

# Remuneration Committee Report

## Committee membership

The chairman of the Remuneration Committee is Michael Dearden. The other members of the Committee are Christopher Clarke and Professor Ian Percy. The secretary to the Committee is Alan Mitchelson. The Committee consists exclusively of non-executive directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. No member of the Committee has any personal financial interest, other than as a shareholder, in the matters decided by the Committee. New Bridge Street Consultants LLP continued to provide external advice in formulating remuneration policy and its implementation during 2007, as well as advice on employee share schemes. New Bridge Street Consultants LLP's appointment was renewed by the Committee in 2007. New Bridge Street Consultants LLP do not undertake any other work for the Group other than remuneration work. In carrying out its business, the Committee consults with the chairman and the chief executive as appropriate.

## Committee responsibilities

The responsibilities of the Committee are as follows:

- to determine the policy on the remuneration and performance of executive directors of the Company;
- to determine the conditions of employment, including levels of salary, pension arrangements, bonuses, incentives and share options of executive directors of the Company;
- to determine targets for any performance-related pay schemes; and
- to recommend to the Board the remuneration of the chairman of the Board.

The Committee met four times in 2007. The Committee is constituted, and operated throughout the year, in accordance with the relevant provisions of the Combined Code. This report complies with the Directors Remuneration Report Regulations 2002. The Committee's terms of reference are available from the company secretary on request and can also be found on the Company's website.

## Executive directors remuneration policy

The Committee has adopted the following policy for the remuneration of executive directors throughout 2007. It is intended that this policy will apply in 2008 and for future years.

The objective of the Company's remuneration policy is to attract, motivate and retain executive directors with the necessary abilities to manage and develop the Group's activities successfully for the benefit of shareholders.

Accordingly, the Committee sets remuneration packages for the executive directors to reflect both the size and complexity of the business and individual responsibilities. It also takes into consideration the remuneration practices adopted by other companies of similar size and international spread of operations. For all senior executives, the Group policy is to provide a significant part of their total potential reward through performance based incentive plans (annual bonus and long term incentives) as described in this Report.

To ensure the interests of management remain aligned with those of shareholders, executive directors are encouraged to build up a meaningful shareholding in the Company by both the purchase of shares and/or the retention of a proportion of their share awards. In addition, executive directors are obliged to convert part of their bonus into shares under the Long Term Incentive Plan ("LTIP") so that over a five year period they build up a meaningful shareholding.

## Executive directors remuneration components

The components of the remuneration package comprise of the following:

- a) A basic salary, which is set by the Committee for each executive director by reference to companies of a similar size and industry practice and having regard to salary increases throughout the Group;
- b) An annual performance-related bonus. Bonus payments are intended to reflect the achievement of agreed business objectives and positive contribution to stretching the performance of the Group. The Committee reviews the bonuses payable on an annual basis and sets the targets at the beginning of the financial year. The targets used are based primarily on normalised pre-tax profits but can also on occasion include other performance measures. In 2007, the target was based solely on normalised pre-tax profits and the maximum potential bonus receivable by the chief executive was 125% of salary and for the other executive directors 100% of salary. The performance criteria and the maximum bonus potential will be the same for 2008. As a member of the LTIP, the chief executive is required to contribute 25% of his bonus in exchange for which he receives a conditional award of investment shares. The other executive directors are required to contribute 20% of their bonuses in the same manner. Investment share awards are subject to forfeiture if the director leaves the Group within three years. Bonuses are non-contractual and non-pensionable;
- c) Participation in the LTIP, details of which are set out on the following pages;
- d) Participation in the Company's pension plan by Alan Mitchelson, details of which are set out below; and
- e) Other benefits which are the provision of a car allowance, participation in a Group health care scheme, travel allowance and death in service insurance. The Committee believes that the level and provision of benefits is consistent with that provided by other comparable companies.

## Pensions

Alan Mitchelson is a member of the Company's 1972 pension and life assurance plan. The plan is a defined benefit contributory plan with the active members contributing 8% of salary, the balance of the cost of the plan is met by the Company having taken account of the Trustee's opinion arrived at by considering the funding recommendations of the plan's independent actuary.

The plan targets a pension of two thirds of final salary payable at normal retirement date, providing a member then has at least 24 years pensionable service. Where a member has less than 24 years pensionable service to normal retirement date their pension currently accrues at 1/36th of final salary per annum.

For members, salary (both for contributions and for plan benefits) is subject to a plan specific earnings cap. This is currently £112,800.

The plan provides for a surviving spouse's pension of one half of the member's pension and, in certain circumstances, for a dependent child's pension until the child attains the age of 18 years (or 25 years if in full time further education). Pensions in payment increase by an amount equal to retail price inflation up to 5% per annum for service up to April 2006. For service after April 2006, the increase is up to 2.5% per annum. Deferred pensions increase by an amount equal to retail price inflation up to 5% per annum.

Life assurance cover of five times salary is provided separately for each of the executive directors.

Mark Selway and Keith Cochrane are responsible for their own pension arrangements.

## Long Term Incentive Plan

During 2007, the Company continued with its annual grant policy under the LTIP and made awards of performance shares, matching shares and investment shares:

- i) Performance shares – Performance shares are conditional awards to acquire free shares subject to Group performance (see below) and continued employment until the third anniversary of the award. In 2007, conditional awards of performance shares were made worth 70% of salary to the chief executive, 45% of salary to the group finance director and 80% to the legal and commercial director. At the 2008 annual general meeting of the Company, shareholder approval will be sought to amend the terms of the LTIP to: (i) increase the annual limit on performance shares from 80% of salary to 100% of salary and (ii) provide flexibility to increase such limit to 150% of salary in such circumstances as the Committee determine exceptional (currently the exceptional limit is restricted for use in connection with recruitment). The changes are being proposed following the Committee concluding that the current annual limits constrain the Company's ability to make market competitive performance share awards. No other changes to the terms of the LTIP are currently envisaged. It is the Committee's intention to make grants in 2008 of 100% of salary to the executive directors.
- ii) Matching and investment shares – Matching shares are conditional awards to acquire free shares, subject to Group performance (see below) and continued employment until the third anniversary of the award. Matching shares are granted in connection with an individual's investment from their annual bonus. Under the LTIP, executive directors are required to compulsorily defer an element of any Group bonus earned (currently 25% for the chief executive and 20% for the other executive directors) in exchange for which they are awarded investment shares. In addition, executive directors are also allowed to voluntarily invest a further portion of their Group bonus (subject to any cap imposed by the Committee, currently 20%) to be further eligible for an award of matching shares. In return, the executive directors are eligible to receive a conditional award of matching shares worth a maximum of 2.5 times the pre-tax value of the bonus "invested" both on a compulsory and voluntary basis under the LTIP.

The awards are based on the Group's share price, using the average published closing price for the three dealing days immediately preceding the date of award.

The vesting of conditional awards of performance and matching shares is subject to the satisfaction of a highly demanding performance condition. For the performance share awards granted in 2007, the performance condition will be based on the growth in the Group's Total Shareholder Return ("TSR") over a single three-year performance period (three consecutive financial years, beginning with the year in which the award is made) relative to the growth in the TSR of a comparator group ("the Comparator Group"). The Comparator Group comprises the following 18 companies: AGA Foodservice Group, Bodycote International, Cookson Group, Enodis, FKI, Halma, IMI, Meggitt, Mitie Group, Morgan Crucible Company, Rolls-Royce, Rotork, Senior, Smiths Group, Spirax-Sarco Engineering, Tomkins, Wood Group and WS Atkins. Only if the Company's TSR ranks in the upper quintile of this group will the full awards be receivable. This reduces on a sliding scale so that for median performance, 25% of the awards will be receivable. For below median performance, none of the awards will be receivable. For awards granted in 2008, the performance conditions and the Comparator Group will be the same as for the 2007 awards.

TSR has been selected as the appropriate performance criteria by the Committee as it is felt that such a measure clearly aligns the interests of the senior executives with those of shareholders. The TSR calculation will be performed independently for the Committee at the time of vesting.

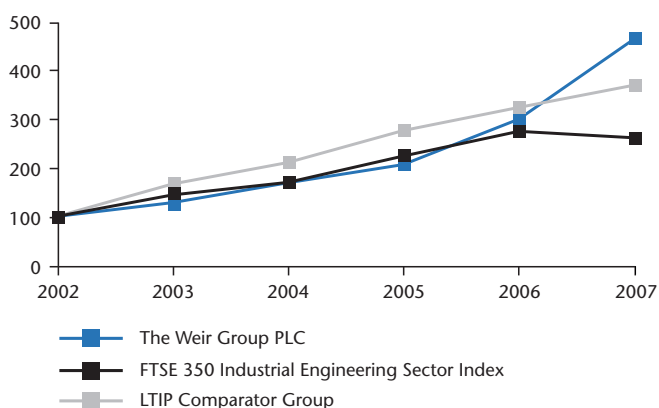
In addition to TSR performance, for any of the performance and matching shares to vest, the growth in the Company's earnings per share over the performance period must be equal to or greater than the growth in the UK Retail Prices Index over the same period.

At the 2008 annual general meeting of the Company, shareholder approval is being sought in relation to changes to the Company's long-term incentive arrangements. The details are set out in the notice of the annual general meeting.

# Remuneration Committee Report (Continued)

## Performance graph

The graph below compares the Company's total shareholder return performance over a five year period against the LTIP Comparator Group and the FTSE 350 Industrial Engineering Sector Index. The Board believes that both the FTSE Index and the Comparator Group represent an appropriate and fair benchmark upon which to measure the Group's performance for this purpose.



This chart shows the value, at the end of the 2007 financial year, of £100 invested in The Weir Group PLC over the last five financial years compared with the value of £100 invested in the average of the LTIP Comparator Group and the FTSE 350 Industrial Engineering Sector Index. The other points plotted are values at intervening financial year ends.

## Directors contracts/terms of appointment

The details of the service contracts in relation to the executive directors and letters of appointment in relation to the non-executive directors who served during the year are:

Director	Contract commencement date	Unexpired term/next re-election	Notice period by company
Sir Robert Smith	6 February 2002	May 2010	6 months
Christopher Clarke	14 December 1999	7 May 2008	6 months
Michael Dearden	17 February 2003	May 2009	6 months
Stephen King	3 February 2006	7 May 2008	6 months
Professor Ian Percy	11 October 1996	7 May 2008	6 months
Lord Robertson	1 February 2004	May 2009	6 months
Keith Cochrane	3 July 2006	12 months	12 months
Alan Mitchelson	12 December 2001	12 months	12 months
Mark Selway	5 June 2001	12 months	12 months

## Executive directors service contracts

To recruit the best executives, the Committee has in the past and may in the future, agree contractual notice periods which initially exceed 12 months particularly as it is often necessary for executives to relocate their families. All the directors who served during the year have service contracts with the Company that provide for a minimum period of notice of six months by the individual and 12 months by the Company. In the event that the Company terminated an executive director's service contract other than in accordance with its terms, the Committee, when determining what compensation, if any, should properly be paid by the Company to the departing director, will give full consideration to the obligation of that director to mitigate any loss which he may suffer as a result of the termination of his contract.

## Executive directors external appointments

The executive directors are permitted, with Board agreement, to take up one non-executive appointment provided that there is no conflict of interest and that the time spent would not impinge on their work for the Group. None of the executive directors has at the date of this report any such non-executive appointment. It is the Company's policy that remuneration earned from such appointments may be kept by the individual executive director.

## Letters of appointment

The chairman and each of the non-executive directors have letters of appointment. The letters of appointment do not contain any contractual entitlement to a termination payment and the directors can be removed in accordance with the Company's articles of association. The chairman and all non-executive directors are subject to re-election by shareholders at least every three years, with the exception of any director whose appointment exceeds nine years, in which case there is a requirement for annual re-election.

## Remuneration of the chairman & non-executive directors

The remuneration of the chairman is agreed by the Board on the recommendation of the Committee. Fees of the non-executive directors are determined by the Board. In determining the fee levels, account is taken of the time commitment, scale of roles, market norms and comparison with companies of equivalent size based on information provided by New Bridge Street Consultants LLP. Neither the chairman nor any of the non-executive directors participate in any of the Company's incentive plans or receive pension or other benefits, except that the chairman is entitled to participate in the Group health care scheme and an additional allowance is made available to non-executive directors to reflect the additional time commitment in attending intercontinental board meetings and operational visits. The chairman and the non-executive directors are not involved in any discussions or decisions about their own remuneration.

The non-executive directors' fees and chairman's remuneration are reviewed annually by the Board. In 2007, the Chairman's remuneration increased to £175,000 and the basic fee for each of the non-executive directors increased to £40,000. In addition, each of the chairmen of the Audit and Remuneration Committees is paid an additional fee which in 2007 increased to £7,500. There was no change to the fee for the combined role of deputy chairman and senior non-executive director of £10,000 in 2007. There will be no change to the Chairman's remuneration or fees for the non-executive directors in 2008.

## Directors remuneration #

	Notes	Salary & Fees £	Bonus (Note v) £	Benefits (Note vi) £	Total 2007 £	Total 2006 £
<b>Chairman and non-executive directors:</b>						
Sir Robert Smith		168,749	-	472	169,221	146,668
Christopher Clarke		39,000	-	-	39,000	44,623
Michael Dearden	i	45,875	-	-	45,875	40,000
Stephen King	ii	45,875	-	-	45,875	40,000
Professor Ian Percy	iii	49,000	-	-	49,000	56,967
Lord Robertson		39,000	-	-	39,000	35,000
		<b>387,499</b>	-	<b>472</b>	<b>387,971</b>	363,258
<b>Executive directors:</b>						
Keith Cochrane	iv	354,056	357,075	17,505	728,637	321,050
Alan Mitchelson		274,009	276,345	14,364	564,717	498,215
Mark Selway		541,822	683,100	44,097	1,269,019	999,737
2006 Retiree		-	-	-	-	245,002
		<b>1,557,386</b>	<b>1,316,520</b>	<b>76,438</b>	<b>2,950,344</b>	2,427,262
Previous year comparatives		1,471,998	886,050	69,214		

# Audited

- (i) The fees for Michael Dearden include £6,875 for services as chairman of the Remuneration Committee (2006: £5,000).
- (ii) The fees for Stephen King include £6,875 for services as chairman of the Audit Committee (2006: £5,000).
- (iii) The fees for Professor Ian Percy include £10,000 for services as deputy chairman and for his role as senior non-executive director (2006: £10,000).
- (iv) Keith Cochrane was appointed on 3 July 2006.
- (v) The bonus figures for Keith Cochrane, Alan Mitchelson and Mark Selway include £71,415 (2006: £25,875), £55,269 (2006: £40,050) and £170,775 (2006: £112,200) respectively, which will be compulsorily deducted from their bonus in exchange for which they will be awarded investment shares which, subject to remaining employed with the Group, will be receivable on the third anniversary of the 2008 award.
- (vi) Benefits include, as appropriate, car allowance, participation in the Group health care scheme, travel allowance and death in service insurance.

## Long term incentives#

	As at 30 Dec 2006	Granted during year	Vested during year	Lapsed during year	As at 28 Dec 2007	Market price at date of vesting	Market price at date of award (Note viii)	Normal exercise period (Note vii)
Keith Cochrane	2006 Award	76,695	-	-	-	76,695	445p	24.08.09 - 24.11.09
	2007 Award	-	42,288	-	-	42,288	730p	29.06.10 - 29.09.10
		<b>76,695</b>	<b>42,288</b>	-	-	<b>118,983</b>	-	
Alan Mitchelson	2004 Award	47,166	-	(47,166)	-	723.5p	307p	11.06.07 - 11.09.07
	2005 Award	32,925	-	-	-	-	322p	01.04.08 - 01.07.08
	2006 Award	54,062	-	-	-	-	445p	04.04.09 - 04.07.09
	2007 Award	-	61,599	-	-	-	730p	29.06.10 - 29.09.10
		<b>134,153</b>	<b>61,599</b>	<b>(47,166)</b>	-	<b>148,586</b>	-	
Mark Selway	2004 Award	142,801	-	(142,801)	-	723.5p	307p	11.06.07 - 11.09.07
	2005 Award	105,524	-	-	-	-	322p	01.04.08 - 01.07.08
	2006 Award	144,764	-	-	-	-	445p	04.04.09 - 04.07.09
	2007 Award	-	108,198	-	-	-	730p	29.06.10 - 29.09.10
		<b>393,089</b>	<b>108,198</b>	<b>(142,801)</b>	-	<b>358,486</b>	-	

# Audited

# Remuneration Committee Report (Continued)

## Long Term Incentive Plan - outstanding awards as at 28 December 2007

		Performance Share Awards (Note iii)	Compulsory Investment Awards (Notes i&ii)	Matching Share Awards (Notes ii&iii)	Total
Keith Cochrane	2006 Award	76,695	-	-	76,695
	2007 Award	22,426	3,611	16,251	42,288
		<b>99,121</b>	<b>3,611</b>	<b>16,251</b>	<b>118,983</b>
Alan Mitchelson	2005 Award	32,925	-	-	32,925
	2006 Award	27,338	5,939	20,785	54,062
	2007 Award	30,855	5,590	25,154	61,599
		<b>91,118</b>	<b>11,529</b>	<b>45,939</b>	<b>148,586</b>
Mark Selway	2005 Award	105,524	-	-	105,524
	2006 Award	84,096	17,334	43,334	144,764
	2007 Award	53,390	15,659	39,149	108,198
		<b>243,010</b>	<b>32,993</b>	<b>82,483</b>	<b>358,486</b>

- (i) Compulsory investment awards are not subject to performance conditions.
- (ii) No matching or compulsory investment awards were awarded in 2005 to Alan Mitchelson and Mark Selway as no bonus was awarded.
- (iii) The figures shown above in relation to Performance Share Awards and Matching Share Awards are maximum entitlements and the actual number of shares (if any) which vest will depend on the performance conditions being achieved as set out on page 35.
- (iv) The closing market price of the shares at 28 December 2007 was 820.5p and the range for the year was 530p to 909.5p.
- (v) Awards take the form of nil cost options and have no performance retesting facility.
- (vi) On 21 June 2007, the 2004 awards under the Group Long Term Incentive Plan vested in full as the Company's TSR ranked in the upper quintile of the Comparator Group. On 28 June 2007, Alan Mitchelson and Mark Selway exercised their awards and received 47,166 and 142,801 ordinary shares of 12.5p each respectively. In order to release sufficient funds to pay the relevant tax and national insurance, Alan Mitchelson and Mark Selway sold 19,100 shares and 57,831 shares respectively at a price of 721.6443p. The balance of the shares were retained by them. The market price on the date of exercise was 723.5p. The aggregate gains made on all award exercises by directors during the year totalled £1,350,665 (2006: £6,399).
- (vii) Awards can be exercised after the third anniversary of the award date, subject to the performance conditions.
- (viii) The 2004 Awards were awarded on 11 June 2004. The 2005 Awards were awarded on 1 April 2005. The 2006 Awards were awarded on 4 April 2006 in the case of Alan Mitchelson and Mark Selway and on 24 August 2006 in the case of Keith Cochrane. The 2007 Awards were awarded on 29 June 2007.

## Directors pension benefits #

Alan Mitchelson was a member of a defined benefit scheme provided by the Group during the year. Mark Selway and Keith Cochrane are responsible for their own pension provision. Pension entitlement and the corresponding transfer values were as follows during the year:

Name of Director	Notes	Disclosures under Directors Remuneration Report Regulations 2002						Listing Rules		
		Accrued pension			Transfer value of accrued pension			At year end	Increase in accrued pension during the year (net of inflation)	Transfer value of increase (net of inflation) (note 2)
		At year start	Increase during the year	At year end (note 1)	At year start	Change during the year net of directors ordinary contributions (note 3)	Directors ordinary contributions			
£	£	£	£	£	£	£	£	£	£	
<b>Contributing member:</b>										
Alan Mitchelson	4, 5, 6	22,173	3,990	26,163	416,171	106,781	8,772	531,724	3,060	61,250

# Audited

- The pension entitlement shown is that which would be paid annually on normal retirement, prior to any cash commutation, based on pensionable service to the end of the year.
- The transfer value of the increase in accrued pension has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 and includes an allowance for the risk cost of death in service benefits less the director's ordinary contributions over the year.
- The change in the amount of the transfer value over the year is made up of the following elements:
  - transfer value of the increase in accrued pension (net of inflation);
  - transfer value of the increase in accrued pension (due to inflation);
  - increase in the transfer value of accrued pension at year start due to ageing;
  - impact of any change in the economic or mortality assumptions underlying the transfer value basis; and
  - less the director's ordinary contributions.

The change in the amount of the transfer value over the year includes the effect of fluctuations in the transfer value due to factors beyond the control of the Group and directors, such as stockmarket movements which will be reflected within d) above.
- Directors have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in the above table.
- The figures allow for the impact of the plan specific earnings cap. Alan Mitchelson does not have an entitlement to an excepted (formerly known as unapproved) pension from the Group.
- Payment of actual transfer values (from the defined benefit scheme) are currently reduced below 100% of their value. The figures above do not reflect this reduction.

# Remuneration Committee Report (Continued)

## Directors interests

The interests of the directors in the ordinary shares of the Company as at 28 December 2007 and at the end of the preceding financial year were as follows:-

	As at 28 December 2007			As at 29 December 2006		
	shares	shares under option	LTIP awards	shares	shares under option	LTIP awards
Sir Robert Smith	52,400	-	-	50,000	-	-
Christopher Clarke	10,000	-	-	10,000	-	-
Keith Cochrane	5,185	-	118,983	3,500	-	76,695
Michael Dearden	10,000	-	-	10,000	-	-
Stephen King	1,050	-	-	1,050	-	-
Alan Mitchelson	98,441	-	148,586	67,767	-	134,153
Professor Ian Percy	-	-	-	-	-	-
Lord Robertson	2,637	-	-	2,637	-	-
Mark Selway	211,396	-	358,486	126,426	-	393,089

- (i) At the date of this report the interests of the directors in the shares of the Company remain as stated above except that on 9 January 2008, Stephen King purchased 5,500 ordinary shares of 12.5p each.
- (ii) No director had, during or at the end of the year, any material interest in any contract of any significance in relation to the Company's business, in any debenture stocks of the Company, or in the share capital or debenture or loan stocks of any subsidiary.

## Michael Dearden

*Chairman of the Remuneration Committee*

*Signed and approved for and on behalf of the Board*

*11 March 2008*