

Corporate Governance Statement

The Combined Code

The Company remains committed to the highest standards of corporate governance and manages its affairs in accordance with the Combined Code on Corporate Governance (the "Combined Code") published by the Financial Reporting Council in June 2006 and appended to the Listing Rules. During the 52 weeks ended 26 December 2008, the Company complied with the Combined Code provisions. This statement describes how the Company has applied the Combined Code.

The Board

The Board comprises the chairman, chief executive, group finance director, legal and commercial director and six non-executive directors, all of whom are independent. The Board meets regularly throughout the year with ad hoc meetings as necessary. In the year to 26 December 2008, the Board met seven times. Meetings are held at the Company's head office in Glasgow, London at the time of the Company's annual and interim announcements and at operating locations. The following table identifies the number of board and committee meetings held during the past year and the attendance record of individual directors.

No. of meetings in year	Board	Committee Meetings		
	Meetings	Audit	Remuneration	Nomination
Lord Smith	7			4
Christopher Clarke ²	7	3	5	
Keith Cochrane	7			
Michael Dearden	7	3	5	4
Stephen King	7	3		
Alan Mitchelson	7			
John Mogford ¹	4	1		
Professor Ian Percy	7		5	4
Lord Robertson ³	6		1	4
Mark Selway	7			4

¹ John Mogford was appointed to the Board on 1 June 2008

² Christopher Clarke retired as a director on 31 December 2008

³ Lord Robertson was appointed to the Remuneration Committee on 1 October 2008

Directors appointed to the Board other than at an annual general meeting of the Company are required to retire at the following annual general meeting when they may offer themselves for election. One third of the remaining members of the Board (or, where that number is not a whole number, the nearest lower whole number) are required to retire by rotation, subject to all directors submitting themselves for re-election at least once every three years. In line with best practice under the Combined Code, any director who has held office for more than six years is subject to a particularly rigorous review and any director who has held office for more than nine years is required to submit himself for re-election annually.

On joining the Board, directors are provided with documentation on the Company and its activities. New directors are provided with an appropriate induction programme and, where appropriate, site visits are arranged to major business units. Ongoing training is provided as necessary.

A formal process for evaluating the performance of the Board is undertaken annually. This process is conducted internally based on a detailed questionnaire completed by each director and individual and collective discussions.

The evaluation examines the balance of skills of the directors, the operation of the Board in practice including its corporate governance and the operation and content of board meetings. The findings are used to assist the Board in its consideration of the opportunities for improvement in the performance of the Board and its directors.

During 2008, the Board also conducted an internal review of the effectiveness of the Audit, Nomination and Remuneration Committees incorporating a questionnaire covering such matters as the role and organisation of each committee, meeting arrangements, information provision and effectiveness. Following completion of these questionnaires by the members of each committee, the chairman met with the respective chairmen of the Audit and Remuneration Committees to discuss the feedback. The results of this evaluation were reported to the Board and, where areas for improvement had been identified, actions were agreed.

Additionally, a one-to-one appraisal of all board members is undertaken annually, including the chairman, whose appraisal is carried out by the senior independent director, with input from other board members.

There is an agreed procedure for directors, where appropriate, to take independent professional advice on any matter at the Company's expense. The company secretary is responsible for ensuring that board procedures are followed and all directors have direct access to the advice and services of the company secretary. The company secretary is also responsible for facilitating the induction and professional development of the board members and information flows within the Board, its committees and between the non-executive directors and senior management.

There is an agreed list of matters which requires to be authorised by the Board, such as the approval of the Group strategic plan, Group budget and risk management strategy. Major acquisitions and disposals, as well as major capital spend, are authorised by the Board and are subsequently monitored by the Board after execution. The Board also approves the issue of full year and interim reports.

All directors bring their own independent judgement to major matters affecting the Group. Each of the non-executive directors is considered by the Company to be independent. Notwithstanding his presence on the Board for a period of more than nine years, the Board considers Professor Percy, who continues to be a member of the Board and the Remuneration and Nomination Committees, to be independent in character and judgement. He brings a wealth of experience to the Board's deliberations and is considered to be free from any business or other relationship that could materially interfere with his independent judgement.

The views of executive directors are not limited to those operational or functional areas for which directors have prime responsibility. Board and committee papers are sent to directors in sufficient time before meetings and any further back-up papers

and information are readily available to all directors on request to the company secretary. The chairman ensures that non-executive directors are properly briefed on any issue arising at board meetings and non-executive directors have access to the chairman at any time.

The roles of chairman and chief executive are separate. The chairman's primary role is to ensure that the Board is effective in its task of setting and implementing the Company's direction. The chief executive is responsible for management of the business and developing the appropriate organisational structure for a global organisation. The chief executive chairs the Group Operations Executive Committee.

The non-executive directors are independent of management. None of the non-executive directors has any material business or other relationship with the Company. Each member of the Board has considerable experience at senior level in other companies, which allows for well informed and broadly based debate. The Board structure ensures that no individual or group dominates the decision-making process. Professor Ian Percy has been designated the senior independent director to whom any concerns can be conveyed.

The executive directors have contracts of service with one year's notice, whilst non-executive directors are appointed on a rotational basis for periods of up to three years.

Directors conflicts of interests

Effective from 1 October 2008, a Director has had a statutory duty to avoid a situation in which he has, or can have, an interest that conflicts or possibly may conflict with the interests of the Company. In accordance with the Company's articles of association, amended in 2008, a Director will not be in breach of that duty if the relevant matter has been authorised by the other directors. The new provision of the articles of association which include the relevant authorisation for directors to approve such conflicts was agreed by a resolution of shareholders at the annual general meeting held on 7 May 2008. Prior to 1 October 2008, the Board conducted a review of actual or possible conflicts of interest in respect of each director. At its meeting in August 2008, the Board considered the guidance on conflicts generally and agreed on the process that would be adopted for identifying and authorising conflicts. They also authorised the conflicts that had been identified as a result.

Board committees

Where appropriate, matters are delegated to board committees, all of which have written terms of reference which are available on the Company's website. The company secretary acts as secretary to all these committees.

Group Operations Executive Committee

The Group Operations Executive Committee is responsible for ensuring that each of the Group's businesses is managed effectively and that the operational objectives of the Group, as approved by the Board, are achieved. Its 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 providing 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 coordination in areas such as purchasing, branding and career development planning. It also approves major items of capital expenditure within limits authorised by the Board. The Group Operations Executive Committee meets each month. Its membership comprises the chief executive, group finance director, legal and commercial director and the three divisional managing directors. In the year to 26 December 2008, the Group Operations Executive Committee met 12 times.

General Administration Committee

The principal duties of the General Administration Committee are to allot shares under the various share option schemes and other matters of a routine nature. This Committee comprises the executive members of the Board and meets as required.

Other committees

The other board committees are the Audit Committee, the Nomination Committee and the Remuneration Committee (details of which are contained on pages 31 to 39).

Principles of business conduct

As an international company, the Group's approach to maintaining high ethical standards is critical to its business success. The Group's operating policies, which provide guidance in this area, have been communicated throughout the Group through its intranet. A copy is available from the company secretary. These policies are reviewed on a regular basis.

Shareholders

The Company maintains regular dialogue with its institutional shareholders in the form of an investor relations programme. This includes regular update meetings and presentations with major shareholders and industry analysts. Feedback from these presentations which is reported to the Board gives investors an opportunity to comment on the quality of the communications they receive in their contact with the chief executive and group finance director. Attendees at the results presentations include the chairman, the executive directors and the senior independent director. The Company also encourages communication with private shareholders throughout the year and welcomes their participation at shareholder meetings. In addition to the chairman's statement at the annual general meeting, a trading update to shareholders is given and details of the Company's trading activities are on display. The directors attend the annual general meeting when the chairmen of the Audit, Remuneration and Nomination Committees are available to answer questions. The date of the key publications in 2009 can be found on the Company's website.

Notice of the annual general meeting is sent to shareholders at least 20 working days before the meeting. The Company conducts the vote at the annual general meeting by electronic poll and the result of the votes (including proxies) is published on the Company's website after the annual general meeting.

Corporate Governance Statement (Continued)

Communications

The Board considers that the annual report and financial statements and interim statements present a balanced and understandable assessment of the Group's performance and prospects. In addition to information which any company is under a legal or regulatory requirement to publish, the Group frequently publicises other business developments through the national or specialised press or in its own newspapers and bulletins which have wide circulation.

The Company's website at www.weir.co.uk provides additional company information, is regularly updated and includes the presentations to shareholders given at the announcements of the full year and interim results. The website also contains an online version of the notice of the annual general meeting, the annual report and financial statements and the interim report.

Internal control

In accordance with the Turnbull Guidance on internal control, the Board ensures that there is an ongoing process for identifying, evaluating and managing the significant risks faced by Group companies. This process has been in place throughout 2008 and up until the date of this report, except that it did not apply to the Group's material joint ventures. As part of the integration programme, Weir Multiflo, Weir SOS, Weir Mesa and Weir Warman Africa became fully integrated into the Risk and Control Framework and the Group system of internal control during 2008. The directors have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board delegates to executive management the responsibility for designing, operating and monitoring both the system and the maintenance of effective internal control in each of the businesses which comprise the Group. In addition, each operating company is responsible for the operation of key internal controls and to formally assess the effectiveness of the internal control environment through the submission, twice yearly, of the compliance scorecard.

An internal audit function is in place to review and challenge the effectiveness of key internal controls and to suggest relevant actions to address potential weaknesses. The internal audit review programme is based on a 'risk based approach' that helps to prioritise resource upon the areas of perceived greatest risk to the Group. This process is supplemented by a number of peer reviews that seek to further monitor and evaluate the process of internal control and share best practice around the Group.

Internal audit and peer review reports are provided to the Group Operations Executive Committee as well as to the Audit Committee which considers and determines relevant action in respect of any control issues raised.

As part of the control framework, each Group operating company and business prepares a Risk and Control Framework for their respective business. As part of this process, the operating companies prepare a report identifying the relative probability and severity of the risks identified, the process for managing and mitigating these risks and the means by which management might be assured that the processes are effective. These frameworks are considered and approved by the chief executive, group finance director and the Group Operations Executive Committee. In addition, a Group Risk and Control Framework is prepared,

taking account of the significant risks identified by the individual units together with other group-wide risks. The Group Risk and Control Framework is considered and adopted by the Board which is responsible for the risk management strategy. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has monitored the effectiveness of the Group's system of internal control during the year. This is refined as necessary to meet changes in the Group's business and associated risks. Regular performance reports are provided to the Group Operations Executive Committee and/or the Audit Committee or the Board. Where weaknesses are identified, plans and timetables for addressing them are also reported.

In addition to the Group Risk and Control Framework, other procedures which are fundamental to the Group's system of internal control are as follows:

Control environment

There is a clearly defined organisational structure within which individual responsibilities are identified and monitored. Businesses follow well understood procedures and are required to comply with them.

Main control procedures

The Group has identified a number of key areas which are subject to regular reporting to the Board. These controls include procedures for seeking and obtaining approval for major investments and transactions.

Group-wide standards

There are, for application throughout the Group, operating policies and a standards manual which set out policies and procedures with which all Group companies are required to comply. The manual is communicated to all Group operating companies through the Group intranet.

The managing directors are responsible for ensuring that each company observes and implements the policies and procedures set out in the manual which was updated progressively during 2008.

Information systems

There is a comprehensive budgeting system in place with an annual budget approved by the Board. Management information systems provide directors with relevant and timely reports that identify significant deviations from approved plans and include regular re-forecasts for the year.

The Group's internal control procedures described in this section have not been extended to cover its interests in joint ventures. The Group has board representation on each of its joint venture companies where separate systems of internal control have been adopted.