie Gee[4]	✓	✓	✓	✓	✓	✓	✓	✓	–	–	100%

Notes
1. Additional meeting.
2. Barbara Jeremiah was appointed to the Board on 1 August 2017.
3. Clare Chapman was appointed to the Board on 1 August 2017.
4. Melanie Gee stepped down from the Board on 30 September 2017.

Corporate Governance Report

Effectiveness

External Board Effectiveness Review

The Board Effectiveness Review operates on a three-year cycle. 2017's review will be followed by two years of internal evaluation carried out using an on-line confidential online questionnaire.

This year, the external Board Effectiveness Review was undertaken by Independent Audit Limited, who have no other connection with the Company. The process is detailed in the table below.

The Company Secretary is responsible for ensuring all new Directors receive a comprehensive tailored induction programme.

When a new Director is appointed to the Board, they are provided with information on the Group's structure, operations, policies and other relevant documentation. The induction process also includes meetings with senior Executives in the Company, a formal briefing on legal and governance matters from the Company Secretary and visits to the Company's operations.

Directors are informed of important changes to laws and regulations affecting the Group's business and their duties as Directors. The Company Secretary advises the Board on governance matters and is available to all Directors for advice as required. In addition, the Board meets once a year or more at one of the Group's operational sites, occasions which include presentations from key senior employees and the opportunity to meet employees.

The Chairman regularly reviews and agrees with each Director their training and development needs. Additional induction and training is also available to new committee members as required. Training is also built into the Board meetings, with relevant topics being covered.

External Board Effectiveness Review cycle

The Effectiveness Review operates on a three-year cycle. 2017's externally led review will be followed by two years of internal review carried out using an on-line questionnaire facilitated by an external provider.

Year One
Internal Evaluation
- Circulate findings report from previous year
- Online confidential questionnaire
- Analysis and discussion at Board meeting

Year Two
Internal Evaluation
- Circulate findings report from previous year
- Online confidential questionnaire
- Analysis and discussion at Board meeting

Year Three
External Evaluation
- Interviews
- Observation
- Analysis and discussion at Board meeting
- Individual meetings with Chairman and Directors post evaluation

The External Effectiveness Review Process: this year the process was divided into four stages

Stage 1
Review of Board and Committee papers.

Stage 2
Interviews held with 22 individuals, namely: the Chairman, Chief Executive Officer, Chief Financial Officer, Senior Independent Director, all Non-Executive Directors, Company Secretary and General Counsel, all members of the Group Executive Committee, Group Financial Controller, Head of Internal Audit, PwC Audit Partner, Remuneration Advisers EY and Deloitte.

The areas that were covered in the interviews included:
- Board composition.
- The focus of the Board.
- Non-Executive Directors' interaction with the business.
- The practical arrangements.
- Risk and controls.

Stage 3
Observation of the Board meeting held in September 2017.

Review of the Chairman carried out by the Senior Independent Director.

Stage 4
Dedicated discussion analysing what was learned and sharing of results at the Board meeting in December 2017 with the reviewer present. Followed by one-to-one discussions between the Chairman and Directors.

Findings

- It was noted from the observation of the Board meeting held in September that the Board is functioning well and the composition sets the Board up well for good meeting dynamics and debate. Overall, the atmosphere is collegiate and collaborative.
- Succession planning for the Board is a well established process and a strength of the Company.
- There is a thorough induction process for Directors.

Outcomes

- Further enhancement of Non-Executive Directors' engagement with various levels of the business and a more structured schedule of informal site visits.
- Continued increased focus of the Board on people and culture, as the new Chief People Officer works with the Executive team on succession planning, talent management and employee engagement as well as enhanced reporting to the Board in these areas.
- A review and possible refinement of the annual calendar and schedule of meetings.

Inductions in action
Clare Chapman and Barbara Jeremiah

Clare Chapman
Non-Executive Director

Barbara Jeremiah
Non-Executive Director

Induction programme

During 2017, tailored induction programmes were designed for our two newly appointed Non-Executive Directors, Clare Chapman and Barbara Jeremiah.

The Company Secretary delivered the induction programme which was designed to reflect the Non-Executive Director's background, experience, knowledge and their appointment to the relevant Committee.

The inductions covered the Company's history, culture, strategy, structure and operations, as well as Corporate Governance framework and policies, Board and Committee process, calendars, Code of Conduct and Directors' Duties

It also included meetings with the Chairman, Executive Directors, Non-Executive Directors, Group Executive Members, Group's operation and functional leaders, advisers and brokers.

As part of their inductions, both Clare and Barbara attended a briefing session with external legal counsel on Directors' Duties.

Site visits are arranged to ensure that newly appointed Directors have an understanding of our business as early as possible following appointment.

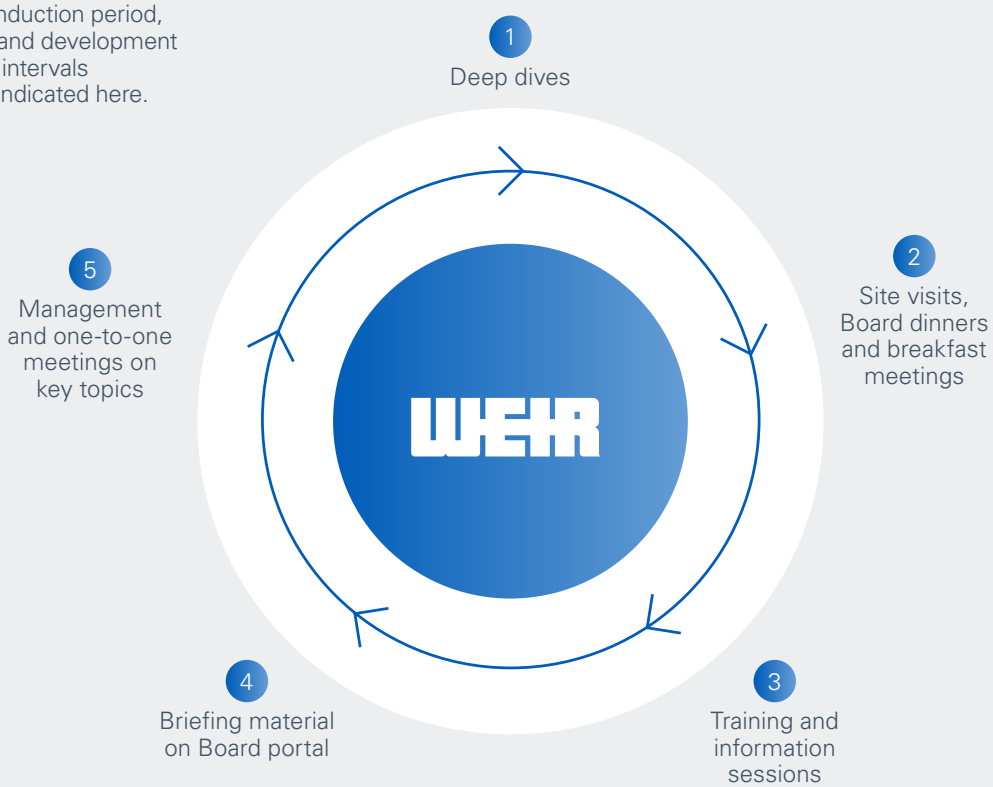
Barbara visited our operation in Fort Worth, USA, and will undertake further visits in 2018, including to Dubai.

Clare has a planned visit for Todmorden with further site visits during the year.

Following the delivery of the induction programme, the Company Secretary seeks feedback on the programme to continually improve its benefit.

Training and professional development

Following on from the induction period, there are other training and development opportunities at regular intervals throughout the year as indicated here.



Corporate Governance Report:

Effectiveness continued

The Board considers that it has the right combination of skills, experience, independence and knowledge to be effective in meeting the needs of the Group. More than half of the Board are Non-Executive Directors who are considered by the Board to be independent in character and judgement.

This combination of individuals and skills ensures that the Board is sufficiently balanced and that no individual or group of individuals can dominate the decision-making process. It also allows for an effective division of responsibilities within the Board and its Committees. The positions of Chairman and Chief Executive Officer are held separately and are clearly defined in writing. Each Director devotes sufficient time and attention in order to perform their duties effectively.

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties. The Chairman ensures that Non-Executive Directors are properly briefed on any issues arising at Board meetings and Non-Executive Directors have the ability to communicate with the Chairman at any time.

Re-election

In accordance with the Company's Articles of Association and good practice, Barbara Jeremiah and Clare Chapman will offer themselves for election at the Company's AGM on 26 April 2018. As previously announced, John Mogford and Alan Ferguson will step down from the Board in April 2018 after the AGM. All other Directors on the Board will seek re-election at the Company's AGM in compliance with the Code. Stephen Young joined the Board as a Non-Executive Director and member of the Audit Committee from 1 January 2018. Stephen will succeed Alan as Audit Committee Chairman from 26 April 2018.

The Executive Directors have contracts of service with one year's notice, whilst Non-Executive Directors' appointments can be terminated with six months' notice. The letters of appointment of the Chairman and the Non-Executive Directors are available for inspection at the Company's registered office and set out the required commitment to the Company. Further details can also be found in the Directors' Remuneration Report on pages 95 to 115. Details of the Directors' service contracts, emoluments, the interests of the Directors in the share capital of the Company and options to subscribe for shares in the Company are also disclosed in the Directors' Remuneration Report.

Directors and their other interests

Under the Companies Act 2006, a Director of a company must avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. The Company has a formal procedure in place to manage the disclosure, consideration and, if appropriate, the authorisation of any such possible conflict. Each Director is aware of the requirement to notify the Board, via the Company Secretary, as soon as they become aware of any possible conflict or a material change to an existing authorisation. Upon receipt of any such notification, the Board, in accordance with the Company's Articles of Association, will consider the situation before deciding whether to approve the perceived conflict. At the outset of every Board meeting, the Chairman checks that no new conflicts have arisen. Only those Directors who have no interest in the matter being considered are able to take part in the relevant decision and Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate. The Director in question will then be notified of the outcome. Overall, the Board is satisfied that there are appropriate procedures in place to deal with conflicts of interest and that they have operated effectively.

None of the Non-Executive Directors have any material business or other relationship with the Company or its management. Sir Jim McDonald is the Principal and Vice Chancellor of the University of Strathclyde, but he has no direct involvement on a day-to-day basis in relation to the Weir Advanced Research Centre (WARC) which is operated by the Company in conjunction with the University of Strathclyde. Nevertheless, he will offer to recuse himself from any discussions regarding the relationship between the Group and the University of Strathclyde, whether in relation to WARC or otherwise.

Governance in action
Board visit to South Africa

As part of its regular programme of site visits to get first-hand experience of the Group's operations, the Board visited Weir Minerals Africa, which is based in Johannesburg. During the visit, the Board received presentations on the business and its prospects from local management and met, and listened to views from, employees at its manufacturing facilities in Isando and Alrode. This included officially opening a new moulding carousel at our foundry which will support future growth.

Africa is home to some of the world's finest ore grades and consequently has a vibrant mining market that is supported by Weir from our regional headquarters in South Africa. The business is also using its technology to expand into adjacent markets, such as sand and aggregates, and the Board met and toured a customer site to get direct input on the challenges being faced by the industry and the opportunities for Weir to help customers meet their objectives.

In addition to serving its customers, Weir Minerals Africa has made a positive contribution to both developing its people and improving safety and has taken a very active role in its local communities. This includes programmes to encourage more young women in South Africa to consider engineering as a future career. You can read more about this initiative on page 59.

Corporate Governance Report

Accountability

The Audit Committee and auditors

Details on the roles and responsibilities of the Audit Committee, and its members can be found in the Audit Committee Report on pages 88 to 94. Information on the Company's external auditors is contained within the Audit Committee Report.

Internal control and risk management

In accordance with the Code and the accompanying Guidance on Risk Management and Internal Controls, the Group has an ongoing process for identifying, evaluating and managing the significant risks through an internal control framework. This process has been in place throughout 2017. More information on how the Group seeks to manage risk can be found on pages 46 to 49.

The Board, in seeking to achieve the Group's business objectives, cannot offer an absolute guarantee that the application of a risk management process will overcome, eliminate or mitigate all significant risks. However, by further developing and operating an annual and ongoing risk management process to identify, report and manage significant risks, the Board seeks to provide a reasonable assurance against material misstatement or loss.

The Audit Committee conducted a review of the effectiveness of the Group's systems of internal control and risk management during 2017, as detailed on page 89.

Functional and front line controls

This includes a wide spectrum of controls as seen in most organisations, including, for example: standard operating procedures and policies; a comprehensive financial planning and reporting system, including quarterly forecasting; regular performance appraisals and training for employees; restricted access to financial systems and data; delegated authority matrices for review and approval of key transactions; protective clothing and equipment to protect our people from harm; IT and data security controls; business continuity planning; and assessment procedures for potential new recruits.

Monitoring and oversight controls

There is a clearly defined organisational structure within which roles and responsibilities are articulated. There are monitoring controls at operating company, regional, divisional and Group level, including standard key performance indicators, with action plans to address underperforming areas.

A compliance scorecard self-assessment is completed and reported by all operating companies twice per annum. The scorecard assesses compliance with Group policies and procedures.

Financial monitoring includes comparing actual results with the forecast and prior year position on a monthly and year-to-date basis. Significant variances are highlighted to Directors on a timely basis, allowing appropriate action to be taken.

Assurance activities

We obtain a wide range of assurance to provide comfort to management and the Board that our controls are providing adequate protection from risk and are operating as we would expect. Following the Board and Committee structure set out on page 76, various internal and external sources of assurance report to the Board and management. These sources of assurance were reviewed by the Board during the year and are principally external audit, internal audit, SHE audits, legal and intellectual property audits, engineering audits, Value Chain Excellence and procurement audits, IT audits and production system lean audits.

The various audit teams plan their activities on a risk basis, ensuring resources are directed at the areas of greatest need. Issues and recommendations to enhance controls are reported to management to ensure timely action can be taken, with oversight provided from the relevant governance committees, including the Audit Committee and the Excellence Committees.

Ethical and cultural environment

We are committed to doing business at all times in an ethical and transparent manner. This is supported by the Weir values which are the core behaviours we expect our people to live by in their working lives. The Weir Code of Conduct also contributes to our culture, providing a high benchmark by which we expect our business to be conducted. Any examples of unethical behaviour are dealt with robustly and promptly.

The Ethics section on page 62 within the Sustainability Review provides more details on the Group's activities to promote ethical behaviour.

The Group's internal control procedures described on page 89 of the Audit Committee Report do not cover joint venture interests. We have Board representation on each of our joint venture companies where separate, albeit similar, internal control frameworks have been adopted.

Our internal control framework has four key layers:

Corporate Governance Report

Relations with Shareholders and Stakeholders

The Board recognises the importance of establishing and maintaining good relationships with all of the Company's shareholders. The Company's investor relations programme includes formal presentations of full year and interim results and meetings with individual investors. Through this programme, the Company has directly engaged with 325 investors in 2017 either face-to-face or via telephone or video-conferencing. Other ways in which the Company engages with shareholders include attendance at investor conferences held by the financial community and roadshows and investor relations events held by the Company, of which there were 20 during the year, held in Canada, France, Germany, the UK and the USA.

During the period under review, the Chairman, Chief Executive Officer, Chief Financial Officer, Senior Independent Director and Remuneration Committee Chairman have met or had contact with analysts and institutional shareholders to keep them informed of significant developments and report to the Board accordingly on the views of these stakeholders. Each of the other Non-Executive Directors is also offered the opportunity to attend meetings with major shareholders and would do so if requested by any major shareholder.

Our brokers, Goldman Sachs International and UBS, and public relation advisors undertake investor roadshow feedback which is shared with the Board. The Company Secretary is also charged with bringing to the attention of the Board any material matters of concern raised by the Company's shareholders.

The primary means of communicating with the Company's shareholders are the Company's Annual Report and Financial Statements and the Interim Report. Both are available on the Company's website and the Annual Report is sent to all shareholders who elect to receive it in hard copy. Copies are available upon request to the Company Secretary and can be downloaded from the website.

The Board also recognises the importance of the internet as a means of communicating widely, quickly and cost-effectively and an updated Group website was successfully

AGM voting results

The Annual General Meeting of The Weir Group PLC was held on Thursday 27 April 2017 at 2.30 pm. All resolutions were passed on a poll. Resolutions 17 to 20 were passed as special resolutions.

Resolution	Votes for	%	Votes against	%	Votes total	% of isc voted	Votes withheld
1 To receive and adopt the report and financial statements.	159,216,545	99.93	109,220	0.07	159,325,765	73.13%	11,403
2 To declare a final dividend.	159,331,067	100.00	6,101	0.00	159,337,168	73.13%	0
3 To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy).	158,523,983	99.52	767,999	0.48	159,291,982	73.11%	44,620
4 To approve the Directors' Remuneration Policy.	150,752,869	94.65	8,525,321	5.35	159,278,190	73.10%	58,978
5 To elect John Heasley as a Director of the Company.	157,495,957	98.90	1,756,827	1.10	159,252,784	73.09%	84,384
6 To re-elect Charles Berry as a Director of the Company.	155,001,705	97.39	4,151,523	2.61	159,153,228	73.05%	183,940
7 To re-elect Jon Stanton as a Director of the Company.	158,988,485	99.84	262,399	0.16	159,250,884	73.09%	86,284
8 To re-elect Alan Ferguson as a Director of the Company.	156,938,557	98.61	2,209,147	1.39	159,147,704	73.04%	189,464
9 To re-elect Melanie Gee as a Director of the Company.	158,960,893	99.82	287,925	0.18	159,248,818	73.09%	88,350
10 To re-elect Mary Jo Jacobi as a Director of the Company.	158,971,027	99.83	277,106	0.17	159,248,133	73.09%	89,035
11 To re-elect Sir Jim McDonald as a Director of the Company.	158,256,472	99.44	890,816	0.56	159,147,288	73.04%	189,589
12 To re-elect Richard Menell as a Director of the Company.	158,636,383	99.63	596,587	0.37	159,232,970	73.08%	104,198
13 To re-elect John Mogford as a Director of the Company.	158,972,645	99.83	264,714	0.17	159,237,359	73.08%	99,809
14 To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company	159,244,715	99.97	49,809	0.03	159,294,524	73.11%	42,644
15 That the Company's Audit Committee be authorised to determine the remuneration of the Auditors.	159,302,039	99.99	22,893	0.01	159,324,932	73.12%	12,236
16 To renew the Directors' general power to allot shares	144,087,809	90.76	14,667,216	9.24	158,755,025	72.86%	579,509
17 To partially disapply the statutory pre-emption provisions.	158,844,315	99.73	434,370	0.27	159,278,685	73.10%	58,483
18 To partially disapply the statutory pre-emption provisions in connection with an acquisition or specified capital investment.	147,209,790	92.42	12,073,878	7.58	159,283,668	73.11%	52,900
19 To renew the Company's authority to purchase its own shares.	157,627,692	98.97	1,636,218	1.03	159,263,910	73.10%	73,008
20 To reduce the notice period for general meetings.	150,419,305	94.84	8,177,146	5.16	158,596,451	72.79%	738,634

a) Any proxy appointments which give discretion to the Chairman have been included in the "for" total.
b) At close of business on 26 April 2017, there were 217,880,699 relevant shares in issue (excluding treasury shares).

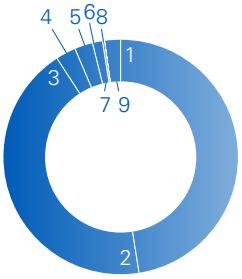
Corporate Governance Report

Relations with Shareholders and Stakeholders continued

launched in 2016, to better facilitate communications with all of our stakeholders. As well as the Interim and Annual Reports, the website contains information on the business of the Company and corporate governance, all Group press releases and Company news, key dates in the financial calendar and other important shareholder information.

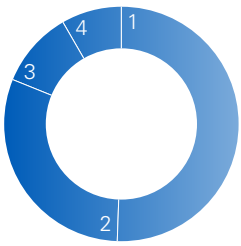
The Board is committed to the constructive use of the Annual General Meeting as a forum to meet with shareholders and to hear their views and answer their questions about the Group and its business. The 2018 AGM is to be held on 26 April 2018. Together with the rest of the Board, the Senior Independent Director and Chairmen of the Remuneration, Nomination and Audit Committees will be available to answer questions relevant to the work of the Board and the Committees.

Holders



1	Domestic institutions	**47.72%**
2	Foreign institutions	**43.40%**
3	Domestic brokers	**2.70%**
4	Private stakeholders/investors	**2.57%**
5	Hedge funds	**1.20%**
6	Corporate stakeholders	**0.23%**
7	Employees etc.	**0.12%**
8	Foreign brokers	**0.08%**
9	Others	**2.00%**

Geographical



1	UK	**50.56%**
2	North America	**30.67%**
3	Europe (ex UK)	**10.54%**
4	Rest of World	**8.23%**

Engaging with stakeholders

Stakeholder	Why it is important to engage	Ways we engage	Stakeholder key interests
Employees	Our people are our most important asset and ensuring we have a safe, engaged and effective workforce is essential to the successful delivery of our strategy.	• Meeting with employees during site visits. • Regular interaction with managers, including through Board presentations.	• The strategy and business model. • Future growth opportunities. • Impact of new technology.
Communities	We recognise that businesses need to be active corporate citizens. Weir has operations in more than 70 countries and aims to make a positive difference in all our local communities.	• Working with local partners to support programmes that encourage improved health and education. • Encouraging greater diversity and inclusion across the Group to ensure we reflect the communities we serve.	• Employment and inspiring and encouraging the next generation. • Contributing to local causes financially and through time and expertise.
Investors	The Group is owned by its investors and delivering strong returns is a key part of our strategy.	• Direct meetings with key investors to discuss strategy and performance. • Regular updates through earnings announcements and investor conferences.	• The strategy and business model. • Financial performance and prospects.
Customers	The Group exists to create value by satisfying the needs of our customers.	• Board visits to customer sites. • Broader programme of regular dialogue and customer research.	• Technology. • Service capability.
Suppliers	Developing strategic partnerships with our suppliers is key to the operational success of the business and our ability to satisfy customers.	• Global agreements with key suppliers. • Supporting smaller suppliers with advice and through programmes such as the UK Prompt Payment Code.	• Building long-term sustainable relationships. • Supporting cash flow through prompt payments.
Government and regulators	Engaging with policy makers to ensure support for a business environment that allows the Group to continue to create long-term value.	• Meetings with government ministers and officials. • Participation in trade bodies locally and internationally.	• Employment, skills and training. • Improving productivity and encouraging research and development.

Corporate Governance Report

Nomination Committee Report

Charles Berry
Committee Chairman

Dear Shareholders,
I am pleased to introduce our Nomination Committee report for 2017. It has been another busy year for the Nomination Committee, with the appointment of three independent Non-Executive Directors. You can find details of the recruitment process undertaken for the Non-Executive Directors on page 86. This report explains the Committee's focus and activities during the year, and also highlights the Committee's key priorities for 2018. I continue to ensure that the Committee focuses on diversity and inclusion, succession planning and on ensuring that the size, composition and structure of the Board is appropriate for the delivery of the Group's strategy and that all relevant provisions of the UK Corporate Governance Code continue to be met.

Committee membership in 2017

Charles Berry, Committee Chairman
Melanie Gee
Rick Menell
John Mogford
Mary Jo Jacobi

Other attendees (by invitation)

Jon Stanton, Chief Executive Officer
Christopher Morgan, Secretary
Mary Jo Jacobi, Non-Executive Director
(Mary Jo Jacobi attended by invitation prior to her appointment as member of the Nomination Committee)

Role of the Nomination Committee

The Nomination Committee has responsibility for considering the size, structure and composition of the Board, for reviewing Director and senior management succession plans, retirements and appointments of additional or replacement Directors; and for making appropriate recommendations of candidates to the Board so as to maintain an appropriate balance of skills, experience and diversity on the Board.

Membership and attendance

The Nomination Committee is entirely made up of independent Non-Executive Directors and myself as Chairman. The members of the Committee are set out in the table to the left and on pages 70 and 71. Senior members of management and advisors are invited to attend meetings as appropriate. The Company Secretary acts as Secretary to the Committee.

There were five Committee meetings held during the year of which two were unscheduled. Details of the attendance of the members of the Committee for the year ended 31 December 2017 are contained in the table below. I do not Chair Committee meetings when the matters under consideration relate to me or my position. Similarly, should a matter under discussion relate to any of the other Committee members, they would excuse themselves from the meeting.

Main activities of the Committee during 2017

- Board and Committee changes – appointment of three Non-Executive Directors and appointment of Mary Jo Jacobi to the Nomination Committee
- Reviewed Board composition and Non-Executive Director rotation
- Undertook Board skills assessment and gap analysis
- Considered Hampton-Alexander Review update

Areas of focus for 2018

- Further developing our approach to diversity and inclusion across the wider Group
- Further developing the leadership and talent framework and pipeline
- Continuing our focus on ensuring Board and senior management succession planning are aligned to our strategy and culture

Attendance table

Committee attendance in 2017

	Member since	21 February	22 June	21 July	23 October	12 December	Percentage of eligible meetings attended
Charles Berry	1 January 2014	✓	✓	✓	✓	✓	100%
Melanie Gee	18 June 2015	✓	✓	✓	–	–	100%
Rick Menell	14 June 2012	✓	✓	✓	✓	✓	100%
John Mogford	21 January 2014	✓	✓	✓	✓	✓	100%
Mary Jo Jacobi	1 August 2017	–	–	–	✓	✓	100%

Terms of Reference are available on the Company's website at www.corporategovernance.weir

Corporate Governance Report

Nomination Committee continued

Board composition and skills

The Nomination Committee considers that the Board consists of individuals with the right balance of skills, diversity, experience and knowledge to provide strong and effective leadership of the Group. During the year the Board consisted of the Chairman, up to eight Non-Executive Directors and two Executive Directors, who together bring a diverse and complementary range of backgrounds, personal attributes and experience.

The Committee reviews the tenure of individual Non-Executive Directors on a regular basis in the context of length of service, experience, independence, contribution and skills. This is not only from a current strategy perspective but also takes into account potential future strategic needs.

The Board skills and experience matrix, based primarily on professional background and executive roles held, is detailed below. Detailed biographies can be found on pages 70 and 71.

Board appointments

The Committee was responsible for leading the process in appointing three new independent Non-Executive Directors in 2017.

The considerations to be taken into account in each appointment to the Board are stipulated in the Terms of Reference of the Nomination Committee. Specifically, the Nomination Committee must consider candidates on merit against objective criteria, and with due regard for the benefits of diversity on the Board, including gender, in identifying and recommending candidates. The Nomination Committee recommends appointments to the Board based on the existing balance of skills, knowledge and experience on the Board, on the merits and capabilities of the nominee and on the time they are able to devote to the role in order to promote the success of the Company.

The Board acknowledges the benefits that a diverse pool of talent can bring to a boardroom. Among other things, a diverse board encompasses diversity of experience, social background, education and training, life skills, personal attributes, as well as differences in age, nationality, race and gender.

The recent focus on Board diversity has centred on gender following the 2016 report of the Hampton-Alexander Review on improving gender balance in FTSE companies. We have committed to ensure that a third of the Board, Group Executive members, and their direct reports are female by 2020. The current levels are 27%, 29% and 20% respectively. I continue to be a member of the steering group of the Hampton-Alexander Review.

Details of the recruitment process are below.

Appointment of Non-Executive Directors Barbara Jeremiah, Clare Chapman and Stephen Young

External search advisers JCA Group[1] were engaged in the recruitment process and assisted the Nomination Committee in its search for suitable candidates.

The Committee was informed of possible candidates, put forward by JCA Group. The selected candidates met with myself, the Chief Executive Officer and two Non-Executive Directors. Feedback was provided to the Committee and it was agreed that the preferred candidates should proceed to the next stage. The preferred candidates then met with the remaining Directors.

Following the satisfactory conclusion of the process, the Committee recommended to the Board that Barbara Jeremiah and Clare Chapman be appointed to the Board on 1 August 2017.

Board skills and experience

Director	Independence	Banking and finance	Governance	International	Leadership	Engineering	Mining	Oil and gas	Power
Charles Berry			✓	✓	✓	✓			✓
Jon Stanton		✓		✓	✓				
John Heasley		✓		✓	✓				✓
Clare Chapman[1]	✓		✓	✓	✓				
Alan Ferguson	✓	✓	✓	✓	✓		✓		
Barbara Jeremiah[2]	✓		✓	✓	✓		✓		✓
Mary Jo Jacobi	✓		✓	✓	✓			✓	
Sir Jim McDonald	✓			✓	✓	✓			✓
Rick Menell	✓	✓	✓	✓	✓		✓		
John Mogford	✓		✓	✓	✓	✓		✓	
Melanie Gee[3]	✓	✓	✓	✓	✓				
Stephen Young[4]	✓	✓	✓	✓	✓				

Notes
1. Clare Chapman was appointed to the Board on 1 August 2017.
2. Barbara Jeremiah was appointed to the Board on 1 August 2017.
3. Melanie Gee stepped down from the Board on 30 September 2017.
4. Stephen Young was appointed to the Board on 1 January 2018.

Subsequently the Nomination Committee recommended that Stephen Young be appointed to the Board on 1 January 2018. Stephen Young will be appointed to the Chair of the Audit Committee in April 2018.

1. JCA Group have no other connection with the Company and have signed up to the voluntary code of conduct on matters such as diversity for executive search firms. During 2017, JCA Group provided no other services to the Company.

Independence and re-election to the Board

The Nomination Committee reviewed and confirmed the independence of all Non-Executive Directors. The continued service as Directors of both Rick Menell and John Mogford was specifically reviewed in light of their respective lengths of service. During 2016, the Committee invited John Mogford to continue for a further year through 2017, given the nature of his sector and management experience. He will step down after the 2018 AGM. Rick Menell's experience is of particular importance to the Company at this time of change and it was therefore recommended that his term should be extended for a further year (subject to re-election by shareholders at the 2018 AGM). This year's review also enabled the Committee to confirm its support for the election of Barbara Jeremiah, Clare Chapman and Stephen Young, and for the re-election of all other members of the Board, at the Company's forthcoming 2018 AGM. The Directors biographies can be found on pages 70 and 71 and in the Notice of Meeting.

Processes are in place to identify any business relationships held by Non-Executive Directors or additional directorships or significant links with other companies or bodies which may be of relevance in determining their independence. The Board still considered all of its Non-Executive Directors to be independent in character and judgement.

Committee effectiveness

The Committee's areas of responsibility were reviewed during the year through an external Board Effectiveness Review, undertaken by Independent Audit Limited. Their report was presented in December 2017. I am pleased to confirm it concluded that the areas of responsibility of the Nomination Committee continued to be performed well.

You will find more information on the Board Effectiveness Review cycle and process on page 78.

Diversity and Inclusion

We recognise that Diversity and Inclusion is a key element of our strategic framework. To remain competitive we need to further develop a diverse and inclusive workplace including the development of our approach to increasing ethnic minority representation at leadership level in line with recommendations of the Parker Review.

Our objective is to diversify thought in The Weir Group and provide an environment where values-based inclusion prevails. You can read more about Diversity and Inclusion and the details of the initiatives that the Company has been involved in on pages 58 to 61.

Charles Berry
Chairman of the Nomination Committee
28 February 2018

Board appointment and tenure

Length of tenure at 31 December 2017

Director	Date of appointment	Date of next election or re-election
Charles Berry	1 Mar 2013	26 Apr 2018
Jon Stanton[1]	1 April 2010	26 Apr 2018
John Heasley	3 Oct 2016	26 Apr 2018
Clare Chapman	1 Aug 2017	26 Apr 2018
Alan Ferguson	13 Dec 2011	–
Barbara Jeremiah	1 Aug 2017	26 Apr 2018
Mary Jo Jacobi	1 Jan 2014	26 Apr 2018
Sir Jim McDonald	1 Jan 2015	26 Apr 2018
Rick Menell	1 Apr 2009	26 Apr 2018
John Mogford	1 Jun 2008	–
Melanie Gee[2]	4 May 2011	–

1. John Stanton was Finance Director from April 2010 to September 2016.
2. Melanie Gee stepped down from the Board on 30 September 2017.

Corporate Governance Report

Audit Committee Report

Alan Ferguson
Committee Chairman

Introduction

As Chairman of the Audit Committee, I am pleased to present our report to shareholders for the year ended 31 December 2017. This report will outline how the Committee has fulfilled its key objective of providing effective governance over the appropriateness of the Group's financial reporting.

Committee membership in 2017

Alan Ferguson, Committee Chairman

Sir Jim McDonald

John Mogford

Barbara Jeremiah

Melanie Gee (to 30 Sept 2017)

Other regular Audit Committee attendees (by invitation)

Charles Berry, Chairman

Jon Stanton, Chief Executive Officer

John Heasley, Chief Financial Officer

Christopher Morgan, Company Secretary and General Counsel, attends as secretary to the Committee

Steven Wallace, Group Financial Controller

David Kyles, Head of Internal Audit

Lindsay Gardiner (PricewaterhouseCoopers) Group Audit Partner

Areas of focus

Our key objective is achieved by focusing on, amongst other things:

- the adequacy of accounting policies and disclosures, as well as the areas requiring significant estimates or judgements;
- the performance of both the internal audit function and the external auditor; and
- oversight of the Group's systems of internal control, and the framework for identification and management of business risks and related assurance activities.

Membership

After six years this will be my final report as the Chairman of the Committee.

The members of the Committee, other than myself, are Sir Jim McDonald, John Mogford and Barbara Jeremiah, all of whom are independent Non-Executive Directors. With the exception of Barbara Jeremiah, all have been members of the Committee for the full year and to the date of this report. Melanie Gee served during the year prior to standing down from the Board in September. Stephen Young, who will take over as Chair when I step down, joined the Committee in January 2018.

The Committee members have, through their other business activities, significant experience in financial matters. They have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil our responsibilities. Summary biographies have been presented on pages 70 and 71.

Attendance table

Committee members	Member since	18 January	15 February	21 July	23 October	Percentage of eligible meetings attended
Alan Ferguson, Chairman	13 Dec 2011	✓	✓	✓	✓	100%
Sir Jim McDonald	1 Jan 2015	✓	✓	✓	–	75%
John Mogford	1 Aug 2008	✓	✓	✓	✓	100%
Melanie Gee (to 30 Sept 2017)	4 May 2011	✓	✓	✓	–	100%
Barbara Jeremiah	1 Aug 2017	–	–	–	✓	100%

Terms of Reference are available on the Company's website at www.corporategovernance.weir

Meetings

We met four times during the year and have met twice since the year end. Each Committee meeting normally takes place prior to a Board meeting, during which I provide a report on our activities.

There is at least one meeting each year when we meet with each of the Head of Internal Audit and the external auditors separately, without any executive management present. This provides us with the opportunity for any issues of concern to be raised by, or with, the auditors.

We have the ability to call on Group employees to assist in our work and to obtain any information required from Executive Directors in order to carry out our roles and duties. We are also able to obtain outside legal or independent professional advice if required.

The table above details the Board members and members of senior management who were invited to attend meetings as appropriate during the calendar year. In addition, PricewaterhouseCoopers LLP (PwC) attended the meetings by invitation as auditors to the Group.

Main activities

Over the course of the year since the last Annual Report, our work was focused in the following areas:

(i) financial reporting;
(ii) internal control and risk management;
(iii) internal audit; and
(iv) external audit.

The following sections provide more detail on our specific items of focus under each of these headings, explaining the work we, as a Committee, have undertaken and the results of that work.

(i) Financial reporting

Our principal responsibility in this area is the review and challenge of the actions and judgements of management in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:

- critical accounting policies and practices, and any changes therein;
- decisions requiring significant judgements, areas of significant estimate, or where there has been discussion with the external auditor;
- the existence of any errors, adjusted or unadjusted, resulting from the audit;
- the clarity of the disclosures and compliance with accounting standards and relevant financial and governance reporting requirements, including an assessment of adoption of the going concern basis of accounting and a review of the process and financial modelling underpinning the Group's Viability Statement; and
- the processes surrounding the compilation of the Annual Report and Financial Statements with regard to presenting a fair, balanced and understandable assessment of the Group's position and prospects.

We received formal reports from the Chief Financial Officer and the external auditor, summarising the main discussion points for both the Interim Report in our July 2017 meeting and Annual Report during our January and February 2018 meetings.

The financial reporting matters discussed in the current year and recurring agenda items are summarised in the table on pages 90 to 92.

(ii) Internal control and risk management

Overall responsibility for the Group's risk management and internal control frameworks rests with the Board. Further details on accountability for Risk Management are provided in the Corporate Governance Report on page 82.

Our role with regard to risk management has been delegated by the Board and is to review the effectiveness of the Group's risk and internal control frameworks.

Our work in this area was supported by reporting from the Head of Internal Audit on the results of the programme of internal audits completed; the overall assessment of the internal control environment; and in addition, reporting, either verbal or written, from senior management covering any investigations into known or suspected fraudulent activities. We also noted the additional work undertaken for the Board on a review of the sources of assurance which were mapped against the principal risks (see (iii) Internal audit below).

The Committee also receives regular reporting on the Group's compliance-related activities from the Group General Counsel and Company Secretary and Head of Internal Audit. This includes reviewing compliance with the Group's Ethics Helpline programme which provides a mechanism for employees with serious concerns about the conduct of the Group or its employees to report their concerns. The Committee ensures that appropriate arrangements are in place to receive and act proportionately upon a complaint about malpractice. The Committee takes a particular interest in any reports of possible improprieties in financial reporting.

Since the last Annual Report and Financial Statements, there have been presentations from the three Divisional Finance Directors (DFDs) which included a review of the divisional risk dashboards, the significant findings from the internal audit visits and the Compliance Scorecard process over the last 12 months, as well as an overview of their divisional finance teams. Focus is given to:

1. the strength and depth of the finance team's capability;
2. the quality and efficiency of responses to findings of internal audit visits, including whether learning has been shared more widely across the Group to mitigate the risk of recurrence and share good practice to; and
3. the quality of the discussion around divisional risk dashboards.

In addition, we received a presentation on the progress of the Minerals SAP rollout and related controls.

The Compliance Scorecard is a control mechanism whereby each operating company undertakes self-assessments, every six months, of their compliance with Group policies and procedures, including key internal controls across a range of categories including finance, anti-bribery and corruption, tax, treasury, trade and customs, HR, IT and legal. As far as the elements relating to finance are concerned, these cover (but are not limited to) management accounts and financial reporting, balance sheet controls, employee costs and other financial policies. Each operating company is expected to prepare and execute action plans to address any weaknesses identified as part of the self-assessment process.

Corporate Governance Report

Audit Committee Report continued

Current year matters

Area of focus	Issue	Role of the Committee	Conclusion
Exceptional items – restructuring costs and related provisions (see notes 5 and 22 of the financial statements)	Management exercises judgement on the classification of certain items as exceptional.	We have received detailed reporting from the Chief Financial Officer covering the following aspects of the exceptional charges: (i) charge/credit by Division, including the nature of the items; (ii) accounting treatment adopted in relation to recognition of provisions and impairments; and (iii) disclosure of the amounts and related narrative reporting. Our work has focused on ensuring that these items were exceptional due to their size, nature and/or frequency, taking cognisance where appropriate of multi-year restructuring programmes. We also received confirmation from PwC that management's treatment was acceptable. Consideration was also given to the classification of the one-off charges incurred within the Flow Control Division during the year as trading items rather than exceptional. Finally, consideration was given to the current balance sheet position of the remaining restructuring provisions, with a specific focus on the China provision (created in 2016), with management providing details of the remaining liabilities.	The Committee agrees with the accounting treatment and disclosure of these items in the Annual Report.
Acquisition accounting for KOP (see note 13 of the financial statements)	Management exercises judgement on the type of intangible assets acquired and estimates are made of the fair value of all assets and liabilities.	We received a summary report from management which outlined: (i) the purchase price allocation exercise which identified and valued separately identifiable intangible assets; (ii) the assessment of acquisition fair values, with a particular focus on inventory carrying values; and (iii) the related disclosures in the financial statements displayed in note 13 We reviewed the resulting valuations, understood the reasons behind the changes made and looked at a comparison to other recent acquisitions where appropriate. We also received confirmation from PwC that management's assumptions and calculation methodology were acceptable.	The Committee agrees with the acquisition accounting treatment and disclosure of the KOP acquisition in the Annual Report.
US Tax Reform (see notes 7 and 23 of the financial statements)	Management exercises judgement on the potential impact on the Group tax assets, liabilities and corporate tax rate.	An assessment of the transitional impact of the recently enacted US Tax Cuts and Jobs Act was presented by the Group Head of Tax to the Committee, summarising the key judgements underpinning the estimated financial impact on the Group tax assets, liabilities and corporate tax rate for the current year and potential tax implications on future years, recognising that the practical application and impact of parts of the Act remain unclear. We reviewed this in light of input from both Deloitte and EY. PwC also provided confirmation that management's assumptions, calculation methodology and treatment of transitional credits as exceptional items were acceptable.	The Committee agrees with Managements' judgements and related disclosures.

Recurring agenda items

Area of focus	Issue	Role of the Committee	Conclusion
Impairment (see note 14 of the financial statements)	Management undertakes an annual detailed, formal impairment review of goodwill and other intangible assets, with judgements made on the relevant Cash Generating Units and estimates of available headroom.	The most significant estimates are in setting the assumptions underpinning the calculation of the value in use of the Cash Generating Units (CGUs). We specifically reviewed: (i) the achievability of the long-term business plan numbers and macroeconomic assumptions underlying the valuation process; (ii) long-term growth rates and discount rates used in the cash flow models for all of the CGUs; and (iii) the rationale for the allocation of KOP to the Oil and Gas EMEA Cash Generating Unit. Business plans and budgets were Board-approved and underpin the cash flow forecasts. We have considered the sensitivity analysis supplied by management. We have reviewed the relevant disclosures in the financial statements and the related narrative.	We are satisfied that the impairment analysis supports the carrying value of the underlying assets in each CGU.
Provisions (see note 22 of the financial statements)	Significant balance sheet provisions are underpinned by management's key judgements on obligating events and timeframes over which a reliable estimate for provision values can be made.	The focus of the Audit Committee was on the restructuring provisions including the linkage to the exceptional charges recorded in the Income Statement, and the employee-related provisions, specifically the element in respect of US asbestos-related claims. The Committee's work in relation to exceptional items is discussed in the previous section. With regard to the US asbestos-related provision, the Committee noted the updated external advice in respect of the actuarial assumptions underpinning the provision and related insurance asset. Our review and challenge was centred on gaining an understanding of: (i) the claims and settlement assumptions that underpin the discounted cash flow model and their relation to recent historic experience; (ii) the period over which the liability can be reasonably estimated, (iii) the position with regard to availability of insurance cover; and (iv) the adequacy and transparency of the disclosures in note 22. We challenged management on the assumptions underpinning the liability assessment and the recording of a matching receivable on the basis of the insurance asset. PwC also provided confirmation that management's assumptions were reasonable. With regard to other provisions (other than inventory – see below), we examined the key movements between the opening and closing provision balances and challenged management on the commercial drivers which caused them.	We are satisfied that the current provisioning levels and approach are appropriate, as is the recognition of a matching insurance asset in relation to the US asbestos provision.
Pensions (see note 24 of the financial statements)	The valuation of pension liabilities can be materially affected by the assumptions utilised by management on areas such as discount and inflation rates.	We challenged management on the key assumptions underpinning the valuation, taking assurance from the fact that external advice had been taken by the Company and that PwC had benchmarked these assumptions to their own internal ranges.	The Committee was satisfied with the assumptions and related pension disclosures.

Corporate Governance Report

Audit Committee Report continued

Area of focus	Issue	Role of the Committee	Conclusion
Tax charge and provisioning (see notes 7 and 23 of the financial statements)	The tax position is complex, with a number of international jurisdictions requiring management's judgement with regards to effective tax rates, tax compliance and tax provisioning.	The Audit Committee receives a detailed report from the Chief Financial Officer every six months, which covers the following key areas: (i) status of ongoing enquiries and tax audits with local tax authorities; (ii) the Group's effective tax rate for the current year; and (iii) the level of provisioning for known and potential liabilities, including significant movements on the prior period. In addition, the Committee takes comfort from the annual presentation to the main Board on tax strategy and risk, given by the Group Head of Tax, and the work done by, and conclusions of, PwC in this area.	Based on the work we have undertaken, we are satisfied that the position presented in these financial statements, including the disclosures, is appropriate.
Inventory valuation (see note 16 of the financial statements)	Management applies estimates on inventory valuation and provisioning.	Given the significant investment in inventory within both the Minerals and Oil & Gas Divisions, both of which are impacted by commodity cycles, this remains a judgement for specific consideration. Reporting has been received from management on the business drivers behind movements in both gross inventory and the related slow-moving and obsolete provision. Specific consideration was given to a review of the accuracy of inventory provisioning.	Based on the information provided, the Committee concluded that management action had been effective and that the level of provisioning appeared adequate.
Fair, balanced and understandable	The Board is required to state that the Group's external reporting is fair, balanced and understandable. The Audit Committee is requested by the Board to provide advice to support the assertion.	The Committee received a report from management summarising the detailed approach that had been taken to ensure that the Group's external reporting is fair, balanced and understandable. This covered, but was not limited to, the following: (i) involvement of a cross section of management across the organisation during the preparation of the external reporting, including the Group Executive, Divisional Finance Directors, Group Communications, Group Finance (including Group Tax and Group Treasury) and Company Secretariat; (ii) input and advice from appropriate external advisers, including the Company's brokers and public relations agency; (iii) use of available disclosure checklists for both corporate governance and financial statement reporting; (iv) regular research to identify emerging practice and guidance from relevant regulatory bodies; (v) regular weekly meetings (from December to February inclusive) involving the key contributors to the document, during which specific consideration was given to the fair, balanced and understandable assertion; and (vi) use of three 'cold' readers; two employees independent of the preparation process (one a member of the senior management group) and an external, independent proofreader.	The successful completion of this work has been reported to the Board.
Viability Statement	The Committee's role, as delegated by the Board, is to review the underlying processes and key assumptions underpinning the Viability Statement and report to the Board accordingly.	We fulfilled our responsibilities in this area through the review and discussion of reporting received from management, which covered the following areas: (i) overview of the construct of the financial model and base case data underpinning the sensitivity and stress-test scenarios; (ii) results of financial modelling which reflected the crystallisation of those principal risks identified by the Board as having the greatest potential impact on the Group's viability, both individually and when taken together in a severe but plausible stress-test scenario; (iii) extent of mitigating actions included in the financial modelling, relative to the population of such actions that had been identified as within the control of management and the Board; and (iv) banking covenant calculations and assessment of facility headroom in each of the downside and stress-test scenarios.	The successful completion of this work has been reported to the Board. The Group's viability statement is reported on page 56.

Operating companies are required to retain evidence of their testing in support of their self-assessment responses. Internal audit has responsibility for confirming the self-assessment during planned visits. Any significant variances are reported to local, divisional and Group management. Any companies reporting low levels of compliance are required to prepare improvement plans to demonstrate how they will improve over a reasonable period of time. The overall compliance scores (as a percentage) are tracked over time and reported to the Audit Committee twice a year, with the Committee paying particular attention to the variances between self-assessed and internal audit assessed scores as well as trends and the performance of newly acquired companies.

(iii) Internal audit

Twice annually, the Head of Internal Audit reports to the Committee on audit activities, progress against the internal audit plan and the results of audit visits, with particular focus on high priority findings and the action plans, including management responses, to address these areas.

Private discussions between myself and the Head of Internal Audit are held during the year and once a year with the full Committee. I also receive copies of all internal audit reports issued during the year.

This gives us broad coverage of the activities of the function and a good sense of the control environment. This also allows us to ensure the function is effective (which includes assessing the independence of the function), adequately resourced and has appropriate standing within the Company.

One of the main duties of the Committee is to review the annual internal audit plan and to ensure that internal audit remains focused on providing effective assurance. We undertook a deeper review of the proposed scope and approach for the 2018 Annual Plan. This was helped by an exercise which was conducted during the year to map the key sources of assurance against the Group's core processes. Whilst this demonstrated good coverage, it was concluded that there could be stronger linkage between the conclusions from these assurance outputs and the scope of work for internal audit. The 2018 Internal Audit Annual Plan has been developed considering these wider internal assurance risk indicators and in addition internal audit's scope and remit has been increased to allow for the provision of additional assurance over some non-financial areas.

The factors considered when deciding which businesses to audit and the scope of each audit, including consideration of the number of visits to each operating company in the Group on a cyclical basis are, amongst other things, the volatility of end markets, critical system or senior management changes in the year, financial results, the timing of the most recent internal audit visit, assessments from other assurance reviews undertaken and whether the business is a recent acquisition.

In addition, the emergence of any common themes or trends in the findings of recent internal audits or compliance scorecard submissions (see previous section) is taken into consideration.

An information technology risk profiling exercise was also undertaking during the year and forms the basis of the IT risk assurance programme for the 2018 Annual Plan. This includes the further development and utilisation of data analytics techniques.

Also as part of the Annual Plan, reviews are to be undertaken to assess compliance with Weir's Code of Conduct procedures, including anti-bribery and corruption. This includes areas such as policy and procedures, employee training, relationships with agents, accounting for employee expenses and corporate hospitality and gifts. Finally, an element of the Annual Plan is reserved for assurance coverage of any emerging risk areas.

The Committee considered and approved the 2018 Internal Audit Annual Plan including the resource model, which shows a significant increase over that for 2017, in line with the broader scope agreed.

(iv) External audit

Auditor effectiveness

The effectiveness of the external audit process is highly dependent on appropriate audit risk identification at the start of the audit cycle and the quality of planning. PwC present their detailed audit plan to the Committee each years identifying their assessment of the key risks, amongst other matters, and this gets the appropriate degree of attention.

Our assessment of the effectiveness and quality of the audit process covers a number of other matters, including a review of the reporting from the auditors to the Committee, a review of the latest FRC Audit Quality Inspection report on PwC and also by seeking feedback from management on the effectiveness of the audit process. Overall, management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be satisfactory.

The Committee holds private meetings with the external auditor each year to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and how they have exercised professional scepticism. I also meet with the lead audit partner outside the formal committee process as necessary throughout the year. These interactions are also important in our assessment of audit quality.

Based on the work carried out, we are of the view that the quality of the audit process is satisfactory and that our expectations set, when awarding the audit to PwC in 2016, have been largely met.

Corporate Governance Report

Audit Committee Report continued

Independence policy and non-audit services

The Audit Committee is responsible for the appointment and role of the auditor. This includes keeping under review the auditor's independence by issuing guidelines on any non-audit services that are to be provided by them. A formal policy exists (see www.global.weir) which ensures that the nature of the advice to be provided cannot impair the objectivity of the auditor's opinion on the Group's Financial Statements. The policy makes it clear that only certain types of service are permitted to be carried out by the auditors. All permitted non-audit services require the approval of the Chief Financial Officer and, where the expected cost of the service is in excess of £75,000, the approval of myself, the Audit Committee Chairman. If non-audit fees approach £0.5m during a calendar year, the Committee will consider imposing additional restrictions on non-audit services. The auditor confirms their independence at least annually.

Fees payable to PwC in respect of audit and assurance services for 2017 of £2.6m (2016: £2.2m) were approved by the Committee after a review of the level and nature of work to be performed and after being satisfied by PwC that the fees were appropriate for the scope of the work required.

Non-audit fee work conducted by PwC in the year of £0.3m represented 10% of the audit fee. We are of the view that the level and nature of non-audit work does not compromise the independence of the external auditor.

Having considered the relationship with PwC, their qualifications, expertise, resources and effectiveness, the Committee concluded that they remained independent and effective for the purposes of the 2017 year end. As a result, the Committee recommended to the Board that PwC should be reappointed as auditor at the next AGM.

Committee evaluation

The Committee was subject to an evaluation process in 2017, as part of the Board's triennial review process conducted externally by Independent Audit Board Review.

The evaluation concluded that the Committee was performing well, with a particular strength being the quality and frequency of the Committee's interaction with the DFDs. No significant areas of concern were noted. However, with the impending change in the Committee's chair and other Board changes, managing change should be a focus for the Committee.

Our focus for 2017

In last year's report we said that, in addition to our routine business, we would increase our focus on three areas:

1. Following the exceptional item arising from issues in China, we will review with management what we can do to minimise the risk of a reoccurrence of such exposures in the future;

2. We will increase our focus on the IT control environment given that the rollout of SAP in Minerals is underway; and

3. In conjunction with the Board, we will increase our focus on the matching of our overall assurance structure against our principal risks.

We have made good progress. With regard to China, for example, we ensured that internal audit will be involved with the KOP acquisition at a much earlier stage and we focused on management actions to assess the control environment straight after completion. The other two points were covered by our work with internal audit in the year (and are discussed above in sections (ii) and (iii)).

Our focus for 2018

In addition to our routine business in 2018, we will focus on two main areas. The first will be to manage the significant change in the members of the Committee since September, including John Mogford and my impending departures. I will hand over the Chair to Stephen Young at the conclusion of the AGM. The second will be to review how the broadened internal audit approach has bedded down within the business.

Alan Ferguson
Chairman of the Audit Committee
28 February 2018

Directors' Remuneration Report

Clare Chapman
Committee Chair

"We are refocusing remuneration on long-term value creation by using substantive equity holdings to expose executives to both upside and downside risk. Over the cycle, this will best promote the value of our company for shareholders and the society in which we operate."

Rewarding long-term value creation

One of the strengths of 'We are Weir' is that it takes our strategic framework and identifies how we will create value from it for all our stakeholders.

People	Caring for our colleagues, our neighbours and the environment and inspiring them to flourish.
Customers	Working in partnership to provide distinctive solutions that deliver compelling value for money.
Technology	Driving the development of new technologies and capabilities that lead the market.
Performance	Delivering excellence for all our stakeholders through strong leadership, accountability and a lean mindset.

The Committee realised that to reinforce the delivery of 'We are Weir', we needed to be clear with our reward principles and ensure these informed the design of the new executive reward arrangements. These principles have been refreshed and are shown in the 'Reward principles' table.

Dear Shareholders,

I am pleased to introduce our Directors' Remuneration Report for the year ended 31 December 2017. This is my first report as Chair of the Remuneration Committee having succeeded Melanie Gee in August 2017. On behalf of the Board, I would like to thank Melanie for her significant contribution whilst in the role.

As committed to in our Report last year, we have invested time during this past year looking at how to align our remuneration arrangements to the Weir strategy so their design best recognises the cyclical and volatile nature of the sectors in which we operate. The management team emphasises creating long-term value for customers in our end markets and for shareholders: behaviours and a culture which we also seek to reward.

The current LTIP suffers from 'all or nothing' characteristics, so to move from this, we have considered the best evidence to help us evaluate alternative reward constructs. This included considering the recommendations from the Investment Association Working Group which called for Boards to explore alternative solutions in markets where traditional LTIPs do not work. Academic evidence has also indicated that simpler pay packages, with less reliance on short-term performance conditions and requiring large shareholdings, have a positive impact on investment, innovation, long-term decision making and long-term value creation.

Based on the outcome of this review, we are proposing changes to our remuneration framework, notably the replacement of our current LTIP with Restricted Share awards under our Share Reward Plan. We are unanimous as a Board that this is the right thing to do for the long-term interest of the business and we lay out below our rationale and how the parameters of the award have been calibrated.

Main structure

Key contents

Rewarding performance in cyclical and volatile markets

Given the exposure of our sectors to the commodity markets, it makes it extremely challenging to set robust and stretching financial targets. As a result, we have seen 'all or nothing' vesting outcomes from our LTIP over the past ten years. These outcomes are more reflective of where the business is in the cycle than of the underlying performance. The up-cycle leads to vesting 'windfalls' and the down-cycle penalises LTIP participants. The potential for a negative impact on executive pay is clear. Incentives are unlikely to engage executives or motivate the right behaviours if outcomes are considered arbitrary. Windfall outcomes will rightly appear unreasonable to investors and unfair to employees and other stakeholders. Penal outcomes can disengage executives and, when applicable over a number of cycles, prevent the build-up of meaningful shareholdings, which is one of the primary objectives of share-based reward plans.

The Committee's view is that this makes a conventional LTIP inappropriate as a mechanism for incentivising, retaining and engaging the executives in the long-term stewardship of the business. After testing various alternatives, we concluded that the best fit for the business was a redesigned annual bonus and the implementation of a Restricted Shares Plan.

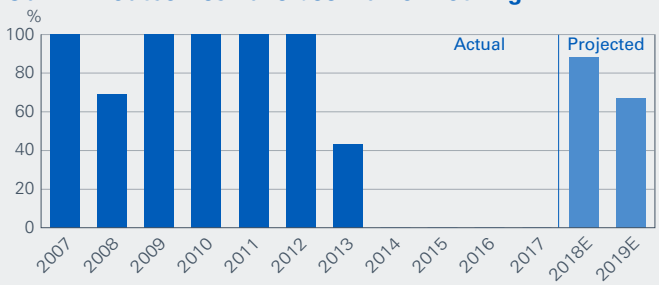
Reward principles

Rewarding the delivery of sustainable value over time in a cyclical business

Employees as shareholders	Encouraging and enabling substantial long-term share ownership for all employees
Rewarding long-term value creation	Bringing focus to sustainable improvement in the underlying business via our strategic framework
Supporting our culture	Focusing incentives on team performance to create collective accountability and becoming an employer of choice by offering a motivating and fair package
Simplifying and increasing effectiveness	Simple and transparent reward linked to business success and delivered in a way that reduces the impact of cyclical volatility on reward outcomes and enables retention

Directors' Remuneration Report continued

Our LTIP outcomes have been 'all or nothing'



1 Projected figures are based on a current forecast using public information. TSR element – based on TSR performance measured to 31 Aug 2017; EPS element – based on Bloomberg consensus forecasts; ROCE element – assumes the same vesting level as EPS element. Actual outcomes may differ from these projections.

The difficulty in forecasting commodity prices

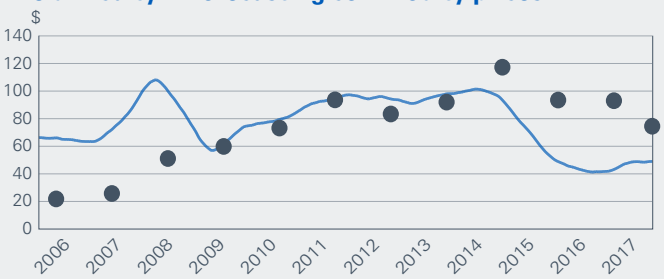


Chart shows rolling 12 month average oil price (blue line). For each year, the grey marker plots the EIA projection from 3 years earlier (i.e. a typical LTIP period).

The Committee concluded that 2018 is the right time to be making the move to Restricted Shares. The expected vesting for 'in-flight' awards (using publicly available market expectations) as we head into the up-cycle is over 80% this year and over 60% next year. Switching to Restricted Shares at this point in the cycle is likely to be less beneficial to management, but is recognised as the right thing to do to incent the delivery of long-term value.

Under the Restricted Shares proposal, executives will receive a significantly smaller award each year than under the current LTIP, and these awards will vest subject to an 'Underpin' as outlined in the table below. Further details on the underpin are set out on page 99.

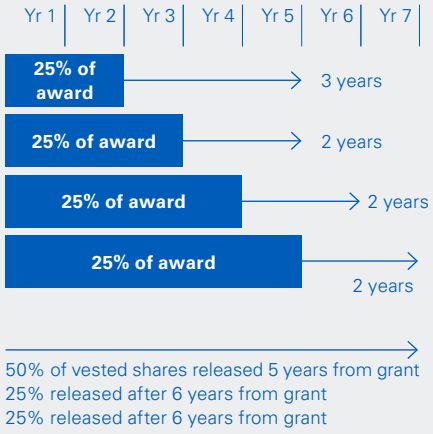
The key parameters of the Restricted Share awards are in line with best practice guidance:

- **Significant reduction in award size.** Annual Restricted Share awards will be 125% (CEO) and 100% (CFO), half the current LTIP awards (250% and 200% respectively). The Committee carefully considered what this 'discount' should be. Our starting point for the conversion was to confirm that the total compensation is positioned around median against similarly sized companies so it was clear we were not embedding any excessive quantum.

To understand what a fair expectation for LTIP pay-outs would be, we analysed vesting outcomes over a long-term period (ten years, being more representative than just two or three recent years). The average outcome has been 61% of maximum and therefore a reasonable expected value of the current LTIP would have been 153% of salary (CEO) and 122% (CFO) – current award size multiplied by 61%. Therefore the Committee concluded that setting the discount at 50% is more than sufficient. This is also consistent with investor guidance.

- **Extended time horizons – shares released between five and seven years from grant.** For each award, 50% will be released to participants after five years, 25% after six years and the final 25% after seven years from grant. This represents one of the longest holding periods for Restricted Share plans in the UK and is in excess of the five years recommended in investor guidance. Awards will vest as follows – 50% after three years, 25% after four years and 25% after five years. In order to address a one-off transitional risk of moving from an LTIP to Restricted Shares, the first tranche of awards made under the 2018 Policy will vest 25% after two years (rather than three). These transition arrangements will not apply to new hires. We will also confirm in our Policy statement in 2021 that we will revert to a three-year vest for tranche one since, by then, the transition issues will largely be managed.
- **Underpin – safeguarding against payment for failure.** Restricted Share awards do not have conventional performance conditions which might apply to an LTIP, reflecting their different purpose and design. However, the framework includes safeguards which can adjust vesting in circumstances of significant under-performance, in line with investor best practice. The underpin includes a set of key metrics with pre-disclosed performance thresholds. If any of these thresholds are not met, or if an adjustment is required to better reflect underlying performance, the Committee retains discretion to reduce the vesting outcome. The key metrics for the underpin for 2018 awards are as laid out in the 'Underpin metrics' table (with the detailed underlying thresholds disclosed on page 99) and it is our current intention that this framework remains unchanged for the forthcoming policy period.

Vesting and holding timeline



Underpin metrics

Balance sheet health	**Dividend**
	Breaching covenants
Investor return	**Return on Capital Employed (ROCE)**
Corporate governance	**Major governance failure**

- **Enhanced shareholding guidelines, including extending into post-employment.** The shareholding guidelines for the CEO and CFO will be doubled to 400% and 300% of salary, respectively. The shareholding guidelines will also be extended into a post-employment period (at 50% of the normal level, tapering to 0% after two years).

In developing these proposals, we have engaged extensively with our major shareholders, many of whom invest in our business over the long term. We have valued the consultation and the Committee's proposals on the elements such as the discount, underpin, time horizons and shareholding requirements have been proposed to reflect the messages we heard. I am conscious, however, that programmes based on Restricted Shares are not commonplace in the UK market. I hope that I have demonstrated in this letter why this programme is appropriate for the business and how the design of the awards have been calibrated to address the concerns of some shareholders who are yet to build confidence in Restricted Share programmes.

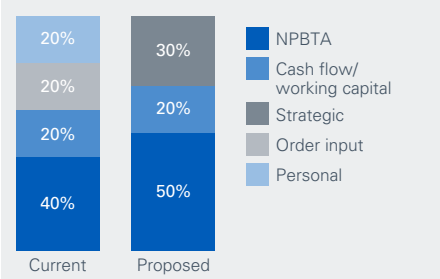
Going forward the Committee commit to evolving these plans over time so they stay aligned to business strategy. When the Committee next reviews the incentive framework ahead of our next Policy approval in 2021, we will undertake a similarly thoughtful and collaborative review process as described in this letter which would involve engaging early with our major investors.

Changes to bonus framework

We are also proposing changes to our annual bonus framework for 2018, to better align with the reward principles and delivery of our strategy.

The key change is the introduction of strategic measures to represent 30% of the bonus. This replaces the 40% of the bonus that was driven by order input and personal objectives, so we are also simplifying the framework from four to three measures. The strategic measures will align to the strategic framework (People, Customers, Technology, and Performance). We will set stretching targets aligned to a balanced scorecard and use externally verified industry standard measures wherever possible, in particular around core operational metrics and the Voice of the Customer (VoC) and Employees. This will enable benchmarking and facilitate learning. The key measures for 2018 are disclosed on page 98 and we will continue to provide full retrospective disclosure of the underlying targets in next year's report. Payment of any strategic component will be subject to a discretionary underpin (including individual performance).

Having listened to shareholders, the remainder of the bonus will continue to be assessed against key financial measures for the year. PBTA[1] will remain the primary metric (with the weighting increased from 40% to 50% for 2018). Our cash-based measure will change for 2018 from operating cash flow to working capital as a percentage of sales, better reflecting our growth agenda. The weighting will remain at 20%.



There are no changes to bonus opportunities, which will remain at 150% (CEO) and 125% (CFO). These changes do not represent a policy change but since they are important to how the whole reward package works, I wanted to give investors full sight of them.

2017 bonus and LTIP outcomes

When determining the bonus pay-outs in respect of 2017, the Committee took into account the overall performance of the business as well as the Executive Directors' performance.

80% of the bonus was based on performance against three financial measures: profit, order input and cash flow. Profit increased significantly reflecting a return to growth by our Oil & Gas Division. We also delivered strong order growth in both our Oil & Gas and Minerals divisions as demand for their solutions increased. Flow Control was impacted by tough market conditions. We had a disappointing performance against the cash flow measure, with cash flow from operations reducing as a result of increased investment in working capital to support strong growth, and reduced profitability in Flow Control.

Although we failed to achieve the cash flow measure, the performance achieved against the profit and order input measures was 98% and 76% of maximum respectively. This resulted in a total contribution to payout of 54% of maximum for the financial measures.

Full details of achievement as well as details of the performance of each Executive Director are provided on pages 111 and 112.

The 2015 LTIP awards lapsed as the performance targets measured over the three-year period to 31 December 2017 were not met.

2018 decisions

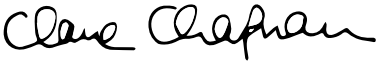
In addition to the key policy changes outlined above, I can confirm the following for 2018:

- With effect from April 2018, the salaries for the Executive Directors will increase by 2.8% in line with the average increase for UK employees.
- Pension contributions will remain at 12% of salary, in line with our Policy. The Committee is aware that a number of UK investors remain concerned about executive pensions which are significantly higher than those in the wider workforce. At Weir, the pension contribution of 12% is very much at the lower end of market practice and aligns with senior roles within the UK. I therefore believe strongly that our pension practice is in line with good practice.

2018 AGM

To implement the proposed changes we will be seeking shareholder approval for a new Remuneration Policy and this is set out in pages 102 to 107 of this report. We will also be seeking approval for the new Share Reward Plan and new All-Employee Share Ownership Plan, the full details of which are included in the Notice of Meeting. This is an important step forward. One of the principles which has guided our thinking as a Committee is a commitment to a principle of 'employees as shareholders' so we are keen to make it possible for all colleagues to build up long-term share ownership.

I would like to thank those who engaged extensively on the proposals over recent months and I look forward to receiving your support at the AGM. As ever, we remain committed to an open and ongoing dialogue and I would be very happy to hear the views of investors on our proposals.



Clare Chapman
Chair of the Remuneration Committee
28 February 2018

1. PBTA is defined as continuing profit before tax, amortisation and exceptional items, translated at 31 January 2017 average exchange rates.

Terms of Reference are available on the Company's website at www.corporategovernance.weir

Directors' Remuneration Report continued

Summary of policy changes and 2018 implementation

The table below summarises the key components of our proposed remuneration framework, illustrating how they differ from our current policy and how we intend to operate the new policy in 2018. Full details of the policy are set out on pages 102 to 107.

		Current arrangements	New policy and 2018 implementation
Fixed	Salary	Fixed remuneration which reflects role, skills, and responsibilities For 2017: • CEO – £650,000 • CFO – £400,000	No change to Policy. Increases for 2018 aligned to the average increase for UK employees of 2.8%. • CEO – £668,200 • CFO – £411,200
	Pension	Executive Directors receive a cash allowance of 12% per annum in line with pension contributions for other senior UK employees	No change. The Committee believes that executive pensions which are aligned to other employees in the business is consistent with emerging investor best practice in this area.
	Benefits	Car allowance, health care and life assurance	No change.
Variable	Annual Bonus Greater alignment to our strategic objectives	Maximum opportunity: • CEO 150% of base salary • CFO 125% of base salary 30% deferred into shares for three years Measures and weightings in 2017: – 40% Group PBTA – 20% Operating cash flow – 20% Order input – 20% Personal Full retrospective target disclosure (see page 111 in respect of 2017).	No change to opportunities or deferral structure. Measures and weightings in 2018: – 50% Group PBTA – increased from 2017 to reflect importance of profit – 20% working capital as percentage of sales – changed the basis of the cash measure to better reflect our growth agenda. – 30% strategic measures – replacing order input and personal objectives to better incent strategic objectives for the year. Measures will align to the strategic framework (People, Customers, Technology, and Performance) and set out below are the underlying headline metrics to be achieved over the next three years, as well as the target priorities for 2018. Targets will be stretching and aligned to a balanced scorecard. Externally verified industry standard measures will be used where possible. Underlying targets will be fully disclosed in next year's report. **People** Improved engagement score and increase in organisational effectiveness • Develop best in class behavioural safety culture • Identify and build the capabilities required to deliver the customer proposition • Continue to extend the Weir culture and develop the voice of the employee **Customers** Increased market share • Increase revenues from service centre networks • Increase number of customer partnerships on technology development and trials • Voice of Customer (VoC) development **Technology** Improved percentage revenue from new solutions/services/ products • Progress commercialisation of Weir digital agenda • Further develop additive manufacturing capability • Develop Weir innovation framework **Performance** Sustainably higher margins through cycle • Improved VCE score • Progression on IT infrastructure and systems development • Begin sustainability journey

		Current arrangements	New policy and 2018 implementation
	Long-term share awards Replacement of LTIP with Restricted Shares	Long Term Incentive Plan (LTIP) awards: • CEO 250% of base salary • CFO 200% of base salary Vesting based on performance over three years: – One third EPS – One third ROCE – One third TSR Two-year holding period.	Replacement of LTIP with Restricted Share awards, with the first awards to be made following the approval of the Share Reward Plan at the 2018 AGM. Award parameters in line with best practice and investor guidance. Maximum award size significantly reduced by 50% from previous LTIP award levels (the rationale for this discount is discussed in more detail in the next section): • CEO 125% of base salary • CFO 100% of base salary Vesting phased over a five-year period, with vested shares released between five and seven years from grant. Vesting subject to the underpin. Prior to vesting, if any of the thresholds set out below have not been met, it would trigger the Committee to consider whether a discretionary adjustment was required. **Balance sheet health** • **Dividend** – Maintain average absolute dividend per share over the vesting period at least in line with the 2017 declared dividend per share. • **Breaching covenants** – No breach of debt covenant or renegotiation of covenant terms outside of a normal refinancing cycle. **Investor returns** • **Return on Capital Employed (ROCE)** – Maintain average ROCE over the vesting period above the average Weighted Average Cost of Capital for that period. **Corporate governance** • **Major governance failure** – No material failure in governance or an illegal act resulting in significant reputational damage and/or material financial loss to the Group. Restricted Share awards will also be subject to malus and clawback provisions. The Committee will also retain discretion to determine the grant level each year.
Other	Shareholding guidelines Significant enhancement	• CEO – 200% of base salary • CFO – 150% of base salary	Shareholding guidelines will be doubled from current levels: • CEO – 400% of base salary • CFO – 300% of base salary In addition, shareholding requirements will continue post-employment.
	NED fees	Fees reflect responsibilities and time commitments for the role.	Fees will increase broadly in line with the wider employee average as follows, effective 1 April 2018: • Chairman's fee by 2.8% to £306,500 • Non-Executive Director base fee by 2.9% to £61,200 • Chairman of Committee fee by 2.6% to £15,900 • Senior Independent Director fee by 2.4% to £12,800

Directors' Remuneration Report continued

Engaging with our investors

In developing the proposals set out in this report, we engaged extensively with major investors and shareholder bodies. A number of common themes which emerged in discussion are set out below.

Q Why are changes being made at this time?
As flagged in last year's report, during the course of 2017, a comprehensive review of our remuneration philosophy and framework was undertaken to ensure it continued to best support the delivery of our strategy.

Q In the context of the difficulty of setting robust long-term targets, could other solutions have been considered (e.g. relative TSR or a 'hybrid' with the existing LTIP)?
It is correct that relative targets can be a solution to the challenge of setting absolute targets. Most commonly, this would be done via relative TSR. This relies on the ability to construct a robust and relevant peer group, which for a number of reasons, the Committee considers is not possible for Weir (given our exposure to a range of different commodity end markets and an insufficient number of direct UK peer companies). Relative TSR could also incentivise higher leverage as a means of generating differential equity performance against peers, which could penalise companies looking to safeguard a strong balance sheet through the cycle.

The Committee believes that a 'hybrid' approach (i.e. introducing restricted shares whilst also maintaining a performance-based LTIP) lacks a coherent rationale and was the approach which our investors strongly rejected at our 2016 AGM.

Q How else does this proposal differ from 2016?
Other key differences from 2016 are:

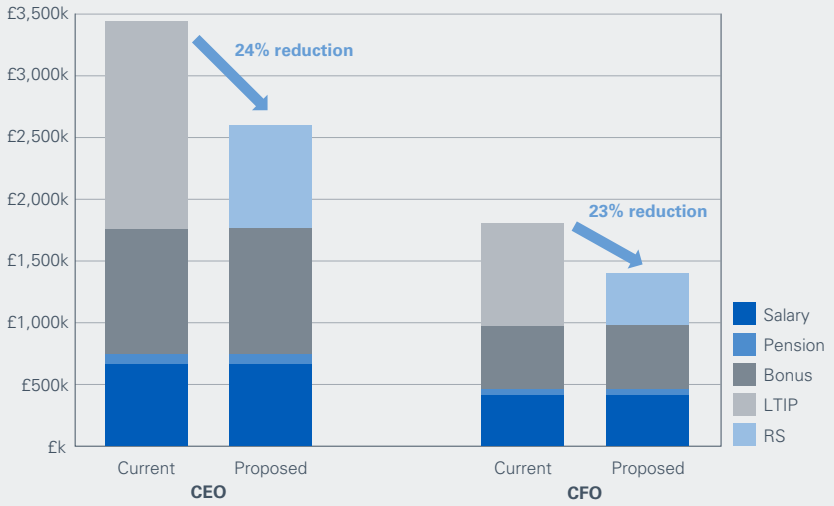
- Significantly enhanced shareholding guidelines (including extending the guideline into post-employment).
- This proposal has a much more substantial underpin.
- Extended time horizons.

Q What is the change to maximum total compensation?
As shown below, the maximum value of the packages has been reduced by over 20% as a result of the change in award structure.

Q If the performance element is removed from long-term share awards, how will you motivate performance?
The Committee is firmly of the view that the Restricted Shares will act as a more powerful driver of performance than the LTIP. By increasing the direct exposure to shares both during and post employment, executives have wealth at risk. This very visible exposure to the share price, which is easily monitored by executives, is therefore far more motivating than long-term plans based on relative TSR (which is seen as a "lottery" so has little incentive effect). With Restricted Shares, executives are strongly incentivised to take actions that will enhance long-term performance rather than short-term shareholder value given the phased vesting and release profile.

In addition, the annual bonus will continue to act as a powerful tool to drive annual performance against stretching targets built around our annual financial and strategic objectives.

Change in maximum total compensation



Q How did you arrive at the 50% discount from LTIP award levels?
We recognise that the conversion rate between LTIP and Restricted Shares is a key issue for investors. Our 'starting point' for the conversion was to confirm that total compensation is positioned around median against similarly sized UK companies and therefore we were not embedding any excessive quantum.

To understand LTIP payout expectations, we analysed LTIP outcomes over a long-term period (ten years) to provide a robust view on the vesting outcomes which executives might expect 'through the cycle'. This showed that the average vesting has been 61% over that period and therefore a reasonable 'expected value' of the current LTIP would be 153% of salary (CEO) and 122% (CFO) – being the current market competitive award size multiplied by the long-term expected vesting of 61% of maximum. The proposed award sizes represent a 20% reduction to that expected value and the Committee therefore believes that 50% is a more than sufficient discount.

As shown in the chart on page 96, recent vesting outcomes have been zero. However, the expected vesting for 'in-flight' awards (using publicly available market expectations) as we now head into the up-cycle is over 80% this year and over 60% next year. Therefore, management will be more financially disadvantaged under the Restricted Shares proposal than they would be under an LTIP if those types of vesting levels continued through the coming years. Switching to Restricted Shares at this point in the cycle is likely to be less beneficial to management, but is recognised as the right thing to do to incent delivery of long-term value.

Q Why does the first tranche vest after two years? Is this just a transitional solution?
Yes, the primary reason for this is to address a sizeable 'transition' issue as we shift from LTIPs to Restricted Shares. The Committee modelled the future release of shares which illustrated a significant potential fall-off in released value in 2023 (as the LTIP switches to Restricted Shares) which could create an unintended retention risk at a critical stage in the execution of the business strategy. Recognising the need to be mindful of the continuity of talent, the Committee's preferred solution was to shorten the vesting of the first 25% tranche from three to two years which would allow executives to perceive a greater build up in the vested value of their awards over that critical period of 2021 to 2023 as the transition from LTIP to Restricted Shares occurs.

However, it should be noted that:

- This has no impact on when executives receive any shares from the holding period, which will continue to be from five to seven years from grant. It therefore does not compromise the principle of long-term focus.
- In our 2021 Policy, we will revert to three-year vesting for tranche one.
- New executives in the 2018 Policy period will have three-year vesting.

Q How will the underpin work? Does it provide the Committee with the necessary tools in the event of poor performance?
The Board considered the metrics and the mechanics of the underpin at length in developing the proposal. The underpin provides investors with transparency on a number of clearly identified 'failure scenarios' which would trigger the Committee to consider, ahead of the vesting of each tranche of each award, whether a downward adjustment was required. Full disclosure would be made at the time should the underpin be invoked.

A number of additional safeguards and discretions also exist in circumstances not explicitly referenced in the underpin framework. For example:

- **General discretion.** As included in the Policy Table on page 104, the Committee retains a general discretion to adjust vesting outcomes downwards for each tranche of the Restricted Share awards if it believes this will better reflect the underlying performance of the Company over the period.
- **Malus and clawback.** These remain in place in line with the provisions which already existed in our LTIP. Malus allows a reduction of awards prior to vesting and clawback is the ability to reclaim vested amounts prior to the end of the holding period.
- **Discretion on future award sizes.** In addition to the above, the Committee would also retain full discretion on future award sizes. Although the maximum levels of award are set for the Policy period at 125%/100% of salary for the CEO/CFO, these grant levels would not be 'automatic' each year and the Committee retains the discretion to make a lower award if appropriate.

These additional provisions provide the Committee with a wide range of 'tools' within the remuneration framework which could be applied to ensure appropriate outcomes.

Q Under the new bonus framework, how will you ensure the strategic objectives are stretching and robustly assessed?
The strategic objectives will operate under a robust architecture. For each of the strategic priorities (People, Customers, Technology, and Performance), the Board has agreed the key underlying headline metric to be achieved over the next three to five years, as well as the target priorities for 2018. Targets will be stretching and assessed using a robust framework comprising objective, measurable and, where possible, externally referenced targets. Underlying targets will be fully disclosed in next year's report.

Directors' Remuneration Report continued

Directors' Remuneration Policy

The policy will be put to shareholders for approval at the AGM to be held on 26 April 2018. Subject to approval, the policy is intended to apply for three years from the AGM.

There are three major differences between the proposed and the current policy approved in 2017: (i) replacement of the Long Term Incentive Plan (LTIP) with the Share Reward Plan (SRP), (ii) increased shareholding requirements and extension of the requirement post-employment, and (iii) implementation of an all-employee share plan.

Future policy table

Base salary

Purpose
To provide a salary which takes into account an individual's role, skills and responsibilities and enables the Group to attract and retain talented leaders.

Operation
Reviewed annually, with increases normally taking effect from 1 April. Salaries are set by reference to market practice for similar roles in companies of similar size and complexity. The Committee also takes into account personal performance, the wider employee context, and economic and labour market conditions.

Maximum value
While there is no stipulated maximum salary increase, increases will not normally be greater than the average salary increase for UK employees (or the relevant jurisdiction if an Executive Director is based outside the UK).

Different increases may be awarded at the Committee's discretion in instances such as where:

- there has been a significant increase in the size, complexity or value of the Group;
- there has been a change in role or responsibility;
- the individual is relatively new in the role and the salary level has been set to reflect this; and
- the individual is positioned below relevant market levels.

Pension

Purpose
To encourage long-term saving and planning for retirement.

Operation
A contribution into the Company's defined contribution pension plan or an equivalent cash allowance, or any other arrangement the Committee considers has the same economic benefit.

Maximum value
12% of base salary per annum in line with other senior UK employees.

Benefits

Purpose
To provide cost-effective benefits valued by individuals.

Operation
Benefits include, but are not limited to, health care, car allowance, liability insurance and death in service insurance.

Other benefits may be provided from time to time if considered reasonable and appropriate, such as relocation benefits or long-term disability insurance.

.

Maximum value
- Car allowance – no greater than £20,000 per annum
- Life assurance – 5 x base salary

The cost of providing insurance and health care benefits varies according to premium rates, so there is no formal maximum monetary value.

Annual bonus

Purpose
To incentivise the delivery of our strategic plan and to reward the achievement of stretching performance on an annual basis.

To focus incentives on team performance to create collective accountability.

Operation
Measures, targets and weightings are reviewed and determined annually at the start of each financial year to ensure they are appropriate and support the Company's strategy.

30% of any bonus will be deferred into an award of Weir Group shares which will normally be released after three years.

Malus and clawback provisions may be applied in the event of a material misstatement in the financial statements of the Group or a subsidiary/division, the discovery that information used to determine an award was materially incorrect, mistaken or misrepresented, gross misconduct (leading to termination for cause), or reputational damage causing significant damage to the Company and clearly attributable to the individual.

Maximum value
- CEO 150% of base salary
- CFO 125% of base salary

Performance assessment
Annual bonuses will be subject to such targets as the Committee considers appropriate each year.

Financial measures will normally be used to calculate at least 50% of the bonus, with the remainder being based on strategic and/or personal objectives.

The performance targets for financial measures are set in the context of the internal budget taking into account other relevant factors such as external forecasts.

All financial measures are calibrated with payment on a straight line basis between threshold (up to 20% of maximum bonus payable) and stretch.

Payment of any strategic component will be subject to a discretionary underpin (including individual performance).

In exceptional circumstances, the Committee has discretion to alter the measures and/or targets during the performance period if it believes the original measures and/or targets are no longer appropriate.

The Committee has discretion in exceptional circumstances to amend the payout level if it believes this will better reflect the Company's underlying performance.

Directors' Remuneration Report continued

Share Reward Plan

Purpose
To encourage and enable substantial long-term share ownership.

To reward the delivery of sustainable value over time in a cyclical business.

Operation
The Committee may grant awards under the SRP on an annual basis.

Vesting
Vesting of awards will be phased in four equal tranches over a five-year period. This will normally be split into four equal tranches of 25% (of the total award) which vest after two, three, four and five years following grant. For any Executive Director appointed after the effective date of this Policy and from 2021 onwards for incumbent executives, 50% will vest after three years, 25% after four years and 25% after five years.

Vesting will be subject to continued employment and assessment of the underpin.

Following vesting, an additional two-year holding period will also apply to each tranche, such that 50% of vested shares in an award are released five years from grant, 25% are released after six years and the final 25% is released after seven years.

Awards will normally be made in the form of conditional share awards, but may be awarded in other forms if appropriate (e.g. as nil cost options).

Malus and clawback (applicable for three years from vesting) provisions may be applied in the event of:

- A discovery of a material misstatement in the audited consolidated accounts of the Group or audited accounts of any Group company;
- Action or conduct which can be considered as gross misconduct;
- Events or behaviour which have a significant detrimental impact on the reputation of any Group company and which can be attributed to the individual award holder;
- The information used to determine the number of shares over which an award is granted or vests is found to be materially incorrect, mistaken or misrepresented to the advantage of the award holder.

Maximum value
The Committee will determine the grant level each year. The maximum value of an award which may be granted in respect of a financial year is:

- CEO 125% of base salary
- CFO 100% of base salary

Performance assessment
No performance measures are associated with the awards.

The underpin will consist of a 'basket' of pre-determined key metrics which will best reflect overall business health over the vesting period. For each metric, a clearly defined and, where relevant, quantifiable 'threshold' will be set at the time of grant. Thresholds will be disclosed on a prospective basis.

Prior to vesting, if any of the thresholds have not been met, it would trigger the Committee to consider whether a discretionary downward adjustment was required.

In addition, the Committee will have general discretion to reduce vesting levels if it believes this will better reflect the underlying performance of the Company over the period.

Shareholding requirements

Purpose
To ensure Executive Directors build and hold a significant shareholding long term.

To align Executive Directors' interests with shareholders.

Operation
Executive Directors are required to build up a shareholding in the Company over a five-year period.

All beneficially owned shares, deferred shares and unvested Restricted Share awards count towards an individual's shareholding (on a net of tax basis, where relevant).

Until the shareholding requirement is met, an Executive Director must retain 50% of net Restricted Share awards, Performance Share awards and deferred bonus awards.

Shareholding requirements continue post-employment:

- The requirement will fall to half the normal level on leaving.
- The requirement would taper down to zero after two years.

Maximum Value
- CEO 400% of base salary
- CFO 300% of base salary

All-employee share plans

Purpose
To enable long-term share ownership for all employees, and to increase alignment with shareholders.

To provide one common benefit to all employees.

Operation
Employees will be awarded free shares in 2019 and 2020. From 2021 onwards, only new employees will be eligible to receive free shares. For all other employees, awards of free shares will be contingent on the employee purchasing shares with their own funds. Shares purchased using employees' own funds will be matched by the Company.

Shares will vest no later than three years after grant.

Executive Directors will be excluded from receiving any free shares in 2019 and 2020, but they will be eligible to purchase and receive matching shares from 2021 on the same terms as other employees.

In 2016, shareholders approved a Save As You Earn scheme for all employees but this plan is not currently operated.

Maximum value
The maximum amount of shares that can be purchased will be £200 per month. The maximum share match basis will be one share for every three shares purchased.

Legacy arrangements

Purpose
To honour payments and other remuneration related items due to Executive Directors.

Operation
The Committee reserves the right to make any remuneration payments and/or payments for loss of office, this includes exercising any discretions available to it in connection with such payments (notwithstanding that they are not in line with this policy) where the terms of payment:

- Came into effect before this policy was approved and implemented (including where such payments are in line with a previously approved policy);
- Were agreed at a time when the individual was not a Director of the Company and, in the opinion of the Committee, the payment is not in consideration for the individual becoming a Director.

This will include the vesting of any awards granted under the LTIP.

Maximum value
In line with existing commitments and arrangements.

Chairman and Non-Executive Directors' fees

Purpose
To attract and retain experienced and skilled Non-Executive Directors and to reflect the responsibilities and time commitment involved.

Fees are reviewed annually by reference to companies of similar size and complexity, economic and labour market conditions.

Additional fees may be made available to Non-Executive Directors where appropriate to reflect any additional time commitment or duties.

The Company may reimburse Non-Executive Directors for any business related costs (such as travel and accommodation costs incurred in connection with their duties) and any associated tax on these costs.

Maximum value
Fees as prescribed in the Articles of Association.

Planned increases in fees will take into account general increases across the Group, along with market practice.

Notes to the future policy table

Dividends

Executive Directors are entitled to receive the value of dividends payable on any deferred bonus awards under the Annual Bonus or awards under the SRP and LTIP up the point of vesting This value may be calculated assuming that the dividends were notionally reinvested in the Company's shares.

Common award terms

Awards granted under the share plans may be adjusted in the event of any variation of the Company's share capital or any demerger, special dividend or other event that may affect the current or future value of the awards.

Recruitment policy

The Committee's approach when considering the overall remuneration arrangements in the recruitment of an Executive Director is to take account of all relevant factors, such as the individual's remuneration package in their prior role and the positioning of the package against the local market. We will not pay more than necessary to facilitate the recruitment.

Component	Policy and operation
Remuneration	The salary level, benefits, pension, annual bonus and annual SRP participation will be in line with the policy table.
Buy-Out Awards	The Committee will consider whether any buy-out awards are reasonably necessary to facilitate the recruitment of an Executive Director, and if there are any other compensation arrangements that would be forfeited on leaving the previous employer. The Committee will seek to structure any buy-out award taking into account relevant factors including any performance conditions, the form in which it is to be paid and the timeframe of the award. Buy-out awards will generally be made on a like-for-like basis and will be no more generous in quantum and timeframe than the awards being forfeited.
Other	The Committee may agree to meet certain mobility or relocation costs including, but not limited to, temporary living and transportation expenses. The Committee may also agree to meet the costs of relevant professional fees. Reasonable expenses and associated tax incurred as part of their recruitment will be reimbursed to the Executive Director.
Internal promotion to Executive Director	The Committee will honour existing remuneration arrangements made prior to and not in contemplation of promotion. The arrangements will continue to pay out in accordance with the respective rules and guidelines.

Service contracts and policy on payment for loss of office

It is the Committee's policy that there should be no element of reward for failure. The Committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations of both parties as well as incentive plan and pension scheme rules.

In the event that an Executive Director's service contract is terminated other than in accordance with its terms, the Committee will give full consideration to the obligation and ability of the individual to mitigate any loss they may suffer as a result of the termination of their contract.

Service contracts and letters of appointment are available for inspection at the Company's registered office.

Provision	Policy
Unexpired term	The unexpired term of Executive Directors' contracts is 12 months. Executive Directors have rolling contracts.
Change of control	No provisions in service contracts relate to a change of control. Refer to the relevant sections below for annual bonus and share plans provisions.
Notice period	Current Executive Directors have 12 months' notice by either the Company or the individual. This would be the normal policy for new appointments.
Contractual payments	Termination with contractual notice or termination by way of payment in lieu of notice (PILON) at the Company's discretion. Neither notice nor PILON will be given in the event of gross misconduct. The calculation of PILON will be at 1.2 x gross salary to reflect the value of salary and contractual benefits. PILON will be made where circumstances dictate that Executive Directors' services are not required for their full notice period. Contracts also allow for phased payments on termination which provides for mitigation, including remuneration from alternative employment. The Committee may authorise: • payments for statutory entitlements in the event of termination; • reasonable settlement of potential legal claims; • payment of reasonable reimbursement of professional fees in connection with such agreements.

Provision	Policy
Annual bonus and deferred bonus awards	At the discretion of the Committee, a pro-rated payment (payable in such proportions of cash and shares as the Committee may determine) may be earned if employment ceases during the year. Any payment will be subject to the assessment of bonus targets. Dismissal for gross misconduct – all entitlements will be forfeited, including any unvested deferred bonus awards. All other departure events – existing rights are normally retained in respect of any deferred bonus awards. Vesting will take place at the normal vesting date unless the Committee determines otherwise. Malus and clawback provisions will continue to apply. Change in control – any bonus will normally be determined by the Committee up to the expected date of change in control taking into account both performance and the period of the financial year which has elapsed. Deferred bonus awards will vest on change in control.
Outstanding share plan awards	The treatment of share awards will be governed by the rules of the relevant plan. Where an individual leaves as a Good Leaver (which includes for reasons of death, retirement, ill-health, injury or disability, redundancy, the sale of employing company or business, or other circumstances that the Committee determines) unvested awards will normally continue and vest on the normal vesting date, taking into account the assessment of any applicable underpins and pro-rated to reflect the proportion of the vesting period of each tranche which has elapsed. For LTIP awards, vesting would also take into account any applicable performance conditions over the normal performance period. The Committee may exercise its discretion to apply a different pro-rata methodology or to dis-apply time pro-rating completely. Awards subject to a holding period will continue to be subject to that holding period as if employment had not ceased, except in the case of death, or in such other circumstances as the Committee may determine, when the holding period will end at that time. The rules provide flexibility that in the case of the participant's death (or such other exceptional circumstances as the Committee considers appropriate), tranches will vest (and awards in the holding period will be released) at the time of death/leaving. If an individual leaves for any reason other than as a Good Leaver, any unvested awards will lapse on termination. Leavers have a period of three months to exercise any options unless this period is extended by the Committee. In the event of death, an option can be exercised for a period of 12 months by the deceased's estate. Awards will remain subject to the operation of malus and clawback provisions. Change in control – the extent to which unvested awards vest will be determined by the Committee, taking into account the performance conditions and/or underpins as applicable and the proportion of the vesting period that has elapsed. Alternatively, awards may be exchanged for new equivalent awards in the acquiring company. The holding period applicable to any awards will end at the time of change in control.
All-employee plans	The rules of any all-employee share plans will apply in the event of termination of employment or change in control.
Relocation	The Committee may determine that share plan awards or deferred bonus awards should vest early if an Executive Director is relocated to a country where they would suffer a tax or regulatory disadvantage by holding the award.
Chairman and Non-Executive Directors	Non-Executive Directors have letters of appointment. The letters do not contain any contractual entitlement to a termination payment and the Non-Executive Directors can be removed in accordance with the Company's Articles of Association. With the exception of the Chairman and Non-Executive Directors appointed prior to 2011, notice periods are six months from the Company and no notice from the individual. There are no change in control provisions in the letters of appointment.

Directors' Remuneration Report continued

The following table sets out the dates of each of the Executive Directors' service agreements, the dates of the Non-Executive Directors' letters of appointment and the date on which the Non-Executive Director is subject to reappointment or re-election. Directors are required to retire at each Annual General Meeting and seek re-election by shareholders.

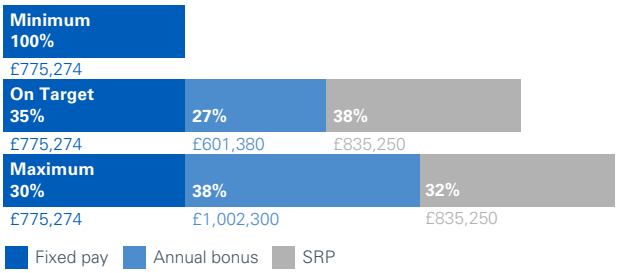
Executive Director	Contract commencement date	Unexpired term (months)
Jon Stanton	28 July 2016	12
John Heasley	3 October 2016	12

Non-Executive Director	Date of appointment	Date when next subject to appointment or re-election
Charles Berry	1 January 2014	26 April 2018
Clare Chapman	1 August 2017	26 April 2018
Alan Ferguson	13 December 2011	–
Barbara Jeremiah	1 August 2017	26 April 2018
Mary Jo Jacobi	1 January 2014	26 April 2018
Sir Jim McDonald	1 January 2016	26 April 2018
Rick Menell	1 April 2009	26 April 2018
John Mogford	1 June 2008	–
Stephen Young	1 January 2018	26 April 2018

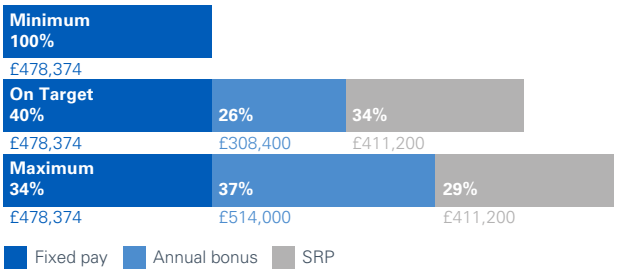
Application of Remuneration Policy

The charts below illustrate the potential total future remuneration for the Executive Directors under the new policy. In line with current regulations, the illustrations do not assume any share price growth or dividend equivalent payments on share awards.

Jon Stanton
Illustration of package value under new policy



John Heasley
Illustration of package value under new policy



Notes to Application of Remuneration Policy charts

Element of package	Assumptions used
Fixed pay	Base salary: effective 1 April 2018 Benefits: as disclosed in single total figure of remuneration Pension: 12% cash allowance
Annual bonus	Minimum: no bonus is earned On target: 60% of maximum bonus is earned Maximum: 100% of maximum bonus is earned
SRP	Minimum: no vesting On target: 100% vesting Maximum: 100% vesting

Consideration of conditions elsewhere in the Group

As per our terms of reference, the Committee monitors the level of remuneration of employees below the Group Executive and is regularly updated on pay and conditions across the Group. When determining remuneration for the Executive Directors, the average salary increases and performance ranges applicable to all employees are taken into account as well as economic trends. The wider employee group was not consulted when setting the remuneration policy.

Consideration of employee engagement

Meaningful engagement with customers and employees play a crucial role in both innovation and the continuous improvement of the Weir business.

The Board recognises the importance of culture and effective employee relations to the creation of good work and good workplaces. The role of the Board therefore is to ensure that mechanisms are in place, and monitored, for effective employee engagement and that there is governance of the process for management standards and training to continue to assure ourselves of the leadership skills required to do engagement well. Given the multi-national nature of our business, the management team also recognise that their approaches to insight-gathering and dialogue need to reflect country practices so that engagement can be led well locally and be mindful of circumstances and culture.

As a Board, we recognise the importance of a Group-wide framework for employee dialogue which is why the focus in 2018/19 (as reflected earlier in the Directors' Remuneration Report in the section on Strategic Objectives) will be to ensure that we broaden our Group-wide practices for gathering workforce views and engaging in meaningful dialogue and for measuring and further strengthening employee engagement. Monitoring of progress will take place at the Board.

Consideration of shareholder engagement

Shareholders and their representative bodies have played a very active role in the development of the remuneration policies outlined in this Report. An extensive consultation process has been undertaken in both the second half of 2017 and the beginning of 2018. This began with meetings with our major shareholders to shape the proposals and then consultation was extended more broadly to other large shareholders.

As demonstrated in the Q&A earlier in the Directors' Remuneration Report, shareholders asked a broad range of questions including how the underpin would work and how the Committee will avoid 'paying for failure'. We were also asked about how the Committee could be sure that the arrangements would aid motivation and retention. This engagement provided valuable insight into issues of concern for shareholders and enabled the Committee to make adjustments to win support for our new reward construct. The Committee Chair has also made it clear that she remains committed to open and transparent reporting against these new remuneration arrangements and is available for continuous dialogue.

Directors' Remuneration Report continued

Annual Report on Remuneration

This section of the Report sets out how the previous Remuneration Policy was applied for the financial year ending 31 December 2017. The overview of how the Committee is proposing to implement the new Remuneration Policy for 2018 is shown in the table on pages 102 to 107.

Single total figure of remuneration for Executive Directors (audited)

	Base salary £		Pension £		Benefits £		Annual bonus £		LTIP £		Total £	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Jon Stanton[1]	**650,000**	503,750	**78,000**	60,450	**26,890**	21,830	**686,037**	255,838	**–**	–	**1,440,927**	841,868
John Heasley[2]	**400,000**	99,999	**48,000**	5,333	**17,830**	4,329	**351,814**	52,157	**–**	–	**817,644**	161,818

Notes
1. The base salary and pension figures for Jon Stanton in 2016 reflect the increase in salary when he was appointed as CEO on 1 October 2016.
2. The figures for John Heasley in 2016 are in respect of the period from his appointment to the Board on 3 October 2016.

Notes to the total figure of remuneration for Executive Directors (audited)

Base salary – corresponds to the amount received during the year ended 31 December 2017.

Pension – corresponds to the cash allowance provided to the Executive Directors during the year ended 31 December 2017. This equates to 12% of salary.

Benefits – corresponds to the value of benefits received in respect of the year ended 31 December 2017, as follows:

	Jon Stanton 2017 £	John Heasley 2017 £
Car allowance	17,000	13,970
Group healthcare	1,615	1,615
Life assurance	8,275	2,245
Total	26,890	17,830

Annual bonus – corresponds to the amount earned in respect of the year ended 31 December 2017. 30% of the value shown will be delivered in Weir shares which will be released after three years. Details of how the bonus outcome was calculated are set out below

LTIP – corresponds to the level of award resulting from targets achieved over the relevant performance period ending in respect of the financial year shown. Further details are set out below.

Annual bonus plan (audited)

Details of remuneration to be awarded to the Executive Directors as part of the 2017 annual bonus plan are set out below. The annual bonus plan is currently based on the achievement of financial measures and personal objectives. This plan provides a maximum bonus opportunity for Jon Stanton of 150% of salary and a maximum of 125% of salary for John Heasley. 30% of any bonus earned must be deferred into shares for three years.

The annual bonus measures and weightings will be focused and simplified in 2018 and will be PBTA (50%), working capital as percentage of sales (20%) and strategic measures (30%) as set out on page 98. There will be no change to maximum opportunities or the deferral structure.

Bonus outcomes (audited)

The following table illustrates the performance achieved against the targets. As a result of this performance, Jon Stanton was awarded 106% of salary (70% of maximum) and John Heasley was awarded 88% of salary (70% of maximum). As a comparison, the payout range for the executive team ranged from 54% to 92% of maximum.

	Weighting	Entry	Target	Maximum	Achievement	Payout
Payout % of maximum		20%	60%	100%		
Group profit before tax and amortisation	40%	£194.9m	£230.9m	£263.7m	£260.8m	39%
Cash flow	20%	£314.6m	£353.5m	£386.4m	£219.9m	0%
Order input	20%	£2,138m	£2,370m	£2,583m	£2,449m	15%
Personal	20%					16%
	100%					70%

Notes
The performance targets and achievements are set using January 2017 average exchange rates and are increased or decreased to reflect the impact of any acquisitions or disposals made in the year that are of a size requiring Board approval. For acquisitions, targets are increased by the expected performance from the acquired business. For disposals, the target is reduced by the expected performance from the business which was disposed.

Financial measures

Our performance against our financial measures was as follows:

Profit – profit before tax increased significantly principally reflecting a return to growth by the Oil & Gas division. Profitability in Minerals was impacted by investment in growth initiatives, project phasing and plant reconfigurations. Flow Control was impacted by one-off charges in the first half.

Cash flow from operations was reduced as a result of increased investment in working capital to support strong growth, particularly in the Minerals and Oil & Gas divisions. Flow Control's cash flow performance reflected its reduced profitability.

Order input – the Group delivered strong order growth in both its Oil & Gas and Minerals divisions as demand for its solutions increased. Flow Control orders were impacted by tough conditions in both power and downstream oil and gas markets.

Personal objectives

The personal objectives were chosen as they supported and reinforced our business strategy. The Committee assessed performance using metrics where appropriate, but it also took into account the Executive Director's overall performance in his job.

Jon Stanton

Objective	Performance achieved
Continuous improvement in the safety and welfare of our people	Total Incident Rate 0.53 compared with 0.67 in 2016. 20 LTIs compared with 30 in 2016 with a significant reduction in severity. Implementation of global safety system 'Shield'
Execution and rollout of strategy refresh	Successful internal and external roll out of 'We are Weir' with strong ownership and visibility at business level. Phase 2 launched in January 2018 with focus on the strategic objectives and cultural change.
Employee engagement and talent development	Development of a new people strategy which will drive improved organisational effectiveness in line with the strategic objectives. Progress in engagement agenda, specifically D&I strategy and values refresh.
Deliver operational improvement agenda	Refresh and rollout of refreshed VCE with introduction of three-year targets. Good progress made in resolving historical operational issues. Minerals global capacity and capability assessment underway.
Drive technology agenda including digital	Recruitment of Chief Technology Officer and new technology team. Successful completion of Synertrex pilots leading into the initial ten commercial sites for delivery in 2018.

Based on the performance achieved, the Committee determined that a payment of 16% out of a maximum of 20% was appropriate.

Directors' Remuneration Report continued

John Heasley

Objective	Performance achieved
CFO transition	Establishing himself as a well-regarded and knowledgeable leader among the investor and analyst community. Demonstrated a good balance between core finance/control aspects of the role and commercial/ strategic contribution.
Corporate finance leadership	Full alignment of tax and treasury strategy across the Group including the impacts of US tax reform. Broadening of internal audit scope and utilisation of analytical tools to scope internal audit plans. Completed a buy-in of the Executive pension plan such that all scheme obligations are now fully insured.
IS strategy and leadership	Development of clear Group-wide IS strategy to provide a Group infrastructure to support future digital strategies and enhance user experience.
People development	Senior divisional and corporate finance appointments transitioned seamlessly. Improved oversight and development of high potential employees across finance functions.
Leadership of Value Chain Excellence, including procurement	Revised VCE model developed and rolled out enabling businesses to deliver value-add improvements. Group procurement team aligned with divisions and supporting the achievement of Group wide annual purchasing savings.

Based on the performance achieved, the Committee determined that a payment of 16% out of a maximum of 20% was appropriate.

Long-term incentives vesting in 2018 – actual performance (audited)

The 2015 performance share awards were due to vest on 12 March 2018. None of the performance conditions were met in respect of the vesting criteria of relative TSR, EPS growth and improvement in average ROCE. Consequently, none of the awards vested and they lapsed with immediate effect.

Scheme interests awarded during 2017 (audited)

The following table sets out awards granted to the Executive Directors in the year ending 31 December 2017. The closing market price of the Company's ordinary shares at 29 December 2017 was £21.23, and the range during the year was £21.63 to £16.96.

	Share award	Award basis	Grant date	Face value of award at maximum vesting[1]	No of shares granted	End of performance period[2]
Jon Stanton	Performance (conditional)	250% salary	29 Mar 17	£1,624,999	87,038	31 Dec 2019
	Bonus (deferred)	30% bonus	27 Mar 17	£40,362	2,190	–
John Heasley	Performance (conditional)	200% salary	29 Mar 17	£799,991	42,849	31 Dec 2019
	Bonus (deferred)	30% bonus	27 Mar 17	£22,319	1,211	–

Notes
1. The face value of the Performance Award is based on the average of the closing share price for the three days prior to the date of grant, being £18.67. The value of the Bonus Share Award is calculated as the share price on the date of grant, being £18.43.
2. There is no performance period associated with Bonus Share Awards. The awards vest three years after grant.

Performance conditions for performance shares granted in 2017

Vesting criteria	Performance conditions over performance period
33% based on relative TSR growth against comparator group	100% vesting if ranked in upper quintile or above 25% vesting if ranked at median (threshold) 0% vesting if ranked below median
33% based on EPS growth p.a. The base EPS for the award is 61.2p per share	100% vesting if EPS growth is 15% 25% vesting if EPS growth is 5% (threshold) 0% vesting if EPS growth is less than 5%
33% based on 2019 ROCE. The base ROCE for the award is 7.6%	100% if 2019 ROCE is 12.6% 25% vesting if 2019 ROCE is 8.6% (threshold) 0% vesting if 2019 ROCE is less than 8.6%

Notes
Straight line vesting will occur between threshold and maximum.
The TSR comparator group: Atlas Copco Ab, Boart Longyear, Caterpillar, Dover Corporation, Fenner Plc, FLSmidth & Co A/S, FlowServe Corporation, Forum Energy Technologies Inc, Hunting, IMI Plc, ITT Corporation, John Wood Group Plc, Komatsu, Metso Corporation, National Oilwell Varco, Outotec Oyj, Petrofac, Rotork Plc, Sandvik AB, Smiths Group, SPX FLOW, Sulzer, TechnipFMC

Single total figure of remuneration for Chairman and Non-Executive Directors (audited)

	Basic fee (£)		SID/Committee Chair (£)		Taxable benefits (£)		Total Fees (£)	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Charles Berry	**296,000**	290,000	**–**	–	**1,416**	1,258	**297,416**	291,258
Clare Chapman	**24,792**	–	**6,458**	–	**–**	–	**31,250**	–
Alan Ferguson	**59,125**	58,000	**15,375**	15,000	**–**	615	**74,500**	73,615
Melanie Gee	**44,250**	58,000	**11,500**	15,000	**949**	1,545	**56,699**	74,545
Mary Jo Jacobi	**59,125**	58,000	**–**	–	**–**	1,591	**59,125**	59,591
Barbara Jeremiah	**24,792**	–	**–**	–	**–**	–	**24,792**	–
Sir Jim McDonald	**59,125**	58,000	**15,375**	15,000	**–**	763	**74,500**	73,763
Richard Menell	**59,125**	58,000	**12,375**	12,000	**610**	4,207	**72,110**	74,207
John Mogford	**59,125**	58,000	**–**	–	**577**	1,403	**59,702**	59,403

Notes
Clare Chapman and Barbara Jeremiah joined the Board on 1 August 2017.
Melanie Gee stepped down from the Board on 30 September 2017. There were no other payments made above a de minimis threshold of £750.
Taxable benefits include travel to attend Board meetings in the UK (excluding international travel from America or South Africa).

Payments to past Directors (audited)

As disclosed in last year's report, Keith Cochrane was eligible under the terms of his service contract to be considered for the Company element of bonus in respect of the financial year ending 31 December 2017, pro-rated for the period to 28 July 2017. This equates to a bonus value of £356,756 (subject to mitigation which may result in a lower amount being paid). 30% will be subject to deferral into shares and held for period of three years.
No other payments have been made to past directors.

Statement of Directors' shareholdings and share interests (audited)

The shareholdings of all Directors, including the shareholdings of their connected persons as at 31 December 2017, are set out below. There have been no changes in the Directors' interests from 31 December 2017 to the date of this report.

	As at 31 December 2017					
		Scheme interests				
	Shares owned outright	With performance conditions	Without performance conditions	Vested and exercised in 2017	Current shareholding (% of salary)[1]	Shareholding Requirement (% of salary)
Jon Stanton	42,684	214,444	6,691	–	139%	200%
John Heasley	7,834	116,479	23,088	–	42%	150%
Charles Berry	2,116	–	–	–	–	–
Clare Chapman	–	–	–	–	–	–
Alan Ferguson	2,730	–	–	–	–	–
Mary Jo Jacobi[2]	2,000	–	–	–	–	–
Barbara Jeremiah	250	–	–	–	–	–
Sir Jim McDonald	–	–	–	–	–	–
Richard Menell	1,024	–	–	–	–	–
John Mogford	12,615	–	–	–	–	–

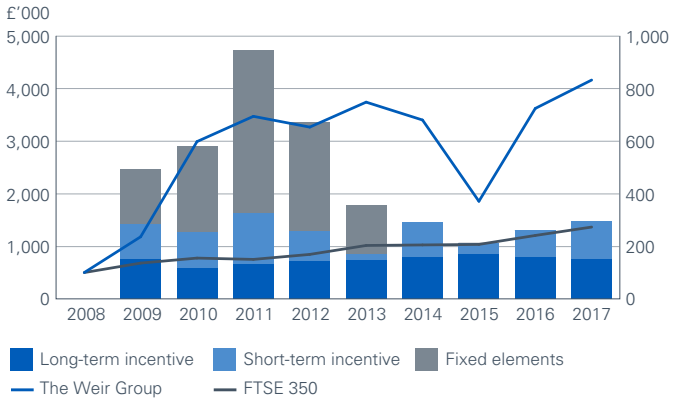
Notes
1. Current shareholding percentage is calculated using share price of £21.23 as at 29 December 2017.
2. Mary Jo Jacobi's interest in 2,000 shares shown above is through her holding of 4,000 American Depository Receipts (ADRs). One ADR being equivalent to 0.5 ordinary shares.

Directors' Remuneration Report continued

Historical performance and remuneration

The graph shows Weir's TSR performance against the performance of the FTSE350 over the nine-year period to 31 December 2017 as well as the total and vested received remuneration for the CEO over the same period.

The table below shows the CEO's total remuneration over the same period, as well as outcomes under the annual bonus plans and long term incentive plans.



Year	Total single figure £000	Short-term incentive (% of maximum)	Long-term incentive (% of maximum)
Jon Stanton			
2017	1,441	70%	0%
2016[1]	281	38%	0%
Keith Cochrane			
2016[2]	1,012	40%	0%
2015	1,065	20%	0%
2014	1,456	61%	0%
2013	1,787	10%	43%
2012	3,363	54%	100%
2011	4,728	100%	100%
2010	2,913	100%	100%
2009[3]	218	83.7%	100%
Mark Selway			
2009[4]	2,237	83.7%	100%

Notes
1. Total single figure relates to the period Jon Stanton was CEO from 1 October 2016
2. Total single figure relates to the period Keith Cochrane was on the Board to 30 September 2016.
3. Total single figure relates to the period Keith Cochrane was CEO from November 2009.
4. Total single figure relates to the period Mark Selway was CEO until his resignation in November 2009.

External appointments

It is the Board's policy to allow the Executive Directors to accept directorships of other companies. Any such directorships must be formally approved by the Chairman.

During the year, John Heasley was a Non-Executive Director of Royal Scottish National Orchestra Society Ltd. He received no fees.

Percentage change in CEO remuneration

The table below shows the percentage change in elements of remuneration for the CEO and UK employees between 2016 and 2017. The UK employee population has been chosen as it reflects a broad sample of employees which includes Head Office and other individuals located in the same country as the CEO.

	CEO % change	UK employees % change
Salary and fees	-10.3%	8.7%
Taxable benefits	19.3%	21.4%
Bonus	49.4%	21.3%

Relative importance on spend of pay

The chart below shows the change in total staff pay between 2017 and 2016, and dividends paid out in respect of 2017 and 2016.

	2017 £m	2016 £m	Percentage Change
Overall spend on pay for employees	**632.4**	558.7	13.2%
Profit distributed by way of dividend	**96.7**	94.5	2.3%

Details of the dividends declared and paid are contained in note 10 to the Financial Statements on page 149. Details of the overall spend on pay for employees can be found in note 4 to the Financial Statements on page 143.

The Remuneration Committee

The Remuneration Committee in 2017

There were six Committee meetings during 2017 and all Committee members attended the meetings they were eligible to attend. Calls were also held with members of the Committee in relation to shareholder consultation on the proposed Remuneration Policy.

Role	Name	Title
Chairman and members	Clare Chapman (From August 2017) Melanie Gee (To August 2017) Alan Ferguson Mary Jo Jacobi Barbara Jeremiah (from August 2017) Richard Menell	Independent Non-Executive Directors
Internal advisors	Charles Berry Jon Stanton Pauline Lafferty (until July 2017) Rosemary McGinness (from July 2017) Christopher Morgan Geraldine Pamphlett	Chairman of the Board Chief Executive Officer Chief People Officer Chief People Officer Company Secretary Group Head of Reward and Recognition
Committee's External Advisor	Deloitte	Adviser to Committee

Internal advisors provided important information to the Committee and attended meetings. None of the individuals were involved in any decisions relating to their own remuneration.

Deloitte LLP provided services to the Committee for the year ended 31 December 2017. Fees paid to Deloitte LLP for work that materially assisted the Committee were £233,100. Deloitte LLP also provided other services to the Weir Group in the year including tax, global employee services, risk advisory and financial advisory services. Deloitte is a signatory to the Remuneration Consultants' Group Voluntary Code of Conduct and the Committee is satisfied that Deloitte's advice was objective and independent.

Main activities

Over the course of the period since the last Annual Report, the Committee's work has been focused on

- Working with the executive team to develop the new remuneration policy and framework
- Consulting with investors on the proposals for the Share Reward Plan and changes to the annual bonus
- Assessing performance of the Executive Directors

Committee performance

The Committee's Terms of Reference are reviewed on an annual basis and were last updated in September 2017. A copy can be found on our website www.corporategovernance.weir

The Committee was evaluated as part of the 2017 Board Effectiveness Review, and it was concluded that consideration should be taken as to how the wider connectivity between the Committee and the Board could be improved.

Shareholder voting

The table below sets out the voting by shareholders on the resolution to approve the Directors' Remuneration Report and the Directors' Remuneration Policy at the AGM held in April 2017.

	For	Against	Total Votes Cast	Withheld
Remuneration Report	158,523,983 (99.52%)	767,999 (0.48%)	159,291,982	44,620
Remuneration Policy	150,752,869 (95.65%)	8,525,321 (5.35%)	159,278,190	58,978

Annual General Meeting

This report and our proposed remuneration policy will be submitted to shareholders for approval at the Annual General Meeting to be held on 26 April 2018.

Clare Chapman
Chair of the Remuneration Committee
28 February 2018

Corporate Governance Report

Directors' Report

The Directors present their report for the year ending 31 December 2017.

The Directors' Report includes the Corporate Governance reports from page 68 to 94, together with the sections of the Annual Report incorporated by reference.

The Company has chosen to disclose the following information in the Strategic Report on pages 2 to 67:

- Particulars of any important events, if any, affecting the Company which have occurred since the end of the financial year.
- An indication of likely future developments in the business of the Company.
- An indication of the activities of the Company in the field of research and development.
- Details of employee policy and involvement (Our People, pages 14 to 15).
- Information on greenhouse gas emissions (Environment, pages 66 to 67).
- Principal risks and uncertainties (pages 50 to 55).

The Strategic Report and the Directors' Report constitute the management report as required under the Disclosure and Transparency Rule 4.1.5R.

Information to be disclosed under the Listing Rule 9.8.4 is set out in the table below.

Subject matter	Page reference
Allotment of shares for cash (LR 9.8.4(7))	170
Waiver of dividends (LR 9.8.4(12))	117

Paragraphs (1), (2), (4), (5), (6), (8), (9), (10), (11), (13) and (14) of Listing Rule 9.8.4 are not applicable.

This Annual Report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents and advisers, do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed. This Annual Report may contain statements which are not based on current or historical fact and/or which are forward looking in nature. Please refer to the cautionary statement on page 216.

Company number

The Weir Group PLC is registered in Scotland under company number SC002934.

2018 Annual General Meeting

The Annual General Meeting will be held on Thursday 26 April 2018. The Notice of Meeting, along with an explanation of the proposed resolutions, are set out in a separate circular to shareholders which accompanies this Annual Report and which can be downloaded from the Company's website. The Company conducts the vote at the AGM by poll and the result of the votes, including proxies, is published on the Company's website after the meeting.

Dividend

The Directors have recommended a final dividend of 29.0p per share for the year ended 31 December 2017. Payment of this dividend is subject to shareholder approval at the 2018 AGM.

Substantial shareholders

The Company has been notified in accordance with the Financial Conduct Authority's Disclosure Rules and Transparency Rules (DTR 5) that the following held, or were beneficially interested in, 3% or more of the voting rights of the Company's issued share capital as at 31 December 2017:

Shareholder	Number of voting rights	Percentage of voting rights %
BlackRock, Inc.	29,338,449	13.08%
Harbor International Fund	8,747,875	4.01%
Universities Superannuation Scheme Limited	7,056,781	3.15%

Between 31 December 2017 and 27 February 2018, the Company was notified of the following changes to the table above.

Shareholder	Date	Number of Voting Rights	Percentage of Voting Rights %
BlackRock, Inc.	6 February 2018	29,130,500	12.99%
FMR LLC	2 February 2018	11,630,611	5.18%
BlackRock, Inc.	30 January 2018	29,540,996	13.17%
BlackRock, Inc.	22 January 2018	29,687,082	13.24%

Employment policy and involvement

The average number of employees in the Group during the year is given in note 4 to the Group financial statements on page 143.

Group companies operate within a framework of HR policies, practices and regulations appropriate to their market sector and country of operation. Policies and procedures for recruitment, training and career development promote equality of opportunity regardless of gender, sexual orientation, age, marital status, disability, race, religion or other beliefs and ethnic or national origin. The aim is to encourage a culture in which all employees have the opportunity to develop fully according to their individual abilities and the needs of the Group. The Group remains committed to the fair treatment of people with disabilities regarding applications, training, promotion and career development.

Employee involvement and feedback is actively encouraged. Further details of the Group's employment policies and involvement are detailed in the Our People section of the Sustainability Review on pages 57 to 61.

Financial instruments

The information required in respect of financial instruments as required by Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is given in note 30 to the Group financial statements on pages 177 to 183.

Share capital and rights attaching to the Company's shares

Details of the issued share capital of the Company, which comprises a single class of ordinary shares of 12.5p each are set out in note 25 to the Group financial statements on page 170. The rights attaching to the shares are set out in the Company's Articles of Association. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

During the year a total of 6,249,373 ordinary shares with an aggregate nominal value of £781,171.63 were issued and allotted.

The Weir Group has two Employee Benefit Trusts (EBT): one with the trustees SG Kleinwort Hambros Trust Company (CI) Ltd (the 'Kleinwort EBT') and one with the trustees Estera Trust (Jersey) Limited (the 'Estera EBT').

During the year, the trustees of the Kleinwort EBT transferred 1,787 ordinary shares to satisfy a one-off conditional award. During the year, the trustees of the Estera EBT transferred 246,184 ordinary shares to employees to satisfy the vesting of LTIP awards.

Both EBTs have agreed to waive any right to all dividend payments on shares held by them, with the exception of shares held in respect of awards which have a dividend entitlement. Details of the shares held by the EBTs are set out in note 25 to the Group financial statements on page 170. The 42,875 shares held in the Estera EBT for the LTIP bonus share awards are the shares in respect of which dividends have not been waived. The Kleinwort EBT holds, through its nominee account K.B. (CI) Nominees Limited, 0.002% of the issued share capital of the Company, as at 31 December 2017. The Estera EBT holds through its nominee account CGWL Nominees Ltd, 0.03% of the issued share capital of the Company as at 31 December 2017.

Of this, 0.02% is held in trust for the benefit of certain senior executives of the Group, and 0.01% is held in trust on behalf of the Company for satisfaction of any future vesting of the awards granted under the LTIP. With the exception of the shares held for the benefit of certain senior executives, the voting rights in relation to these shares are exercised by the trustees. The EBTs may vote or abstain from voting with the shares or accept or reject any offer relating to shares, in any way they see fit, without incurring any liability and without being required to give reasons for their decision.

Repurchase of shares

At the 2017 Annual General Meeting, shareholders renewed the Company's authority to make market purchases of up to £21.7m ordinary shares (representing approximately 10% of the issued share capital excluding treasury shares). No shares were purchased under this authority during the year ended 31 December 2017 and at the forthcoming Annual General Meeting, the Board will again seek shareholder approval to renew the annual authority for the Company to make market purchases at the same level.

Voting rights

The Company's Articles of Association provide that on a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and by proxy and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The Notice of the AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The Company conducts the vote at the AGM by poll and the result of the poll will be released to the London Stock Exchange and posted on the Company's website as soon as practicable after the meeting.

The Articles of Association may only be amended by a special resolution passed at a general meeting of shareholders.

Transfer of shares

There are no restrictions on the transfer of ordinary shares in the Company, other than as contained in the Articles of Association:

- The Directors may refuse to register any transfer of any certificated share which is not fully paid up, provided that this power will not be exercised so as to disturb the market in the Company's shares.
- The Directors may also refuse to register the transfer of a certificated share unless it is delivered to the Registrar's office, or such other place as the Directors have specified, accompanied by a certificate for the shares to be transferred and such other evidence as the Directors may reasonably require to prove title of the intending transferor.

Certain restrictions may from time to time be imposed by laws and regulations, for example, insider trading laws, in relation to the transfer of shares.

Appointment and replacement of Directors

The provisions about the appointment and re-election of Directors of the Company are contained in the Articles of Association.

Powers of Directors

The business of the Company is managed by the Directors who may exercise all the powers of the Company, subject to the provisions of the Company's Articles of Association, any special resolution of the Company and any relevant legislation.

Directors' indemnities

The Company has granted indemnities to each of its Directors in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as Directors to the extent permitted by the Companies Act 2006 and the Company's Articles of Association. In addition, Directors and Officers of the Company and its subsidiaries and trustees of its pension schemes are covered by Directors' and Officers' liability insurance.

Pension scheme indemnities

The Group operates two closed defined benefit pension schemes in the UK which provide retirement and death benefits for employees and former employees of the Group. The corporate trustees of the pension schemes are The Weir Group Pension Trust Limited, a subsidiary of The Weir Group PLC, and The Weir Group Senior Executives Pension Trust Limited. Qualifying pension scheme indemnity provisions, as defined in section 235 of the Companies Act 2006, were in force for the financial year ended 31 December 2017 and remain in force for the benefit of each of the directors of the corporate trustees of the pension schemes. These indemnity provisions cover, to the extent permitted by law, certain losses or liabilities incurred as a director or officer of the corporate trustees of the pension schemes.

Corporate Governance Report

Directors' Report continued

Change of control – significant agreements

The following significant agreements contain provisions entitling the counterparties to require prior approval, exercise termination, alteration or similar rights in the event of a change of control of the Company.

The Group has in place a US$800m multi-currency revolving credit facility (the "Facility") with a syndicate of 12 banks due to mature in September 2021. Under the terms of the Facility, if there is a change of control of the Company, the Company has 30 days from the date of the change of control to agree terms for continuing the Facility. If at the end of the 30 days no agreement is reached between the Company and the banks, any lender may request, by not less than 30 days' notice to the Company, that its commitment be cancelled and all outstanding amounts be repaid to that lender at the expiry of such notice period.

The Company has in issue fixed rate private placement notes with a range of maturities: US$70m at an interest rate of 5.03% due on 11 January 2018; £43m at an interest rate of 5.36% due on 11 January 2018; US$210m at an interest rate of 3.69% due on 18 February 2019; US$590m at an interest rate of 4.27% due on 16 February 2022; and US$200m at an interest rate of 4.34% due on 16 February 2023. Under the terms of the applicable note purchase agreements, if there is a change of control of the Company, the notes must be offered for prepayment by the Company within seven days of the change of control.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Confirmations

So far as each of the Directors is aware, there is no relevant audit information (as defined by section 481 of the Companies Act 2006) of which the Company's auditors are unaware.

Each of the Directors has taken all of the steps that he or she ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the Directors have reviewed the Group's budgets, plans and cash flow forecasts, including market downturn sensitivities. In addition, the Directors have considered the potential impact of credit risk and liquidity risk detailed in note 30 to the Group financial statements on pages 177 to 183. Each of these items has been considered in relation to the Group's banking facilities described in note 20 on pages 160 and 161.

The Directors' Report has been approved by the Board of Directors in accordance with the Companies Act 2006.

On behalf of the Board of Directors

Christopher Morgan
Company Secretary and
General Counsel
28 February 2018

Corporate Governance Report

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Company financial statements in accordance with UK Accounting Standards and applicable law.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State that the Group financial statements have complied with IFRS as adopted by the European Union, subject to any material departures being disclosed and explained.
- State for the Company financial statements whether the applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the 2006 Act and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the Directors, as at the date of this report, confirms to the best of their knowledge that:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board of Directors

Charles Berry
Chairman
28 February 2018

Jon Stanton
Chief Executive Officer
28 February 2018