Directors' Remuneration Report

Role of the Remuneration Committee

The Remuneration Committee is responsible for formulating the Group's policy for the remuneration of the executive Directors of GKN plc. The Committee reviews the policy annually and recommends any changes to the Board for formal approval.

Within the framework of the agreed policy, the Committee determines the detailed terms of service of the executive Directors, including basic salary, incentives and benefits, and the terms upon which their service may be terminated. The Committee also determines the fees of the Chairman and is responsible for monitoring the level and structure of remuneration of the most senior executives immediately below Board level.

The Committee is responsible for appointing external independent consultants to advise on executive remuneration matters. Hewitt New Bridge Street (HNBS) has been retained by the Committee since 2006 to provide advice on executive Directors' remuneration and incentive arrangements for senior executives below Board level. It also continued, during 2008, to provide the total shareholder return monitoring service in connection with the Group's long term incentive plan and executive share option scheme, a role it has performed for the Group since 2004. In retaining HNBS in 2008, the Committee ensured there was adequate independence and no conflict of interest between the advice it would be seeking and the work performed elsewhere within the Group by employees of HNBS. HNBS did not provide any other services direct to the Group during the year. Arrangements with external consultants will be reviewed during 2009.

The Committee also receives input from the Chief Executive when considering the remuneration of other executive Directors.

The Committee consists entirely of independent non-executive Directors and presently comprises Sir Peter Williams (Chairman since 1 January 2006), Helmut Mamsch, Sir Christopher Meyer and John Sheldrick, all of whom served on the Committee throughout 2008, together with Richard Parry-Jones who became a member of the Committee on his appointment to the Board on 1 March 2008. Their biographical details are set out on pages 50 and 51. The Company Secretary acts as secretary to the Committee.

The Committee met on 10 occasions in 2008 to consider a range of issues including:

- proposed changes to long term incentive arrangements;
- a review of the remuneration of the executive Directors and Company Secretary;
- proposals for and payments under the short term variable remuneration scheme;
- a review of the remuneration of senior executives immediately below Board level; and
- confirmation of the release of long term incentive awards in respect of which the performance conditions had been met.

Members' attendance at meetings of the Committee in 2008 is set out in the table on page 57.

The Committee has written terms of reference that outline its authority and responsibilities; these are available upon request and on GKN's website. The terms, which are reviewed annually under the Board's performance evaluation procedures described on page 55, comply with the best practice provisions of the Combined Code on Corporate Governance. (The Board's statement of overall compliance with the Combined Code is given on page 58.)

Remuneration policy

GKN's remuneration policy for executive Directors is designed to attract, retain and motivate executives of the high calibre required to ensure that the Group is managed successfully to the benefit of shareholders. To achieve this, an internationally competitive package of incentives and rewards linked to performance is provided.

In setting remuneration levels the Committee takes into consideration the remuneration practices found in other multinational companies and also ensures that the remuneration arrangements for executive Directors are compatible with those for executives throughout the Group. It also considers the most recent pay awards in the Group generally when reviewing the basic salaries of the executive Directors.

The remuneration of the executive Directors comprises:

- basic salary and benefits in kind set at competitive levels;
- short term variable remuneration dependent upon the achievement of performance targets; and
- longer term rewards including retirement benefits and performance-related long term incentives.

On the basis of the expected value of long term incentives and achievement of on target performance for the purposes of the short term variable remuneration scheme, the total annual remuneration (excluding pension benefits) of each executive Director under the Group's remuneration policy is weighted between performance-related and non performance-related elements, valued as at the time of award of long term incentives, at around 60% and 40% respectively. The Committee believes that these proportions represent an appropriate balance between certainty of income and incentive-based remuneration linked to the achievement of GKN's operational and strategic objectives.

For regulatory reasons, the Company was in a prohibited period for share dealing from 1 January until 27 October 2008 during which time it was unable, under the rules of the long term incentive schemes, to make any awards. In view of the fact that almost one-third of the measurement period had elapsed, it was deemed inappropriate to make long term incentive awards so late in the year and no awards were, therefore, made in 2008. As a result, the balance between performance-related and non performance-related elements of executive Directors' remuneration in 2008 was 20% and 80% respectively. It is intended to revert to the established policy in 2009.

The remuneration policy for the Chairman and the other non-executive Directors is for recompense by way of fees at levels commensurate with those paid by other UK listed companies of comparable size and complexity. Such fees may include additional payments in respect of the chairmanship of Board Committees to reflect the significant extra responsibilities attached to these positions. The fees of the non-executive Directors (other than the Chairman), together with any additional fees payable to the chairmen of Board Committees, are determined by the Board following recommendation from the Chairman and Chief Executive and are set at a level that the Board believes will attract individuals with the necessary experience and ability to make a substantial contribution to the Group's affairs.

Directors' Remuneration Report
continued

Basic salary and benefits in kind

The basic salary of executive Directors is based on a number of factors including market rates together with the individual's experience, responsibilities and performance. The Remuneration Committee's objective is to maintain salaries at around the median level of the relevant employment market and it reviews annually benchmark data provided to it by external consultants. The Committee has reviewed the performance of the Directors and believes payment of salaries in accordance with this policy to be entirely justified.

Individual salaries of executive Directors are reviewed annually by the Committee, taking into account circumstances prevailing at the time including the level of Group profitability and prevailing market conditions, with any increase usually being effective from 1 July. Following the most recent review, the basic salaries payable in respect of executive Directors as at 31 December 2008 were: Sir Kevin Smith £747,579; Marcus Bryson £375,000; Andrew Reynolds Smith £400,000; William C Seeger £400,000; Nigel Stein £487,500. Sir Kevin Smith's salary remained unchanged from the 2007 level following his decision not to take an increase in 2008. In the light of prevailing conditions in the Group's markets and their likely impact on Group profitability, Sir Kevin Smith and Nigel Stein have elected to waive 20% of their basic salary entitlement for the year commencing 1 January 2009. Andrew Reynolds Smith has elected to waive 15% of his basic salary entitlement for the same period. The average basic salary of those executives in the most senior executive grade below Board level whose remuneration is monitored by the Remuneration Committee was £244,639 as at 31 December 2008 (all non-sterling amounts have been translated into sterling at the year end exchange rate for this purpose).

Benefits in kind comprise principally car and healthcare benefits. The level of benefits provided to executive Directors is consistent with that provided by other major companies. These benefits do not form part of pensionable earnings. In addition, under the terms of William C Seeger's service agreement, under which he was required during 2008 to relocate to the UK, he received reimbursement of temporary living costs and was entitled to reasonable relocation expenses. Due to the complicated interaction between the UK and the US tax regimes, tax and social security equalisation is applied to Mr Seeger's remuneration. Additional taxes which arise in excess of the monthly contribution deducted from Mr Seeger are settled by the Company in order to ensure Mr Seeger is not disadvantaged by his global tax position.

Performance-related short term variable remuneration

Payments may be made annually to reward the achievement of short term operational targets relevant to GKN's long term strategic objectives. These targets will typically relate to a combination of corporate and, where appropriate, individual portfolio profit and cash flow performance and performance against strategic plan. In 2008, there was an additional target relating to Lean Enterprise deployment (except for the Chief Executive) and an increased cash target. Achievement of on target profit performance and the achievement of all other objectives would result in payments of approximately 78% of an executive Director's salary (approximately 76% for the Chief Executive) and payments are normally capped at around 110% of salary.

The Remuneration Committee has discretion to alter targets to reflect changed circumstances such as material changes in accounting standards or changes in the structure of the Group. It may also make discretionary payments in respect of exceptional performance. Payments to Directors are based upon a percentage of basic salary received during the year and do not form part of pensionable earnings.

Long term incentive arrangements

The Remuneration Committee believes that performance-related long term incentives which closely align executive rewards with shareholders' interests are an important component of overall executive remuneration arrangements. The structure of the Company's performance-related long term incentives is considered annually as part of the award process and in 2008 amendments were made to elements of GKN's current long term incentive arrangements for executive Directors and other senior executives — the GKN Long Term Incentive Plan and the GKN Executive Share Option Scheme (described below).

Award levels under each of the GKN Long Term Incentive Plan and the GKN Executive Share Option Scheme are set such that the combined rewards available to an individual Director, assuming full vesting, are no greater than they would have been had the Group's long term incentive arrangements comprised only a single element. The combined maximum potential annual award under both elements of the long term incentive arrangements is 250% of basic salary, or such higher overall percentage which may be applied where necessary specifically to recruit or retain an individual.

There are no provisions under the rules of either the GKN Long Term Incentive Plan or the GKN Executive Share Option Scheme for the automatic release of unvested awards on a change of control of GKN plc.

GKN Long Term Incentive Plan (LTIP)

In summary, each executive Director may be awarded annually a right to receive GKN plc ordinary shares (GKN shares) up to a maximum value of 150% of basic salary. The value of shares for this purpose is calculated by reference to the average of the daily closing prices of GKN shares during the preceding year. As stated on page 61, no LTIP awards were made in 2008.

The number of shares that the Director will ultimately receive will depend on the Group's performance during the three years commencing on 1 January in the year of award and on satisfaction of a personal shareholding requirement (see page 66).

Following shareholder approval at the 2008 Annual General Meeting, a new performance condition was introduced, replacing relative total shareholder return (TSR). (The new performance condition, which applies to any awards granted after the 2008 AGM, is based on compound annual growth in earnings per share (normalised for tax, exceptional items and volatile IFRS charges or credits) (EPS).) The maximum potential annual award when combined with awards under the GKN Executive Share Option Scheme (ESOS) (described below) remains limited to 250% of total face value of salary. Vesting occurs at a threshold of 6% compound annual EPS growth, at which level 30% of the award vests, and continues on a straight line basis to 12% compound annual EPS growth at which point 100% of the award vests. There is no provision for the retesting of awards under the LTIP.

The Committee considers that an EPS performance condition provides a true measure of the underlying profitability of a company, reflecting more directly management effort and performance, and is a prime factor that investors take into account when assessing their investment decisions; compound annual growth in EPS of between 6% and 12% is a stretching target of relevance to shareholders. When coupled with the TSR-based performance condition under the ESOS, the Committee believes that the incentives available provide a meaningful incentive package for the motivation and retention of executive Directors which is linked directly to shareholders' interests.

For awards made between 2004 and 2007, the comparator group comprises a tailored peer group representing GKN's major competitors and customers worldwide. (Where a comparator company's shares are listed on an overseas market, the TSR of that company is calculated in local currency. The Committee believes this method of measurement provides a true indication of a company's performance, without potential distortions brought about by windfall movements in currency.)

The companies making up the comparator groups for the awards granted between 2004 and 2007 are as follows:

Automotive companies

Magna International Inc	Canada	NGK Spark Plug Co Ltd	Japan	Autoliv Inc‡	USA
Torch Investment Co Ltd§	China	NTN Corporation‡	Japan	Borg Warner Inc	USA
Faurecia SA	France	Toyota Motor Corporation	Japan	Dana Corporation†	USA
Valeo SA	France	Haldex AB‡	Sweden	Delphi Corporation†	USA
BMW AG‡	Germany	Scania AB	Sweden	Eaton Corporation‡	USA
Continental AG‡	Germany	Mayflower Corporation plc*	UK	Ford Motor Company	USA
DaimlerChrysler AG	Germany	Tomkins plc	UK	General Motors Corporation	USA
Volkswagen AG	Germany	Wagon plc†	UK	Johnson Controls Inc	USA
Fiat SpA	Italy	American Axle & Manufacturing Inc	USA	TRW Automotive Holdings Corporation‡	USA
Denso Corporation	Japan	ArvinMeritor Inc	USA	Visteon Corporation	USA

Aerospace companies

Bombardier Inc	Canada	Meggitt plc	UK	Goodrich Corporation	USA
Zodiac SA	France	Rolls-Royce plc	UK	Lockheed Martin Corporation	USA
Finmeccanica SpA	Italy	Smiths Group plc	UK	Raytheon Company	USA
BAE Systems plc	UK	Boeing Company, The	USA	United Technologies Corporation	USA
Cobham plc	UK	General Dynamics Corporation	USA		

* 2004 comparator group only
† 2004 and 2005 comparator groups only
§ 2004, 2005 and 2006 comparator groups only
‡ 2006 and 2007 comparator groups only

For awards subject to the TSR performance criterion (the 'pre 2008 awards'):

- 100% vests if TSR ranks in upper quartile of comparator group at the end of the performance period
- 30% vests if TSR ranks at median level
- 0% vests if TSR ranks below median level
- Award vests on straight line basis for intermediate rankings between median and upper quartile.

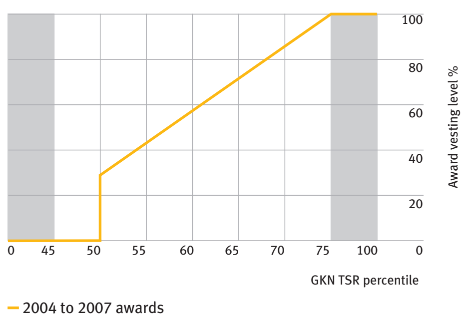
For awards subject to the EPS performance criterion (the 'post 2008 awards'):

- 100% will vest if compound EPS growth is 12% or more at the end of the performance period
- 30% will vest if EPS growth is 6%
- 0% will vest if EPS growth is less than 6%
- Award will vest on straight line basis for EPS growth between 6% and 12%.

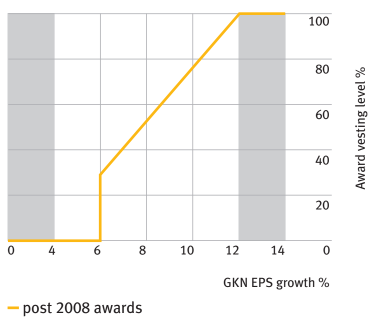
Following vesting, awards are not released to the Director for at least one further year other than in the specific circumstances set out in the rules of the LTIP. Dividends are treated as having accrued from the beginning of the third year of the performance period on any shares that vest and the equivalent cash amount will be paid to the Director on release of such shares.

GKN obtains the required TSR data and ranking information from HNBS to ensure that the comparative performance is independently verified. However, irrespective of GKN's TSR, or for post 2008 awards its EPS performance, before any shares become eligible for release the Remuneration Committee must be satisfied that this is justified by the underlying financial performance of the Group over the measurement period.

GKN LTIP vesting scale



GKN LTIP vesting scale

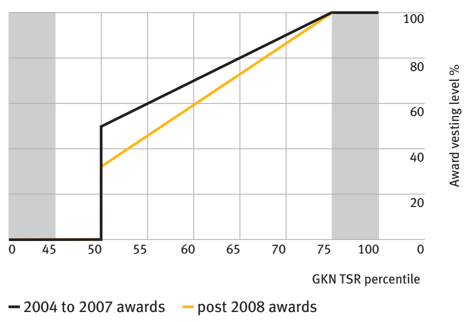


Directors' Remuneration Report
continued

GKN Executive Share Option Scheme (ESOS)
Under the ESOS each executive Director may be awarded annually an option to subscribe for a number of GKN shares. The Remuneration Committee decides the level of awards in each year. For awards from 2004 onwards, annual award levels are not specifically capped under the ESOS, but when combined with awards under the LTIP (which are capped at 150% of basic salary) they cannot exceed 250% of basic salary, except where necessary specifically to recruit or retain an individual. As stated on page 61, no ESOS awards were made in 2008.

The number of shares that a Director can ultimately acquire upon exercise of the option is dependent upon satisfaction of a performance condition and a personal shareholding requirement (see page 66) set by the Remuneration Committee before an option is granted. Performance for awards granted between 2004 and 2007 is measured by comparing the TSR from GKN shares with the TSR from shares of companies in a comparator group comprising the constituents of the FTSE 350 Index at the start of a three year measurement period commencing on 1 January in the year of award. The Remuneration Committee believes the FTSE 350 Index to be appropriate as it is a broadly based index which contains more manufacturing and engineering companies than the FTSE 100 Index. Following revisions to the ESOS in 2008, the percentage of shares under option which could be acquired by the Director if GKN ranks at the median level in the comparator group was reduced from 50% to 35%. No shares are receivable for below median TSR performance. 100% of the shares can only be acquired if GKN ranks in the upper quartile of the comparator group, with a straight line sliding scale for rankings between median and upper quartile. No retesting of the performance condition after the end of the measurement period is permitted.

GKN ESOS vesting scale



The TSR information is obtained from HNBS to ensure that the performance is independently verified. In addition, notwithstanding GKN's TSR, the Remuneration Committee must be satisfied that the vesting of an option is justified by the underlying financial performance of the Group over the measurement period.

For options granted in 2002 and 2003, the performance condition is linked to the increase in GKN's earnings per share* over the three years commencing on 1 January in the year of award. 50% of the shares can be acquired if the increase over this period is not less than the increase in the Retail Prices Index (RPI) plus 9%. The remaining 50% can only be acquired in full if such increase is RPI plus 15% (with a straight line sliding scale for increases between RPI plus 9% and RPI plus 15%). If the performance condition is not satisfied in full after the first three year period, so that less than 100% of the shares under option can be acquired, the performance condition will be reassessed each year up to six years from the date of grant (the RPI plus 9% will be increased by 3% for each year beyond the third year, and the RPI plus 15% will be increased by 5% for each year beyond the third year). At the end of the six year period, any unvested options will lapse. The awards granted in 2002 underwent final retesting in 2008, achieving partial vesting at 60% with the balance of the award lapsing. The awards granted in 2003 also underwent retesting during the year, achieving partial vesting of 80%. The balance of the 2003 award was subject to a final retest in early 2009 (in relation to 2008 earnings per share) and has lapsed. As stated above, there is no such retesting of awards made from 2004 onwards.

Options granted under the ESOS are normally exercisable between the third and tenth anniversary of the date of grant. The exercise price is fixed at the market price of GKN's shares at the time of grant.

Retirement benefits
Prior to 6 April 2006, certain executive Directors were subject to the UK restrictions on pensionable earnings in the Finance Act 1989 (the earnings cap). Retirement provision is secured by the Company by supplementary cash allowances paid to each Director or, in certain cases, dependent in part upon the individual's salary level at commencement of employment, by membership of the executive section of the GKN Group Pension Scheme, which is a defined benefit scheme, and a supplementary allowance. The retirement provisions are made in order to assist each Director towards securing overall retirement benefits comparable in value with those available under the pension scheme had it not been for the operation of the earnings cap (some members have specific individual earnings caps).

GKN's defined benefit pension scheme provides Directors with a pension of up to two-thirds of basic annual salary (up to their earnings cap) on retirement at age 60 after 20 or more years' service and proportionately less for shorter service or for retirement before pension age. An employee contribution of 7.9% of salary up to their earnings cap is required under the scheme.

Executive Directors with non-UK employment contracts typically receive retirement benefits consistent with local practice. In particular, in accordance with standard practice in the US, GKN makes a total contribution equivalent to 11% of William C Seeger's basic salary and annual performance-related short term variable remuneration to his qualified and non-qualified defined contribution pension arrangement. The amount contributed by GKN is deducted from the supplementary allowance that would otherwise have been payable to him (a maximum of 40% of salary).

* Calculated in accordance with International Accounting Standard 33, adjusted to exclude individually significant charges and credits (including, but not limited to, major restructuring and impairment costs and charges, amortisation of non-operating intangible assets arising on business combinations, profits or losses on sale or closure of businesses and the change in value of derivative and other financial instruments) as disclosed in the Group's financial statements and the tax thereon.

The arrangements for providing retirement benefits to executive Directors and other senior executives were reviewed in the light of changes in the taxation of pensions introduced by the Government from April 2006. For those previously affected by the limit on annual pensionable earnings, a notional limit has been maintained beyond April 2006 so that, overall, the existing pension and salary supplement arrangements are broadly unchanged (for some members a specific individual earnings cap has been introduced). No compensation is offered for any additional tax suffered by the individual in the event that the value of their pension exceeds the new Lifetime Allowance.

From 1 September 2007 the GKN Group Pension Scheme adopted a Career Average Revalued Earnings (CARE) approach rather than a Final Salary basis. However, as earnings are capped and all the Directors can complete more than 20 years' service, this will have no impact on the retirement benefit for these individuals.

Service agreements

The Board's current policy is that, unless local employment practice requires otherwise, the service agreements of its executive Directors will be terminable by the employing company on one year's notice. William C Seeger has a US service agreement, also terminable by the employing company on one year's notice, which terminates, in any event, on 31 December 2016 (unless extended by prior agreement with Mr Seeger).

There is no contractual provision for predetermined compensation payable upon early termination of an executive Director's service agreement, other than in the event of early termination following a change of control of GKN plc. In the event of such an early termination (other than on a change of control) the Remuneration Committee would apply the principles of the severance policy adopted by the Board. Under this policy, which may be varied in individual cases, an immediate lump sum severance payment will be made to the Director equivalent to one year's basic salary plus one year's pension contributions. Consideration would be given to the inclusion in the severance payment of additional elements relating to short term variable remuneration and major benefits in kind. However, such additional elements will not normally be included where the severance is as a result of underperformance. Consideration would also be given to making the severance payment in 12 equal instalments which will only be paid to the extent that the Director has not been able to mitigate his loss by the date of the relevant payment.

In the event of the service agreement coming to an end by mutual consent, the Remuneration Committee will approve such termination arrangements as are appropriate in the particular circumstances.

If, in breach of its terms, termination of a Director's service agreement occurs on less than due notice within 12 months following a change in control of GKN plc, a predetermined amount is payable to the Director equivalent to one year's basic salary, pension contributions, benefits in kind and loss of entitlements under performance-related short term remuneration arrangements. No right to such a payment arises simply by virtue of a change in control.

An enhancement to the pension rights of an executive Director upon early retirement will only be considered in exceptional cases and a full costing would be provided to the Remuneration Committee at the time of its deliberations. In any event, such enhancement would not be considered unless objectives set for the Director had been met or it was otherwise merited in the opinion of the Remuneration Committee.

It is also the Board's policy that, at the time of consideration of a proposed appointment of an executive Director, the Remuneration Committee will take into account the likely cost of severance in determining the appropriateness of the proposed terms of appointment. In accordance with the relevant provisions of the Companies Act 2006, no payment will be made to a Director for loss of office or employment with the Company in excess of the Director's contractual obligations without the prior approval of shareholders in general meeting.

External appointments

The Board recognises the benefit which GKN can obtain if executive Directors of GKN serve as non-executive directors of other companies. Subject to review in each case, the Board's general policy is that each executive Director may accept one non-executive directorship with another company (but not the chairmanship of a FTSE 100 company) from which the Director may retain the fees.

Nigel Stein is a non-executive director of Wolseley plc. He retains the fee payable in respect of this appointment (currently £60,000 per annum).

Terms of appointment of Chairman and non-executive Directors

The terms of service of the Chairman and other non-executive Directors are contained in letters of appointment.

Roy Brown became Chairman in May 2004 for an initial period of three years terminable at any time upon 12 months' notice by either party. In May 2007, by resolution of the Board, his term was extended until 20 May 2010. The current policy for other non-executive Directors is to serve on the Board for nine years with interim renewals after three and six years, subject to mutual agreement and annual performance reviews. Neither the Chairman nor the other non-executive Directors participate in the Group's short term variable remuneration or long term incentive arrangements or in its pension scheme, nor do they receive benefits in kind.

The fees received by the Chairman are determined by the Remuneration Committee, with the fees received by each of the remaining non-executive Directors being determined by the Board upon the recommendation of the Chairman and the Chief Executive. The non-executive Directors do not participate in the Board's determinations on this matter. Current fees are as follows:

Position	Fee £000
Chairman	300
Non-executive Director[(a)]	50
Senior Independent Director	5
Audit Committee Chairman[(b)]	11
Remuneration Committee Chairman[(c)]	10

(a) Increased from £45,000 with effect from 1 January 2008.

(b) Increased from £9,000 with effect from 1 January 2008.

(c) Increased from £8,000 with effect from 1 January 2008.

In the light of prevailing conditions in the Group's markets and their likely impact on Group profitability, Roy Brown, Chairman, has elected to waive 10% of his fee with effect from 1 January 2009 until further notice.

Directors' Remuneration Report

continued

Shareholding requirement

In order to reinforce the alignment of their interests with those of shareholders generally, all Directors are subject to a shareholding requirement.

Under a policy adopted by the Remuneration Committee, executive Directors are required to establish and maintain an investment in GKN shares equivalent to at least 100% of their basic salary. The receipt of any shares by a Director from an award made under the LTIP and ESOS is conditional upon the shareholding requirement being met on the third anniversary of the grant of the award. For these purposes any vested but unexercised rights under the LTIP will be counted as shares.

Each executive Director must acquire the minimum required shareholding by adding to any existing shareholding using performance-related rewards which may be received under the GKN short term variable remuneration and long term incentive arrangements. Until the required shareholding level is reached, an executive Director must apply, in the purchase of GKN shares, 30% of that amount of the gross (i.e. before tax) payment under the short term (annual) variable remuneration scheme which exceeds 50% of the Director's gross basic salary at that time, and must retain such number of shares received under the LTIP and ESOS as represents at least 30% of the gross gain which the Director would have realised on the exercise of such an award had the shares been sold on the day of exercise.

It is the Board's policy that non-executive Directors will normally be expected to acquire a holding of GKN shares of a value equivalent to 30% of one year's basic fee within three years of appointment.

Total shareholder return performance

Schedule 7A to the Companies Act 1985 requires GKN's TSR performance to be displayed in chart form against the TSR of a readily available broad equity market index. The Committee considers that in order to maintain consistency, it continues to be appropriate to show the FTSE 100 Index to fulfil this requirement.

The chart below therefore illustrates the TSR performance (based on an initial investment of £100) of GKN shares over the five year period to the end of 2008 compared to the TSR that would have been obtained over the same period from a hypothetical investment in the companies constituting the FTSE 100 Index.

However, for the purposes of the LTIP and ESOS different comparator companies are used (see pages 62 to 64) and the TSR calculation methodology required is different from that required by the regulations for the broad equity market index graph. We therefore show below GKN's TSR and rank against the TSR of the relevant comparator group, together with the vesting percentage of the awards for the five most recently completed measurement periods as computed under the terms of the LTIP and for the completed measurement periods for the ESOS award based on TSR performance.

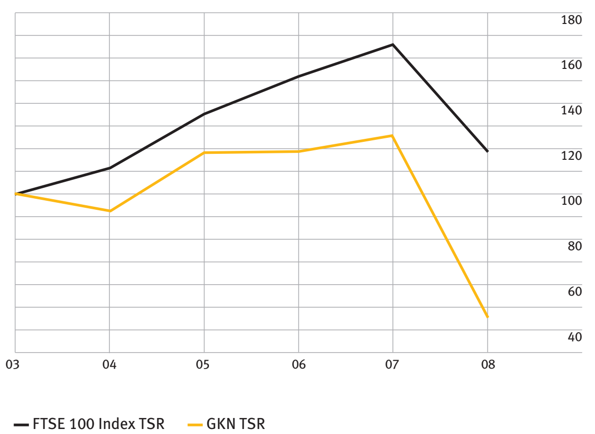
Period	TSR %	Percentile ranking in comparator group (rank no.1 = 100)	% of award vested
LTIP[(a)]			
Jan 2002–Dec 2004	(6.45)	24	0
Jan 2003–Dec 2005	3.59	22	0
Jan 2004–Dec 2006	49.81	37	0
Jan 2005–Dec 2007	70.78	46	0
Jan 2006–Dec 2008	(5.71)	34	0
ESOS[(b)]			
Jan 2004–Dec 2006	49.81	24	0
Jan 2005–Dec 2007	70.78	47	0
Jan 2006–Dec 2008	(5.71)	30	0

(a) For the measurement periods under the LTIP ending on 31 December 2004 and 2005 the comparator groups were based on the FTSE 100 Index less the telecommunications, media, technology and financial services sectors and comprised 63 and 64 companies (including GKN) respectively. For the measurement periods ending on 31 December 2006, 2007 and 2008, they comprised tailored peer groups of 38, 37 and 41 companies respectively (including GKN), listed on page 63.

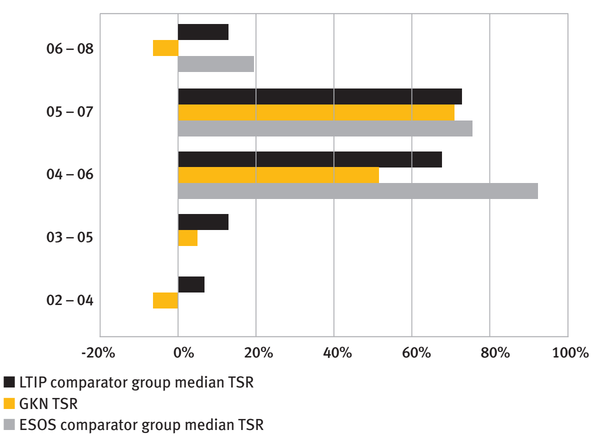
(b) The ESOS comparator groups comprised the FTSE 350 Index constituent companies on 1 January in the first year of the relevant measurement period.

The chart below illustrates GKN's TSR compared to the median TSR of the relevant comparator group under the LTIP and ESOS for such periods.

Total shareholder return — £ sterling
GKN and FTSE 100 Index 2003 to 2008



Total shareholder return — %
GKN and median for comparator group for completed three year measurement periods under the LTIP and ESOS



Directors' remuneration 2008

With the exception of the dates of the executive Directors' service agreements shown in the table below, note (d) to the table on page 68 and the section headed 'Share interests' on page 71, the information set out on pages 67 to 71 represents the auditable disclosures required by Part 3 of Schedule 7A to the Companies Act 1985.

The remuneration of the executive Directors in 2008, excluding pension benefits and long term incentives, was as follows:

	Date of service agreement	Salary £000	Performance-related £000	Car allowance £000	Other benefits £000	Total 2008 £000	Total 2007 £000
Sir Kevin Smith	24.01.03	748	127	14	5	**894**[(a)]	1,430
M J Bryson[(b)]	01.10.07	337	198	15	26[(c)]	**576**[(a)]	378
A Reynolds Smith[(b)]	14.11.07	383	98	12	5	**498**[(a)]	385
W C Seeger[(d)]	11.02.08	365	80	11	93	**549**[(a)]	227
N M Stein	22.08.01	472	105	12	5	**594**[(a)]	890
		2,305	608	64	134	**3,111**[(a)]	3,310

(a) Payments of supplementary allowances to certain executive Directors to assist them towards securing retirement benefits are included in the cash allowances for pension benefit purposes disclosed in the second table on page 70. The allowances, detailed below, have therefore been excluded from the total remuneration shown in the table above although they are part of the Directors' aggregate emoluments for the purpose of disclosure under the Companies Act 1985: Sir Kevin Smith £299,031 (2007 – £287,956); M J Bryson £37,320 (2007 – £17,780); A Reynolds Smith £109,920 (2007 – £62,346); W C Seeger £83,382 (2007 – £30,758); N M Stein £145,420 (2007 – £134,004).

(b) Appointed to the Board 1 June 2007.

(c) A total of £21,000 of this amount relates to a subsistence allowance to which Mr Bryson was entitled following the relocation of GKN's operational headquarters. The payment is subject to normal tax and National Insurance deductions.

(d) Appointed to the Board 10 September 2007. Under the terms of his service agreement, Mr Seeger's emoluments are paid semi-monthly in US$, converted at the exchange rate published in the UK Financial Times on the first business day of the relevant month. Mr Seeger is a US national who has relocated to the UK in the role of Finance Director. Additional reimbursement was made by the Company in respect of temporary living costs incurred prior to his relocation. Mr Seeger had full US Federal and State hypothetical tax withholding through the US payroll in 2008. As a result of the complicated interaction of the UK and US tax regimes, an additional payment of £254,682 was made by GKN to the UK and US tax authorities on Mr Seeger's behalf in order to avoid a period of double taxation. All subsequent tax refunds resulting from the tax paid by GKN will be refunded to the Company in due course. A figure of £49,977 is contained within the benefits figure shown, being the best estimate of the amount which is not expected to be refunded based on information available to date.

The 2008 performance-related payments were triggered by the achievement of a number of Group and, where relevant, divisional targets relating to profit before tax, strategy, Lean Enterprise deployment and cash generation which were set in March 2008. The maximum amount that an individual could receive under the profit element was 80% of salary (85% for the Chief Executive). In addition, cash flow targets were set for the Group as a whole and, where appropriate, divisional cash flow targets for end June, September and December. A maximum of 15% of salary could be received under the combined strategy and Lean Enterprise elements (10% for the Chief Executive). Cash flow targets were achieved in part, resulting in payments of between 7% and 15% of salary. In relation to profit, only the Aerospace division achieved a level of performance that resulted in a payment (of 26% of salary) to its Chief Executive, Marcus Bryson. In relation to strategy performance, achievements resulted in payments of 10% of salary and in relation to Lean Enterprise achievements resulted in payments of 5% of salary. Actual total payments to executive Directors under the 2008 short term variable remuneration scheme varied between 17% and 56% of salary.

The remuneration of the non-executive Directors in 2008 was as follows:

	Total 2008 £000	Total 2007 £000
R D Brown	**300**	270
Sir Ian Gibson	**—**	50
H C-J Mamsch	**50**	45
Sir Christopher Meyer	**50**	45
R Parry-Jones[(a)]	**42**	—
J N Sheldrick	**61**	54
Sir Peter Williams	**65**	53
	568	517

(a) Appointed 1 March 2008.

Directors' aggregate emoluments for 2008 amounted to £4.4 million (2007 – £4.4 million).

Directors' Remuneration Report
continued

Awards over GKN shares under the LTIP held by the executive Directors at 31 December 2008 and 1 January 2008, together with awards made and lapsed during the period, were as follows:

	Awards held 31 December 2008	Awards made	Awards lapsed	Awards held 1 January 2008
Sir Kevin Smith	481,360	—	215,720	697,080
M J Bryson	83,889	—	—	83,889
A Reynolds Smith	105,777	—	—	105,777
W C Seeger	54,410	—	—	54,410
N M Stein	286,883	—	123,800	410,683

(a) Since 31 December 2008, the following rights to GKN shares in respect of awards granted in relation to the measurement period 2006 to 2008 have lapsed: Sir Kevin Smith 247,560 shares; M J Bryson 63,370 shares; A Reynolds Smith 80,268 shares; W C Seeger 54,410 shares; N M Stein 147,542 shares. The measurement period in relation to the outstanding awards ends on 31 December 2009.

(b) During 2008, no awards vested and no shares were released to Directors.

Options over GKN shares granted under the ESOS and the Save As You Earn (SAYE) share option scheme and held by the executive Directors at 31 December 2008 and 1 January 2008 were as follows:

		Exercisable[(a)]		Shares under option 31 December	Exercise	2008			Shares under option 1 January
	Scheme	From	To	2008	Price	Granted	Exercised	Lapsed	2008
Sir Kevin Smith	ESOS	15.03.05	14.03.12	99,350	308p	—	—	66,234	165,584
	ESOS	19.03.06	18.03.13	793,468	163.05p	—	—	—	793,468
	ESOS	05.04.08	04.04.15	—	253.5p	—	—	300,062	300,062
	ESOS	11.04.09	10.04.16	236,816	334.05p	—	—	—	236,816
	ESOS	02.04.10	01.04.17	218,417	380.3p	—	—	—	218,417
M J Bryson	ESOS	15.03.05	14.03.12	15,280	308p	—	—	10,187	25,467
	ESOS	19.03.06	18.03.13	38,379	163.05p	—	—	—	38,379
	ESOS	05.04.08	04.04.15	—	253.5p	—	—	38,793	38,793
	ESOS	11.04.09	10.04.16	33,677	334.05p	—	—	—	33,677
A Reynolds Smith	ESOS	15.03.05	14.03.12	22,920	308p	—	—	15,280	38,200
	ESOS	19.03.06	18.03.13	73,482	163.05p	—	—	—	73,482
	ESOS	05.04.08	04.04.15	—	253.5p	—	—	38,793	38,793
	ESOS	11.04.09	10.04.16	42,658	334.05p	—	—	—	42,658
	SAYE[(b)]	01.12.07	31.05.08	—	230p	—	7,141	—	7,141
W C Seeger	ESOS	05.04.08	04.04.15	—	254.75p	—	—	52,322	52,322
	ESOS	11.04.09	10.04.16	43,378	334.05p	—	—	—	43,378
N M Stein	ESOS	15.03.05	14.03.12	87,661	308p	—	—	58,442	146,103
	ESOS	19.03.06	18.03.13	303,587	163.05p	—	—	—	303,587
	ESOS	05.04.08	04.04.15	—	253.5p	—	—	172,209	172,209
	ESOS	11.04.09	10.04.16	141,138	334.05p	—	—	—	141,138
	ESOS	02.04.10	01.04.17	130,173	380.3p	—	—	—	130,173

(a) Represents the earliest exercise date (assuming satisfaction of relevant performance criteria and personal shareholding requirements) and latest expiry date of options held by the Director during the year.

(b) The SAYE share option scheme is open to all UK subsidiary employees with six months' service or more. Participants save a regular monthly sum of up to £250 for three years (or five years for options granted prior to 2003) and can use these savings and any bonus payable under the scheme to exercise the options. For options granted prior to 2003, the exercise price was set at the maximum discount permitted by the Finance Act 1989 of 20% below the market price before the start of the savings period. For options granted in 2003 this discount was reduced to 10% (no SAYE share options have been granted since 2003).

(c) The closing mid-market price of GKN shares on the London Stock Exchange on 31 December 2008 was 97p and the price range during the year was 66.75p to 320.75p.

(d) At 31 December 2008, the total number of GKN shares which had been issued on the exercise of options granted by the Company or were the subject of such options remaining outstanding under the ESOS and the SAYE share option scheme was 7.0 million and 6.8 million respectively. This represents approximately 0.9% of the issued share capital of the Company at that date in respect of discretionary (i.e. executive) schemes and 1.9% of the issued share capital of the Company at that date in respect of all (i.e. both executive and all-employee) schemes.

Details of the options over GKN shares exercised by Directors during 2008 are shown below:

	Shares issued on exercise	Date of grant	Exercise price per share	Price on date of exercise[(a)]	Shares retained on exercise
A Reynolds Smith	7,141[(b)]	19.09.02	230p	303.5p	7,141

(a) The closing mid-market price per share on date of exercise.

(b) Option granted under the GKN SAYE Share Option Scheme 2001.

(c) The aggregate of the theoretical gain made by Mr Reynolds Smith on the exercise of awards during the year was £5,249 (2007 – nil). This is calculated by reference to the difference between the closing mid-market price of the shares on the date of exercise and the exercise price of the options, disregarding whether such shares were sold or retained on exercise, and is stated before tax.

Since 31 December 2008, the following number of shares the subject of ESOS awards granted in relation to the measurement period 2003 to 2005 have lapsed:

	Lapsed
Sir Kevin Smith	158,694
M J Bryson	7,676
A Reynolds Smith	14,697
N M Stein	60,718

Since 31 December 2008, the following ESOS awards granted in relation to the measurement period 2006 to 2008 have lapsed:

	Lapsed
Sir Kevin Smith	236,816
M J Bryson	33,677
A Reynolds Smith	42,658
W C Seeger	43,378
N M Stein	141,138

Interests in GKN shares held by the executive Directors through Company-matched shares under the GKN Bonus Co-Investment Plan (BCIP) as at 31 December 2008 and 1 January 2008, together with awards released during the year, are given in the table below. Directors are prohibited from participating in the BCIP; awards detailed below were granted prior to the relevant individual's appointment as a Director of the Company.

Under the BCIP, participants could elect in 2005 to invest up to 10% of their maximum gross bonus opportunity for the prior year in GKN shares ('investment shares'). GKN granted matching shares on a three and a half for one basis (i.e. seven matching shares for every two investment shares purchased) which were released to participants who continued to hold the investment shares and remained an employee of the GKN Group on the third anniversary of the date of grant. An additional condition applied to a one for one proportion of the match which required a Group OPIC (operating profit before exceptional items (as defined for internal reporting purposes) after the application of a notional investment charge) performance condition to be achieved before the relevant matching shares could be released. This condition was satisfied. Directors had a beneficial interest in their matching shares during the three year forfeiture period. No awards have been made under the BCIP since 2005.

	Interests held at 31 December 2008	Awards released[(a)]	Awards made	Interests held at 1 January 2008
Sir Kevin Smith	—	—	—	—
M J Bryson	—	20,660	—	20,660
A Reynolds Smith	—	33,890	—	33,890
W C Seeger	—	23,534	—	23,534
N M Stein	—	—	—	—

(a) The closing mid-market price on the date of release of the shares comprising the awards was 104p.

Directors' Remuneration Report
continued

Awards held by the executive Directors under the GKN Profit Growth Incentive Plan (PGIP) as at 31 December 2008 and 1 January 2008 are given in the table below. Directors are prohibited from participating in the PGIP; awards detailed below were granted prior to the relevant individual's appointment as a Director of the Company.

Under the PGIP, the shares which are the subject of the awards are capable of release dependent on the extent to which profit growth targets are satisfied by the Company over a three year performance period which commenced on 1 January 2007; the Company's reported profit for 2006 forms the baseline for this performance measure.

The number of shares stated below will be released following the performance period if the minimum targeted compound annual profit growth (6%) is achieved. A maximum of twice the amount of shares will be released on achievement of the maximum profit target (12%), with 1.5 times the number of shares vesting if 9% profit growth is achieved. No shares will be released and the awards will lapse if the minimum profit target is not achieved. Release is also conditional upon the satisfaction of a personal shareholding requirement.

	Interests held at 31 December 2008	Interests held at 1 January 2008
Sir Kevin Smith	—	—
M J Bryson	20,383	20,383
A Reynolds Smith	25,340	25,340
W C Seeger	7,283	7,283
N M Stein	—	—

The exercise of options under the ESOS and SAYE share option scheme will normally be satisfied by the issue of new shares or, alternatively, through the transfer of shares held in treasury. In respect of awards that vest under the LTIP, the BCIP and the PGIP, the Company intends to obtain the relevant number of shares through market purchase up to the date of release of shares which are the subject of awards that vest.

The first table below shows the total amount paid as a money purchase contribution (paid only in respect of those Directors who are not members of GKN's defined benefit pension scheme) and supplementary allowances to all executive Directors under the Group's pension arrangements. The second table below shows pension amounts for those Directors whose pension arrangements are either wholly or partly of the defined benefit type.

	Cash allowances for pension benefit purposes	
	2008 £000	2007 £000
Sir Kevin Smith	299	288
M J Bryson[(a)]	37	18
A Reynolds Smith[(a)]	110	62
W C Seeger[(b)]	146	42
N M Stein	145	134

	Accrued annual pension at 31 December 2008[(c)] £000	Accrued annual pension at 31 December 2007[(c)] £000	Transfer value of accrued annual pension at 31 December 2008 £000	Transfer value of accrued annual pension at 31 December 2007 restated[(f)] £000	Change in transfer value in 2008[(d)] £000	Increase in annual pension in 2008[(e)] £000	Transfer value at 31 December 2008 of increase in annual pension in 2008[(d)] £000
M J Bryson[(a)]	134	121	2,663	2,079	702	12	236
A Reynolds Smith[(a)]	21	17	241	166	83	4	43
N M Stein	53	48	977	752	267	5	96

(a) Appointed to the Board 1 June 2007.

(b) Appointed to the Board 10 September 2007. The difference between the Director's pension cost shown in this table and the supplementary allowance amount disclosed in note (a) on page **67** represents GKN's contribution to the Director's qualified and non-qualified defined pension arrangement (equivalent to 11% of Mr Seeger's gross earnings).

(c) The accrued annual pension includes entitlements earned as an employee prior to becoming a Director as well as for qualifying services after becoming a Director.

(d) Less any contributions made by the Director.

(e) Increase over the year in accrued pension in excess of inflation to which the Director would have been entitled on leaving service.

(f) A transfer value represents the present value of accrued benefits. It does not represent an amount of money which the individual is entitled to receive. The change in transfer value over the year reflects the additional pension earned and the effect of changes in stock market conditions during the year. Transfer values as at 31 December 2007 were calculated in accordance with version 9.2 of Guidance Note 11 prepared by the Institute/Faculty of Actuaries with effect from 30 December 2005. In anticipation of new transfer value legislation which came into effect on 1 October 2008, the assumptions used to calculate transfer values from the GKN Group Pension Scheme were amended by the Trustees with effect from April 2008. The change in assumptions resulted in higher transfer values as at 31 December 2008. As the transfer values as at 31 December 2007 and 31 December 2008 were not directly comparable, the figures for 2007 have been restated. Actual figures for the transfer value of accrued annual pensions at 31 December 2007 were as follows: M J Bryson £1,955,000; A Reynolds Smith £156,000; N M Stein £707,000.

Share interests

The beneficial interests of the Directors, including family interests, in GKN shares at 31 December 2008 and 1 January 2008 were as follows:

	31 December 2008	1 January 2008[a]
R D Brown	**26,264**	26,264
Sir Kevin Smith	**547,456**	302,462
M J Bryson	**73,512**	36,341
H C-J Mamsch	**7,500**	7,500
Sir Christopher Meyer	**3,500**	3,500
R Parry-Jones[b]	**—**	—
A Reynolds Smith	**83,238**	28,828
W C Seeger	**38,626**	6,724
J N Sheldrick	**5,000**	5,000
N M Stein	**209,272**	125,272
Sir Peter Williams	**15,000**	10,000

(a) Or, if later, on date of appointment as Director.

(b) Appointed to the Board 1 March 2008.

There were no changes in the Directors' interests in shares or options between 31 December 2008 and 25 February 2009* other than in respect of the lapse of awards under the LTIP and ESOS disclosed on pages 68 and 69.

On behalf of the Board

Sir Peter Williams
Chairman of the Remuneration Committee
25 February 2009

* As at 5 March 2009 there were no changes to the beneficial and non-beneficial interests of the Directors.