REPORT ON DIRECTORS' REMUNERATION

Role of the Remuneration Committee
The Board's 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 as a whole 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 consists solely of the Company's non-executive Directors excluding Sir David Lees. Details of the current members of the Committee are given on page 34. Sir John Parker was Chairman of the Committee during 2002 until his retirement from the Board on 16 May and Sir David Lees was a member of the Committee throughout 2002 and until 27 February 2003.

The Committee receives input from the Group's Chief Executive and Human Resources Director when considering the remuneration of the other executive Directors. The Committee may also appoint external independent consultants to advise on executive remuneration matters and in this regard the Committee received advice during 2002 from Towers Perrin on executive Director salary levels. From time to time, GKN's management inputs data into a senior executive salary survey administered by Towers Perrin, the results of which GKN finds useful in determining executive salary levels below Board level. During 2002, Towers Perrin also provided advice to divisional management on certain senior executive retirement and management development matters outside the UK. Towers Perrin did not provide any other advice on executive compensation direct to the Company during the year. The Remuneration Committee adopted a policy during 2002 under which, going forward, an individual external consultant appointed by it to advise on the determination of the level of executive Director remuneration shall not also act as consultant to any company in the GKN Group.

Remuneration policy
This section describes GKN's policy for the remuneration of its executive and non-executive Directors as at the date of this report and for the foreseeable future.

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 Remuneration Committee takes into consideration the remuneration practices found in other UK multinational companies of similar size and also ensures that the remuneration arrangements for executive Directors are compatible with those for executives throughout the Group. The fees of the non-executive Directors are set at a level which will attract individuals with the necessary experience and ability to make a substantial contribution to the Group's affairs. The fees paid are commensurate with those paid by other leading UK listed companies.

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. Further details of each of these elements are given in the following paragraphs. 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 of an executive Director under the Group's remuneration policy is weighted approximately 60% performance-related and 40% non performance-related, valued as at the time of award of long-term incentives. The Remuneration 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.

Basic salary
This is based on a number of factors including market rates together with the individual Director'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 in this connection it reviews annually data drawn from an analysis of senior executive salary levels in approximately 100 major UK companies. Individual salaries of Directors are normally reviewed annually by the Committee with any increase usually being effective from 1 July.

Benefits in kind
These comprise principally car benefits and membership of the Group's healthcare insurance scheme. 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.

Performance-related short-term variable remuneration
Payments may be made annually under arrangements which link remuneration to the achievement of short-term operational targets relevant to GKN's long-term strategic objectives. These targets will

REPORT ON DIRECTORS' REMUNERATION CONTINUED

typically relate to a combination of corporate and, where appropriate, individual portfolio profit and cash flow performance. Achievement of on-target performance will result in payments of approximately 50% of an executive Director's salary. Each year the Remuneration Committee considers in advance whether it is appropriate to place a cap on the maximum amount that could be paid to Directors under that year's arrangements taking into account the nature of the targets. Details of the targets for 2002, under which a cap operated, are given below in the section 'Directors' remuneration 2002'.

The Remuneration Committee has absolute 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 generally are based upon a percentage of year-end basic salary and do not form part of pensionable earnings under any of the Directors' pension arrangements.

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. In 2001, shareholders approved both elements of GKN's current long-term incentive arrangements for executive Directors and other senior executives – the GKN Long Term Incentive Plan 2001 and the GKN Executive Share Option Scheme 2001. The Committee believes it appropriate to operate these two elements in parallel as they each reflect differing shareholder preferences for measuring investment performance, namely the preference for relative shareholder return as a measure of comparative performance and the preference for earnings per share as a measure of absolute growth in earnings. Award levels under each element 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.

GKN Long Term Incentive Plan 2001 (the 'LTIP')

In summary, under the LTIP as it currently operates, each executive Director may be awarded annually a conditional right to acquire a number of GKN plc Ordinary Shares equal in value up to a maximum of 100% of annual basic salary and calculated by reference to the average of the daily closing prices of GKN plc Ordinary Shares during the preceding year. (For awards made in 2001 and 2002, the preceding year's share price is adjusted to reflect the demerger of GKN's Industrial Services businesses to Brambles Industries plc ('Brambles') in August 2001 (the 'Demerger').) The number of these 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 85).

Performance is measured by comparing the Total Shareholder Return (growth in share value assuming reinvestment of gross dividends), or 'TSR', from GKN shares with the return on shares of other companies chosen by the Remuneration Committee as an appropriate comparator group. The Committee considers TSR to be an appropriate performance criterion as it represents the investment return received by GKN's shareholders over the measurement period compared to the return investors could have received by investing in a basket of alternative stocks over the same period. This incentive arrangement is therefore less affected by changes in economic conditions and short-term stock market sentiment than plans based on certain other measures. For awards made in 2001 and 2002, the comparator group is the companies constituting the FTSE 100 Index at the start of the measurement period excluding companies in the telecommunications, media, technology and financial services sectors. The Committee believes it appropriate to base the comparison on the FTSE 100 Index as the peer group of leading companies to which GKN aspires but to strip out certain non-manufacturing sectors, some of which have in recent years contributed significantly to the volatility of the FTSE 100 Index.

If, at the end of the measurement period, GKN ranks in the upper quartile of the comparator group, the executive Director will receive all of the shares conditionally awarded. If the ranking is at the median level, 50% of the shares will be received, with no shares being received for below median. For intermediate rankings between upper quartile and median, the executive Director will receive a proportionate number of shares reducing on a straight-line basis. GKN obtains the required TSR data and ranking information from an external consultant which ensures that the comparative performance is independently verified.

At the end of the three-year measurement period the conditional award is converted into a deferred right to acquire the appropriate number of shares which will not be released to the Director for at least a further two years other than in the specific circumstances set out in the rules of the LTIP. Irrespective of GKN's TSR, 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.

Prior to the introduction of the LTIP, GKN operated a long-term incentive plan (the 'old LTIP') which was similar to the LTIP except that the TSR comparator group was the companies constituting the entire FTSE 100 Index at the start of the measurement period and there was no shareholding requirement. During 2001, shareholders approved an amendment to the old LTIP in connection with the Demerger whereby existing conditional rights became rights to acquire equal numbers of GKN and Brambles shares, with a TSR comparison of a bundle of GKN and Brambles shares. No rights granted under the old LTIP now remain outstanding.

GKN Executive Share Option Scheme 2001 (the 'ESOS')
In summary, under the ESOS each executive Director may be awarded annually an option to subscribe for a number of GKN plc Ordinary Shares. The Remuneration Committee decides the level of awards in each year – for awards made in 2001 and 2002, the value of the shares granted under option to an executive Director was 1.5 times basic salary. A higher level may be applied in future where required specifically to recruit or retain an executive. Marcus Beresford, who retired as Chief Executive on 31 December 2002, was prohibited from being granted options under the rules of the ESOS as he was within two years of his normal retirement date at the time the scheme was launched.

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 85), set by the Remuneration Committee before an option is granted. For options granted in 2001 and 2002, the performance condition is linked initially to the increase in GKN's earnings per share ('eps') (calculated in accordance with UK Financial Reporting Standard 14, adjusted to exclude goodwill amortisation together with any exceptional items as disclosed in the Group's financial statements and the tax thereon) over the three years commencing on 1 January in the year of grant. 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 Remuneration Committee believes that eps, as a true measure of the underlying profitability of a company, is a prime factor that investors take into account when assessing their investment decisions and that real growth in eps of between 9% and 15% is a stretching target of direct relevance to shareholders. The Committee therefore considers it an appropriate means of linking executive rewards with shareholders' interests. The RPI data used to assess the extent to which an option is capable of being exercised is obtained from public sources and GKN's eps amount is extracted from the Group's audited financial statements.

GKN previously operated executive share option schemes until the introduction of the old LTIP in 1996. These schemes were not performance-related and had no personal shareholding requirement in common with most other companies' schemes in operation at the time.

Options granted under the ESOS together with options outstanding under the earlier executive share option schemes are normally exercisable between the third and tenth anniversary of the date of grant (between the fifth and tenth anniversary for options granted in 1995 and 1996). The exercise price is fixed at the market price of GKN's shares at the time of grant.

Retirement benefits
For executive Directors subject to the UK restrictions on pensionable earnings in the Finance Act 1989 (the 'earnings cap'), retirement provision is secured by the Company by a combination of amounts paid to individual 'money-purchase' schemes and supplementary allowances paid to each Director. In certain cases, dependent in part upon the individual's salary level at commencement of employment, retirement benefits are also provided through membership of the Executive section of the GKN Group Pension Scheme, which is a defined benefit scheme. The retirement provisions are made in order to assist each Director towards securing overall retirement benefits compatible in value with those available under the pension scheme had it not been for the operation of the earnings cap.

GKN's pension scheme provides Directors with a pension of up to two-thirds of basic annual salary (up to the 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 5% is required under the scheme, except in the case of members who joined it prior to 1991 when such contributions were introduced.

Executive Directors employed outside the UK typically receive retirement benefits consistent with local practice.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

Service agreements

The service agreements of executive Directors employed in the UK are with GKN Holdings plc, the parent company of the GKN Group prior to the Demerger and now a wholly-owned subsidiary of GKN plc. Executive Directors employed overseas have their service agreements with an appropriate overseas subsidiary. The non-executive Directors do not have service agreements.

GKN'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. The service agreements of Kevin Smith, Dick Etches and Ian Griffiths were amended to align with this policy with effect from 1 January 2003, having previously required two years' notice. The service agreements of Richard Clowes and Nigel Stein have contained one year notice provisions since their inception in 2001. Neal Keating has a US-style service agreement with GKN North America Services Inc which can be terminated by GKN without notice, although for termination without cause an amount approximately equal to one year's basic salary and benefits would be payable to him. The agreements terminate in any event at the end of the year in which the Director attains the age of 60.

If termination of an executive Director's service agreement occurs on less than due notice within 12 months following a change in control of GKN plc, the Director has the right to claim one year's basic salary plus an amount equal to 75% of basic salary in lieu of one year's pension contributions, benefits in kind and loss of entitlements under short-term performance-related remuneration arrangements. In all other circumstances there is no contractual provision for pre-determined compensation payable upon early termination of a Director's service agreement although in such an event the principles of the severance policy adopted by the Board will be applied by the Remuneration Committee.

Under the severance 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 also 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 termination is as a result of underperformance and in such cases consideration will also be given to paying the severance payment in four equal instalments which will only be paid to the extent that the Director has not been able to mitigate his or her loss by the date of the relevant payment.

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.

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.

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 Remuneration Committee's general policy is that each executive Director may accept one non-executive directorship with another company from which the Director may retain the fees.

Terms of appointment of Chairman and non-executive Directors

Sir David Lees' term of appointment as non-executive Chairman was extended in 2001 by mutual agreement until the conclusion of the Company's Annual General Meeting in 2004. His fees, which are determined by the Board, were increased for the remainder of his tenure as Chairman from £250,000 to £280,000 per annum with effect from 1 January 2002. He is not eligible to participate in GKN's short-term variable remuneration arrangements or long-term incentive plans. Sir David is in receipt of a pension from the GKN pension scheme (having retired from executive service within GKN at his normal pensionable age) and has the use of a car, the running and associated costs of which are borne partially by GKN.

The fees received by each of the remaining non-executive Directors are determined by the Board. The basic fee was increased from £30,000 to £35,000 per annum from 1 April 2002, the previous increase having been in July 1999. The chairmen of the Audit and Remuneration Committees receive an additional fee of 12.5% of the basic fee to reflect the significant extra responsibilities attached to these positions. The non-executive Directors do not 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 current policy is for non-executive Directors to serve on the Board for a total of nine years with interim renewals, subject to mutual agreement and performance reviews by the Nominations Committee of the Board, after three and six years.

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 plc Ordinary 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 deferred rights under the LTIP will be counted as shares.

In respect of awards made in 2001 and 2002, if insufficient shares vest from an award to enable an executive Director to satisfy the shareholding requirement, the requirement is deemed to be satisfied for the purpose of that award. However, once the requirement is met in respect of a particular award the Director is expected to retain sufficient of the shares ultimately received from that award towards the satisfaction of the requirement for future awards.

For awards made in or after 2003, 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.

The Board has also recently adopted a policy under which non-executive Directors will normally be expected to acquire a holding of GKN plc Ordinary Shares of a value equivalent to 30% of one year's basic fee within three years of appointment. Directors have been prohibited from dealing in GKN shares since this policy was adopted and certain non-executive Directors have not therefore yet had an opportunity to acquire the necessary shares.

Total Shareholder Return performance

The chart below (*left*) illustrates the TSR performance (based on an initial investment of £100) of GKN plc Ordinary Shares over the period from the Demerger until the end of 2002 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. The interim points show the cumulative TSR at each calendar quarter end date. (As GKN plc was incorporated during the course of 2001, the Directors' Remuneration Report Regulations 2002 (the 'disclosure regulations') only require the comparative TSR performance of the Company's shares to be shown since 1 August 2001 when the Company became the listed parent company of the GKN Group just prior to the Demerger.)

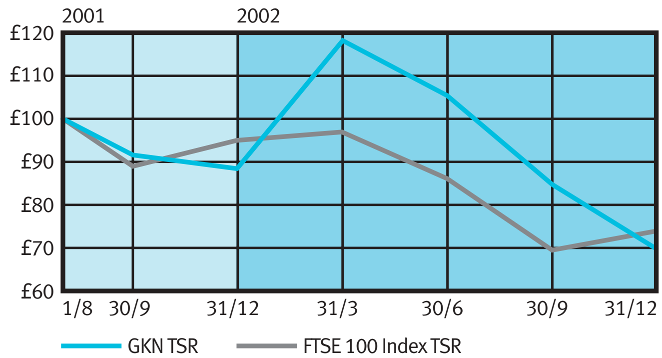
The Committee chose the FTSE 100 Index against which to represent GKN's TSR performance for the purpose of the chart as it is a readily available broad equity market index (as required by the disclosure regulations) of which the Company is a constituent.

The TSR information presented in the chart in accordance with the disclosure regulations differs from the TSR data computed for the purposes of the GKN Long Term Incentive Plans both in terms of the constituent companies involved (see page 82) and the TSR calculation methodology. Given these differences, presented below is GKN's TSR and rank against the TSR of the relevant comparator group, together with the percentage of the conditional award converted into a deferred award, for completed measurement periods as computed under the terms of the Plans. The chart below (*right*) illustrates GKN's TSR compared to the average TSR of the relevant comparator group for such periods.

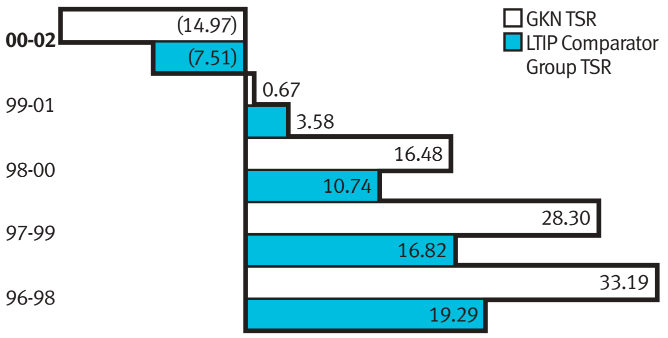
Period	TSR %	FTSE 100 ranking	Deferred award conversion %
Jan 1996 – Dec 1998	33.19	17	100
Jan 1997 – Dec 1999	28.30	24	100
Jan 1998 – Dec 2000	16.48	32	86
Jan 1999 – Dec 2001[a]	0.67	54	0
Jan 2000 – Dec 2002[a]	(14.97)	77	0

(a) Comparative TSR performance for these awards post-Demerger was based on a bundle of GKN and Brambles Ordinary Shares.

Total Shareholder Return GKN and FTSE 100 Index 2001 to 2002



Total Shareholder Return % GKN and average for LTIP comparator group for completed three-year measurement periods under the GKN LTIP



REPORT ON DIRECTORS' REMUNERATION CONTINUED

Directors' remuneration 2002

With the exception of the dates of the executive Directors' service agreements, the information set out on pages 86 to 88 represents the auditable disclosures required by Part 3 of Schedule 7A to the Companies Act 1985.

The remuneration of the executive Directors in 2002, excluding pension benefits and long-term incentives, was as follows:

	Date of service agreement	Salary £000	Performance-related £000	Benefits £000	**Total 2002 £000**	Total 2001[(a)] £000
M Beresford[(b)]	19.3.96	544	660	22	**1,226**[(c)]	500
R J Clowes[(d)]	14.11.01	294	160	12	**466**[(c)]	76
R W Etches	24.1.03	257	292	12	**561**[(c)]	286
I R Griffiths[(e)]	24.1.03	345	396	15	**756**[(c)]	351
C J Keating[(f)]	19.8.02	114	72	33[(g)]	**219**	–
K Smith	24.1.03	345	234	23	**602**[(c)]	661
N M Stein[(h)]	22.8.01	307	363	56[(g)]	**726**[(c)]	160
		2,206	2,177	173	**4,556**	2,034

The 2002 performance-related payments were triggered by the achievement of a number of operational targets. For all executive Directors, a proportion of such payments was dependent upon the achieved level of GKN's 2002 earnings before tax, goodwill amortisation and exceptional items. The outturn for the year was some 21% above the target level which was set at the beginning of 2002 and which was in line with market expectations at that time. For those Directors with responsibility for business operations, payments were also dependent upon the achieved level of operating profit of their respective portfolio in 2002. Profit performance equal to target would have resulted in payments of 40% of salary. The maximum amount that an individual could receive under the profit element was 100% of salary. In addition, cash flow targets were set for the Group as a whole and, where appropriate, the cash flow performance of the Director's portfolio for each half of the year. A total of 10% of salary was payable on achievement of all cash flow targets, all of which were met in full. Actual total payments to executive Directors under the 2002 short-term variable remuneration scheme varied between 50% and 110% of year-end salary (other than Neal Keating whose payment was pro-rated to reflect his period of service during the year). Each of the current executive Directors has agreed voluntarily to increase their investment in GKN plc Ordinary Shares by utilising at least 20% of the gross amount of their entitlement under the 2002 scheme.

The remuneration of the non-executive Directors in 2002 was as follows:

	Fees £000	Benefits £000	**Total 2002 £000**	Total 2001 £000
Sir David Lees	280	19	**299**	267
R D Brown[(i)]	38	–	**38**	34
Sir Ian Gibson[(j)]	20	–	**20**	–
Baroness Hogg	36	–	**36**	30
Dr K H Murmann	34	–	**34**	30
Sir Peter Williams[(k)]	34	–	**34**	17
Sir John Parker[(l)]	15	–	**15**	34
	457	19	**476**	412

Directors' aggregate emoluments for 2002 amounted to £5.4 million (2001 – £4.1 million).

(a) In connection with the Demerger, GKN plc became the parent company of the former GKN plc which changed its name to GKN Holdings plc. The comparative remuneration figures for 2001 in this report include the remuneration paid to the Directors of GKN Holdings plc until 31 July 2001 and to the Directors of GKN plc from 1 August 2001.

(b) Appointed Chief Executive with effect from 7 August 2001 having previously been Managing Director Industrial Services. Retired 31 December 2002.

(c) Payments of supplementary allowances to certain executive Directors to assist them towards securing retirement benefits are included in the money-purchase contributions and allowances for pension benefit purposes disclosed in the second table on page 88. 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: Mr M Beresford – nil (2001 – £26,000); Mr R J Clowes – £79,000 (2001 – £13,000); Mr R W Etches – £70,000 (2001 – £70,000); Mr I R Griffiths – £103,000 (2001 – £83,000); Mr K Smith – £45,000 (2001 – £43,000); Mr N M Stein – £85,000 (2001 – £29,000).

(d) Appointed 1 November 2001.

(e) Appointed 19 January 2001.

(f) Appointed 19 August 2002. Mr Keating is paid in US$ – for the purpose of this report his emoluments have been translated at US$1.50/£1.

(g) Includes relocation expenses.

(h) Appointed 7 August 2001.

(i) Mr Brown's fees were, until 30 June 2001, paid to his former employer, Unilever plc.

(j) Appointed 1 June 2002.

(k) Appointed 1 June 2001.

(l) Retired 16 May 2002.

Options over GKN plc Ordinary Shares granted under the Executive and Save As You Earn (SAYE) share option schemes and held by the executive Directors at 31 December 2002 and 1 January 2002 (or, if later, on appointment to the Board) were as follows:

		Exercisable[(a)]		Shares under option 31 December 2002	Exercise price	2002			Shares under option 1 January 2002
	Scheme	From	To			Granted	Exercised	Lapsed	
M Beresford	Executive	–	–	**–**	–	–	–	–	–
	SAYE	1.7.02	31.12.02	**–**	–	–	–	2,928	2,928
R J Clowes	Executive[(b)]	8.4.97	8.4.04	**120,000**	120p	–	–	–	120,000
	Executive[(b)]	6.4.00	6.4.05	**33,600**	132.29p	–	–	–	33,600
	Executive	21.9.04	20.9.11	**169,928**	242.75p	–	–	–	169,928
	Executive	15.3.05	14.3.12	**138,798**	308p	138,798	–	–	–
	SAYE	1.2.09	31.7.09	**8,283**	217p	–	–	–	8,283
R W Etches	Executive	21.9.04	20.9.11	**156,952**	242.75p	–	–	–	156,952
	Executive	15.3.05	14.3.12	**123,701**	308p	123,701	–	–	–
	SAYE	1.2.05	31.7.05	**4,377**	217p	–	–	–	4,377
I R Griffiths	Executive[(b)]	6.4.00	6.4.05	**28,800**	132.29p	–	–	–	28,800
	Executive	21.9.04	20.9.11	**197,734**	242.75p	–	–	–	197,734
	Executive	15.3.05	14.3.12	**165,584**	308p	165,584	–	–	–
	SAYE	1.7.02	31.12.02	**–**	99.16p	–	4,718	–	4,718
	SAYE	1.7.05	31.12.05	**1,468**	275.41p	–	–	–	1,468
C J Keating	Executive	–	–	**–**	–	–	–	–	–
	SAYE	–	–	**–**	–	–	–	–	–
K Smith	Executive	21.9.04	20.9.11	**210,093**	242.75p	–	–	–	210,093
	Executive	15.3.05	14.3.12	**165,584**	308p	165,584	–	–	–
	SAYE	–	–	**–**	–	–	–	–	–
N M Stein	Executive[(b)]	6.4.00	6.4.05	**67,200**	132.29p	–	–	–	67,200
	Executive	21.9.04	20.9.11	**169,928**	242.75p	–	–	–	169,928
	Executive	15.3.05	14.3.12	**146,103**	308p	146,103	–	–	–
	SAYE	1.7.03	31.12.03	**3,516**	275.41p	–	–	–	3,516

Details of the options over GKN plc Ordinary Shares exercised by Directors during 2002 are shown below.

	Shares issued on exercise	Date of grant	Exercise price per share	Price on date of exercise[(c)]	Shares retained on exercise
I R Griffiths	4,718[(d)]	7.12.01	99.16p	292.25p	4,718

(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) Non performance-related Executive share options.

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

(d) Option granted under the 1995 SAYE Share Option Scheme.

(e) The SAYE share option scheme is open to all UK employees with six months' service or more. Participants save a regular monthly sum of up to £250 for three or five years and can use these savings and any bonus payable under the scheme to exercise the options. As permitted by the Finance Act 1989, the exercise price has been set at 20% below the market price before the start of the savings period.

(f) The closing mid-market price of GKN plc Ordinary Shares on the London Stock Exchange on 31 December 2002 was 200.75p and the price range during the year was 198.25p to 350p.

(g) The aggregate of the total theoretical gains on options exercised by Directors during 2002 amounted to £9,000 (2001 – £11,000). 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.

REPORT ON DIRECTORS' REMUNERATION CONTINUED

Conditional and deferred rights to GKN plc Ordinary Shares under the GKN Long Term Incentive Plans held by the executive Directors at 31 December 2002 and 1 January 2002 (or, if later, on appointment to the Board), together with awards made and lapsed during the year, were as follows:

	Awards held 31 December 2002		Conditional awards made[(a)]	Conditional awards lapsed	Awards held 1 January 2002	
	Conditional	Deferred			Conditional	Deferred
M Beresford[(b)]	**117,363**	**–**	–	32,350	194,470	–
R J Clowes	**174,440**	**–**	86,700	16,150	103,890	–
R W Etches	**165,410**	**–**	77,250	28,600	116,760	–
I R Griffiths	**205,840**	**–**	103,400	15,700	118,140	–
C J Keating[(c)]	**89,059**	**–**	89,059	–	–	–
K Smith	**221,310**	**–**	103,400	–	117,910	–
N M Stein	**161,580**	**–**	91,250	–	70,330	–

In addition Kevin Smith, in respect of the measurement period 1999 to 2001, had a long-term incentive arrangement to be satisfied in cash which in all other respects was equivalent to an award over 26,950 shares made pursuant to the old LTIP. This was to compensate him partly for the loss of benefits under his former employer's long-term incentive plan on joining GKN. The entitlement could not be given in the form of shares due to the timing of his joining. The award lapsed during the year. Nigel Stein has an award from an historical long-term incentive plan operated by GKN Sinter Metals Inc (of which he was Chief Financial Officer prior to his appointment to the Board) under which participants could receive payments based on the increase in value of the GKN Sinter Metals division over the five-year period to 31 December 2002. The award lapsed at the end of the year without any payment being made under it.

The first table below shows the amount paid as money-purchase contributions and allowances to executive Directors under the Group's pension arrangements. The second table below shows pension amounts for those Directors whose pension arrangements were either wholly or partly of the defined benefit type.

	Money-purchase contributions and allowances for pension benefit purposes	
	2002 £000	2001 £000
M Beresford	**222**	176
R J Clowes[(f)]	**80**	13
R W Etches	**104**	100
I R Griffiths[(g)]	**106**	84
C J Keating[(h)]	**13**	–
K Smith	**141**	134
N M Stein[(i)]	**87**	30

	Accrued annual pension at 31 December 2002[(j)] £000	Accrued annual pension at 1 January 2002 £000	**Transfer value of accrued annual pension at 31 December 2002 £000**	Transfer value of accrued annual pension at 1 January 2002 £000	Change in transfer value in 2002[(k)] £000	Increase in annual pension in 2002[(l)] £000	**Transfer value at 31 December 2002 of increase in annual pension in 2002 £000**
R J Clowes	**36**	32	**473**	390	78	3	**38**
I R Griffiths	**40**	36	**527**	441	86	3	**36**
N M Stein	**26**	23	**264**	218	42	3	**28**

(a) The closing mid-market price on the date of award of the shares comprising the conditional awards made during the year was 308p per share (247.5p per share in respect of Mr Keating's award). The measurement period relating to these awards ends on 31 December 2004.

(b) Retired on 31 December 2002. Under the rules of the LTIP, the shares which are the subject of Mr Beresford's conditional awards are eligible for release at the end of the relevant measurement period. The number of shares the subject of Mr Beresford's 2001 award has been reduced pursuant to the rules of the LTIP to reflect his retirement during the course of the relevant measurement period.

(c) Appointed 19 August 2002.

(d) Since 31 December 2002, the following conditional rights to GKN and Brambles Ordinary Shares in respect of awards granted in relation to the measurement period 2000 to 2002 have lapsed:
Mr M Beresford – 27,850 shares;
Mr R J Clowes – 14,850 shares;
Mr R W Etches – 23,200 shares;
Mr I R Griffiths – 20,600 shares;
Mr K Smith – 30,950 shares.

(e) During 2002, no conditional rights were converted into deferred awards, no awards vested and no shares were released to Directors. The aggregate money value (before tax) of the shares released to the Directors in 2001 amounted to £3.8 million.

(f) From 1 November 2001.

(g) From 19 January 2001.

(h) From 19 August 2002.

(i) From 7 August 2001.

(j) 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.

(k) Change in transfer value over the year less any contributions made by the Director.

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

(m) 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 but also the effect of changes in stock market conditions during the year. Transfer values have been calculated in accordance with version 1.5 of Guidance Note 11 prepared by the Institute/Faculty of Actuaries.

Share interests

The beneficial interests of the Directors, including family interests, in the Ordinary Shares of GKN plc at 31 December 2002 and 1 January 2002 (or, if later, on appointment to the Board) were as follows:

	31 December 2002	1 January 2002
Sir David Lees	206,118	206,034
M Beresford	128,666	128,666
R D Brown	2,018	2,018
R J Clowes	39,090	37,892
R W Etches	28,382	27,384
Sir Ian Gibson[(a)]	10,000	–
I R Griffiths	44,954	41,136
Baroness Hogg	893	893
C J Keating[(b)]	–	–
Dr K H Murmann	80,197	80,197
K Smith	3,000	3,000
N M Stein	6,250	1,250
Sir Peter Williams	5,000	5,000

The executive Directors (other than Neal Keating), as potential beneficiaries, are deemed to have an interest in the Ordinary Shares of GKN plc held from time to time by certain discretionary trusts established to facilitate the operation of the GKN long-term incentive arrangements. At 31 December 2002 and 28 February 2003 these trusts held 1,219,238 GKN plc Ordinary Shares (2001 – 1,219,238 shares).

As potential beneficiaries under the discretionary trust established to facilitate the operation of the GKN SAYE share option schemes, the executive Directors are deemed to have an interest in the Ordinary Shares of GKN plc held by the trust from time to time. At 31 December 2002 and 28 February 2003 this trust held no GKN plc Ordinary Shares (2001 – nil shares).

There were no changes in the Directors' interests in shares or options between 31 December 2002 and 28 February 2003 other than in respect of the lapses of conditional rights to GKN plc Ordinary Shares under the old LTIP disclosed on page 88 and in relation to the allotment of shares to and transfer of shares by certain of the discretionary trusts referred to above.

The Company's Register of Directors' Interests, which contains full details of the Directors' shareholdings, long-term incentive plan awards and options to subscribe for shares in GKN plc, is available for inspection by shareholders upon request.

On behalf of the Board

Baroness Hogg
Chairman of the Remuneration Committee
28 February 2003

(a) Appointed 1 June 2002.

(b) Appointed 19 August 2002.