

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 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 also determines the fees of the Chairman and is responsible for recommending to the Chief Executive and monitoring the level and structure of remuneration for the most senior managers below Board level.

The Committee is responsible for appointing external independent consultants to advise on executive remuneration matters. Following a review in 2006 the Committee appointed New Bridge Street Consultants (NBSC) as its advisers and they were retained throughout 2007. NBSC provide advice on executive Directors' remuneration. Since 2006 NBSC have also provided advice to the Group on incentive arrangements for senior executives below Board level. They also continued, during 2007, to provide the total shareholder return monitoring service in connection with the Group's long term incentive plan and executive share option scheme and a valuation of awards during the year under the Group's incentive schemes as required for share-based payment valuation purposes under International Financial Reporting Standard 2, roles they have performed for the Group since 2004. In appointing NBSC in 2006, and retaining them in 2007, 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 NBSC. NBSC did not provide any other services direct to the Group during the year.

The Committee also receives input from the Group's 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 2007 together with Sir Ian Gibson. Their biographical details are set out on pages 48 and 49. The Company Secretary acts as secretary to the Committee.

The Committee met on nine occasions in 2007 to consider a range of issues including proposals for and payments under the short term variable remuneration scheme; the introduction of a new Profit Growth Incentive Plan for senior executives below Board level in 2007 and the proposed introduction in 2008 of a new earnings per share performance measure in the long term incentive plan; a review of the awards to be made under the Group's long term incentive arrangements; the terms of service and remuneration levels for new executive Director appointments; the remuneration of the Chief Executive and the Company Secretary and the fees payable to the Chairman; and a review of the remuneration of senior executives immediately below Board level. Members' attendance at meetings of the Committee in 2007 is set out in the table on page 54.

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 53, 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 55.)

Remuneration policy

This section describes GKN's current policy for the remuneration of its executive and non-executive Directors as at the date of this report and for subsequent financial years.

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. 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 (excluding pension benefits) of each executive Director under the Group's remuneration policy is weighted approximately 64% performance-related and 36% non performance-related, valued as at the time of award of long term incentives, with flexibility to change the balance between the performance-related and non performance-related elements if the Remuneration Committee considers it appropriate. 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.

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 awards in respect of the chairmanship of Board Committees. The fees of the Chairman, as stated above, are determined by the Remuneration Committee. The fees of the other non-executive Directors, including any separate 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.

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 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 Directors are reviewed annually by the Committee with any increase usually being effective from 1 July.

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Benefits

These 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 Bill Seeger's service agreement, under which he is required to relocate to the UK, he receives reimbursement of temporary living costs and is entitled to reasonable relocation expenses. Due to the complicated interaction between the UK and the US tax regimes, tax and social security equalisation will be applied to Mr Seeger's remuneration. Additional taxes which arise in excess of the monthly contribution deducted from Mr Seeger will be 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 under arrangements which link remuneration to 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. For 2008, there is an additional target relating to Lean Enterprise deployment (except for the Chief Executive) and cash targets will be set at quarterly intervals. Achievement of on target profit performance and the achievement of all other objectives will result in payments of approximately 78% of an executive Director's salary and payments are normally capped at around 110% of salary. This cap represents a 10% increase in the proportions from years prior to 2007 and has been implemented to align more closely the performance targets with the Group's strategic growth plan by increasing the percentage applicable to achievement of the growth targets.

Details of the targets and cap for 2007 are given below in the section 'Directors' remuneration 2007'.

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 under 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 2004 shareholders approved revisions to both 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. The structure of the Company's performance-related long term incentives is considered annually as part of the award process and proposals for revisions to the GKN Long Term Incentive Plan and the GKN Executive Share Option Scheme are set out in the AGM circular; the substantive differences from the current arrangements are explained 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, under the LTIP as it currently operates, each executive Director may be awarded annually a conditional right to receive GKN plc ordinary 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 plc ordinary shares during the preceding year. LTIP awards to executive Directors in 2007 were made at a value of 100% of basic salary.

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 pages 61 and 62).

Under the present arrangements, performance is measured by comparing the total shareholder return (i.e. the internal rate of return from the cash flows arising from buying, owning and selling a company's shares), 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 relative TSR to be an appropriate performance criterion as it represents the investment return received by GKN's shareholders over the measurement period compared with the return investors could have received by investing in alternative stocks over the same period. For awards made from 2004 onwards, 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.)

Under the proposed revised arrangements, a new performance condition is to be introduced in the LTIP, to replace the existing TSR based performance condition, based on compound annual growth in earnings per share (normalised for tax, exceptional items and volatile IFRS charges or credits) (EPS). The LTIP, with the new performance criterion, would be available with the GKN Executive Share Option Scheme (ESOS) (explained below) from which annual awards could be made up to an overall annual limit of 250% of total face value of salary (as is currently the case).

For LTIP awards subject to the new EPS performance criterion, vesting would occur at a threshold of 6% compound annual EPS growth at which level 30% of the award would vest, and continue on a straight line basis to 12% compound annual EPS growth at which point 100% of the award would vest.

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 incentives available will, the Committee believes, provide a meaningful incentive package for the motivation and retention of executive Directors linked directly with shareholders' interests.

The companies making up the comparator groups for the awards granted since 2004 are as follows:

Automotive companies

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

Aerospace companies

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

* 2004 comparator group only

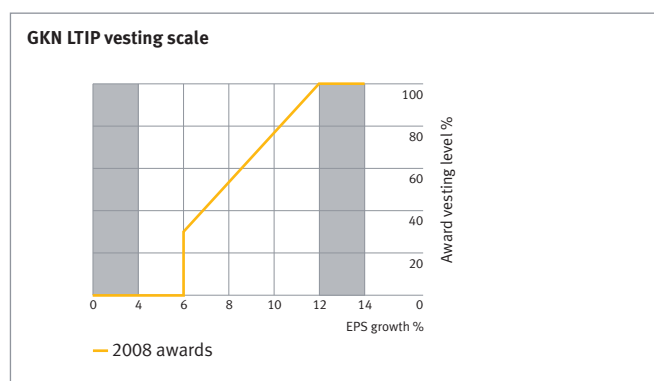
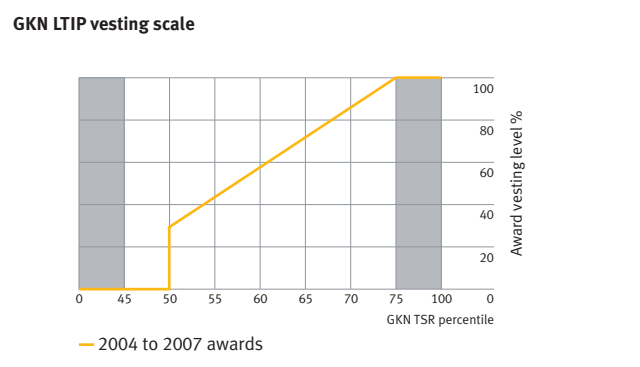
‡ 2006 comparator group only

† 2004 and 2005 comparator groups only

§ 2004, 2005 and 2006 comparator groups only

If GKN's TSR ranks in the upper quartile of the comparator group at the end of the three year measurement period the conditional award is converted into a deferred right to receive all of the shares, which will not be released to the Director for at least one further year other than in the specific circumstances set out in the rules of the LTIP. If the ranking is at the median level, 30% of the shares will be received at the end of the deferment period, with no shares being received for below median ranking. For intermediate rankings between median and upper quartile, the Director will receive a proportionate number of shares increasing on a straight line basis. Dividends will be treated as having accrued from the beginning of the third year of the measurement 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 an external consultant to ensure that the comparative performance is independently verified. However, irrespective of GKN's TSR, or for awards from 2008 onwards its EPS, 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.



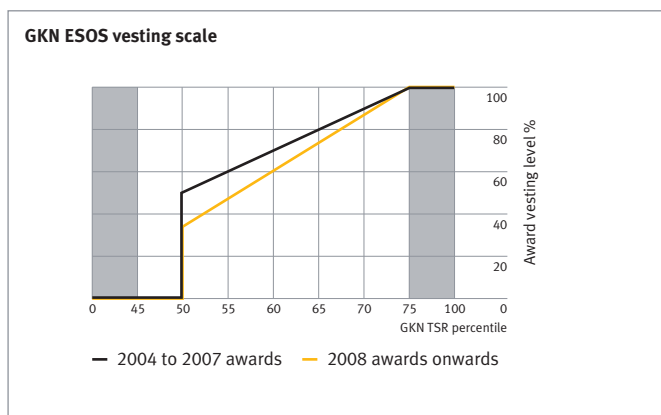
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GKN Executive Share Option Scheme (ESOS)

Under the ESOS each executive Director may be awarded annually an option to subscribe for a number of GKN plc ordinary 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. ESOS awards to executive Directors in 2007 were made at 120% of basic salary, giving a combined award value with LTIP for 2007 of 220% of basic salary.

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 pages 61 and 62), set by the Remuneration Committee before an option is granted. Performance for awards granted from 2004 onwards 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. Under current arrangements, 50% of the shares under option can be acquired by the Director if GKN ranks at the median level in the comparator group with no shares being receivable for below median TSR performance. Under the proposed revised arrangements, 35% of the shares can be acquired if GKN ranks at the median level. 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, which remains unchanged under the proposed revised arrangements. No retesting of the performance condition after the end of the measurement period is permitted.



The TSR information is obtained from an external consultant 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 from 2001 to 2003 inclusive, the performance condition is linked to the increase in GKN's earnings per share*, or 'EPS', 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 2001 underwent their final retesting in 2007 and, as nothing vested, have now 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% 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 Bill 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 fair value of derivative financial instruments where hedge accounting has not been used) 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 service agreements of executive Directors employed in the UK are with GKN Holdings plc, the parent company of the GKN Group prior to the Industrial Services demerger in 2001 and now a wholly-owned subsidiary of GKN plc. Executive Directors employed overseas have their service agreements with the appropriate overseas subsidiary. The non-executive Directors do not have service agreements; their terms of service are contained in letters of appointment.

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. Bill Seeger has a US service agreement with GKN North America Services Inc, also terminable by the Company on one year's notice, which terminates, in any event, on 31 December 2016 (unless extended by prior agreement between Mr Seeger and the Company).

Other than in the event of early termination following a change of control of GKN plc, there is no contractual provision for predetermined compensation payable upon early termination of an executive Director's service agreement. In the event of such a severance (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 or her 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.

As permitted by the Combined Code on Corporate Governance, if 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.

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.

Sir Kevin Smith is a non-executive Director of Scottish and Southern Energy plc. Nigel Stein is a non-executive Director of Wolseley plc. They each retain the fees payable in respect of these appointments (currently £45,000 and £60,000 per annum respectively).

Terms of appointment of Chairman and non-executive Directors

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. He receives a fee, determined by the Remuneration Committee, of £300,000 per annum, increased from £240,000 per annum with effect from 1 July 2007. He does not participate in the Group's short term variable remuneration or long term incentive arrangements or in its pension scheme.

The fees received by each of the remaining non-executive Directors are 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. The basic fee received by the non-executive Directors in 2007 was £45,000. In addition, the chairmen of the Audit Committee (John Sheldrick) and Remuneration Committee (Sir Peter Williams) received £9,000 and £8,000 respectively to reflect the significant extra responsibilities attached to these positions. The Senior Independent Director, Sir Ian Gibson, received an annual fee in 2007 of £50,000; he retired from the Board on 31 December 2007 and was succeeded in the role of Senior Independent Director by Sir Peter Williams, who receives an additional fee of £5,000 in respect of this role. 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 nine years with interim renewals after three and six years, subject to mutual agreement and annual performance reviews.

Shareholding requirement

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

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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.

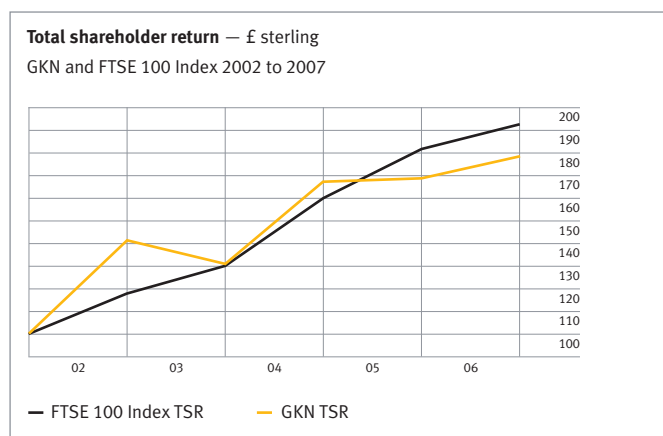
Each executive Director must acquire the minimum required shareholding by adding to any existing shareholding using performance-related rewards which may be received under the GKN short term variable remuneration and long term incentive arrangements. Until the required shareholding level is reached, 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 plc ordinary 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 (the Act) 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 plc ordinary shares over the five year period to the end of 2007 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.



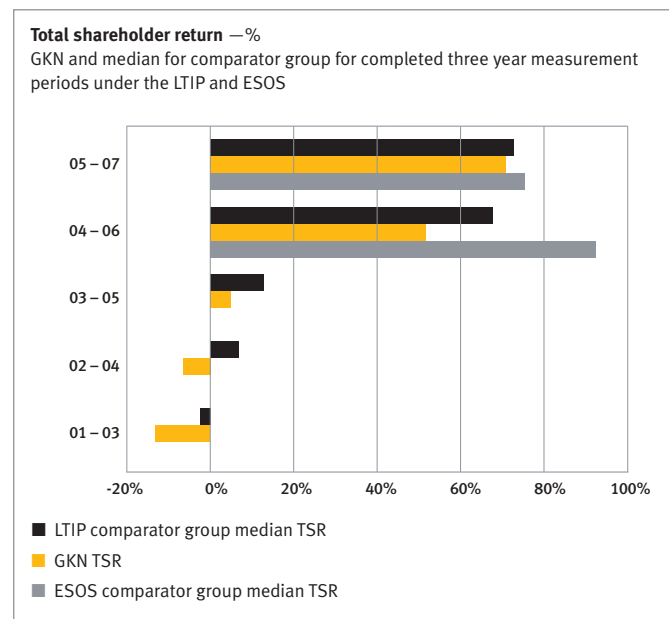
However, for the purposes of the LTIP and ESOS different comparator companies are used (see pages 58 to 60) and the TSR calculation methodology required is different from that required by the regulations for the broad equity market index graph. We therefore show below GKN's TSR and rank against the TSR 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 awards based on TSR performance.

Period	TSR %	Percentile ranking in comparator group (rank no.1 = 100)	% of award vested
LTIP^(a)			
Jan 2001–Dec 2003	-13.26	25	0
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	48	0
ESOS^(b)			
Jan 2004–Dec 2006	49.81	24	0
Jan 2005–Dec 2007	70.78	47	0

(a) For the measurement periods under the LTIP ending on 31 December 2003, 2004 and 2005 the comparator groups were based on the FTSE 100 Index less the telecommunications, media, technology and financial services sectors and comprised 57, 63 and 64 companies (including GKN) respectively. For the measurement periods ending on 31 December 2006 and 2007, they comprised tailored peer groups of 38 and 41 companies respectively (including GKN), listed on page 59.

(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.



Directors' remuneration 2007

With the exception of the dates of the executive Directors' service agreements shown in the table below, note (a) to the table below, note (g) to the table on page 65 and the section headed 'Share interests' on page 68, the information set out on pages 63 to 68 represents the auditable disclosures required by Part 3 of Schedule 7A to the Companies Act 1985.

The remuneration of the executive Directors in 2007, excluding pension benefits and long term incentives, was as follows:

	Date of service agreement	Salary ^(a) £000	Performance-related £000	Car allowance £000	Other benefits £000	Total 2007 £000	Total 2006 £000
Sir Kevin Smith	24.1.03	720	691	14	5	1,430 ^(b)	1,230
M J Bryson ^(c)	1.10.07	192	170	9	7	378 ^(b)	—
A Reynolds Smith ^(c)	14.11.07	222	153	7	3	385 ^(b)	—
W C Seeger ^(d)	11.2.08	103	91	3	30	227 ^(b)	—
N M Stein	22.8.01	446	428	12	4	890 ^(b)	733
		1,683	1,533	45	49	3,310	1,963

(a) The executive Directors' basic salaries at 31 December 2007 were: Sir Kevin Smith £747,579; M J Bryson £330,000; A Reynolds Smith £380,000; W C Seeger £330,000; N M Stein £470,000. The average year end basic salary of those executives in the most senior executive grade below Board level whose remuneration is monitored by the Remuneration Committee was £220,027 (all non-sterling amounts have been translated into sterling at the year end exchange rate for this purpose).

(b) 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 first table on page 67. 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 £287,956 (2006 – £263,691); M J Bryson £17,780 (2006 – £nil); A Reynolds Smith £62,346 (2006 – £nil); W C Seeger £30,758 (2006 – £nil); N M Stein £134,004 (2006 – £118,248).

(c) Appointed to the Board 1 June 2007.

(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 is relocating to the UK in the role of Group Finance Director. Additional reimbursement has been made by the Company in respect of temporary living costs incurred ahead of such relocation. Mr Seeger continued to have full US Federal and State tax withholding through the US payroll in 2007. As a result of the complicated interaction of the UK and US tax regimes, an additional payment of £47,559 was made by GKN to the UK 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 £9,414 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 2007 performance-related payments were triggered by the achievement of a number of Group and, where relevant, divisional targets relating to profit before tax, strategy and cash generation. Profit performance equal to target would have resulted in payments of 40%–50% 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, divisional cash flow performance for each half of the year. Cash flow targets were substantially achieved, resulting in payments of between 4% and 10% of salary. In relation to profit performance, achievements resulted in payments of between 45% and 86% of salary. In relation to divisional strategy performance, achievements resulted in payments of between 10% and 20% of salary. Actual total payments to executive Directors under the 2007 short term variable remuneration scheme varied between 69% and 96% of salary.

The remuneration of the non-executive Directors in 2007 was as follows:

	Total 2007 £000	Total 2006 £000
R D Brown	270	240
Sir Ian Gibson ^(a)	50	50
H C-J Mamsch	45	45
Sir Christopher Meyer	45	45
J N Sheldrick	54	54
Sir Peter Williams	53	53
	517	487

(a) Retired 31 December 2007.

Directors' aggregate emoluments for 2007 amounted to £4.4 million (2006 – £2.9 million).

Directors' Remuneration Report

continued

Conditional and deferred rights to GKN plc ordinary shares under the LTIP held by the executive Directors at 31 December 2007 and 1 January 2007 (or, if later, on date of appointment as a Director), together with awards made and lapsed during the period, were as follows:

	Awards held 31 December 2007		Conditional awards made ^(a)	Conditional awards lapsed	Awards held 1 January 2007 ^(b)	
	Conditional	Deferred			Conditional	Deferred
Sir Kevin Smith	697,080	—	233,800	223,970	687,250	—
M J Bryson ^(c)	83,889	—	—	—	83,889	—
A Reynolds Smith ^(c)	105,777	—	—	—	105,777	—
W C Seeger ^(d)	54,410	—	—	—	54,410	—
N M Stein	410,683	—	139,341	128,540	399,882	—

(a) The closing mid-market price on the date of award of the shares comprising the conditional awards made during the year was 387.75p per share. The measurement period relating to these awards ends on 31 December 2009.

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

(c) Appointed to the Board 1 June 2007.

(d) Appointed to the Board 10 September 2007.

(e) Since 31 December 2007, the following conditional rights to GKN ordinary shares in respect of awards granted in relation to the measurement period 2005 to 2007 have lapsed: Sir Kevin Smith 215,720 shares; N M Stein 123,800 shares.

(f) During 2007, no conditional rights were converted into deferred awards, no awards vested and no shares were released to Directors.

Interests in GKN plc 50p ordinary shares held by the executive Directors through Company-matched shares under the GKN Bonus Co-Investment Plan (BCIP) as at 31 December 2007 and 1 January 2007 (or, if later, on date of appointment as a Director), together with awards released during the year, are given in the table below. Directors were 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 plc 50p ordinary shares ('investment shares'). GKN plc granted matching shares on a three and a half for one basis (i.e. seven matching shares for every two investment shares purchased) which will be released to the participant after three years (which commenced 21 April 2005) provided that the participant continues to hold the investment shares and remains an employee of the GKN Group during that period. An additional condition applies to a one for one proportion of the match such that those shares will only be released to the participant after three years provided a Group OPIC (operating profit before exceptional items (as defined for internal reporting purposes) after the application of a notional investment charge) performance condition is achieved. Directors have a beneficial interest in their matching shares during the three year forfeiture period. Any awards deliverable under the BCIP will be satisfied from GKN ordinary shares already in issue.

	Interests held at 31 December 2007	Awards released ^(a)	Awards made	Interests held at 1 January 2007 ^(b)
Sir Kevin Smith	—	—	—	—
M J Bryson ^(c)	20,660	12,828	—	33,488
A Reynolds Smith ^(c)	33,890	17,578	—	51,468
W C Seeger ^(d)	23,534	—	—	23,534
N M Stein	—	—	—	—

(a) The awards released during the year were granted in 2004 on the basis of two matching shares for every one investment share purchased. The release was conditional upon the participant continuing to hold the investment shares during the three year period following grant and remaining an employee of the GKN Group during that period. The closing mid-market price on the date of release of the shares comprising the awards was 346.5p.

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

(c) Appointed to the Board 1 June 2007.

(d) Appointed to the Board 10 September 2007.

(e) No awards have been made under the BCIP since 2005.

Conditional rights to GKN plc 50p ordinary shares held by the executive Directors under the GKN Profit Growth Incentive Plan (PGIP) as at 31 December 2007 and 1 January 2007 (or, if later, on date of appointment as a Director) are given in the first table on page 65. Directors were prohibited from participating in the PGIP; awards set out in the table 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 set out in the table, if any, that will become capable of release will depend 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 given below will be released following the performance period if the minimum targeted profit growth is achieved. A maximum of twice the amount of shares listed below will be released on achievement of the maximum profit target. 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. Any awards deliverable under the PGIP will be satisfied from GKN ordinary shares already in issue.

	Interests held at 31 December 2007	Interests held at 1 January 2007 ^(a)
Sir Kevin Smith	—	—
M J Bryson ^(b)	20,383	20,383
A Reynolds Smith ^(b)	25,340	25,340
W C Seeger ^(c)	7,283	7,283
N M Stein	—	—

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

(b) Appointed to the Board 1 June 2007.

(c) Appointed to the Board 10 September 2007.

Options over GKN plc ordinary shares granted under the ESOS and the Save As You Earn (SAYE) share option scheme and held by the executive Directors at 31 December 2007 and 1 January 2007 (or, if later, on date of appointment as a Director) were as follows:

	Scheme	Exercisable ^(a)		Shares under option	Exercise Price	2007			Shares under option
		From	To	31 December 2007		Granted	Exercised	Lapsed	1 January 2007 ^(b)
Sir Kevin Smith	ESOS	21.9.04	20.9.11	—	242.75p	—	—	210,093	210,093
	ESOS	15.3.05	14.3.12	165,584	308p	—	—	—	165,584
	ESOS	19.3.06	18.3.13	793,468	163.05p	—	—	—	793,468
	ESOS	16.9.07	15.9.14	—	219p	—	—	347,332	347,332
	ESOS	5.4.08	4.4.15	300,062	253.5p	—	—	—	300,062
	ESOS	11.4.09	10.4.16	236,816	334.05p	—	—	—	236,816
	ESOS	2.4.10	1.4.11	218,417	380.3p	218,417	—	—	—
M J Bryson ^(c)	ESOS	15.3.05	14.3.12	25,467	308p	—	—	—	25,467
	ESOS	19.3.06	18.3.13	38,379	163.05p	—	—	—	38,379
	ESOS	5.4.08	4.4.15	38,793	253.5p	—	—	—	38,793
	ESOS	11.4.09	10.4.16	33,677	334.05p	—	—	—	33,677
A Reynolds Smith ^(c)	ESOS	15.3.05	14.3.12	38,200	308p	—	—	—	38,200
	ESOS	19.3.06	18.3.13	73,482	163.05p	—	—	—	73,482
	ESOS	5.4.08	4.4.15	38,793	253.5p	—	—	—	38,793
	ESOS	11.4.09	10.4.16	42,658	334.05p	—	—	—	42,658
	SAYE	1.12.07	31.5.08	7,141	230p	—	—	—	7,141
W C Seeger ^(d)	ESOS	5.4.08	4.4.15	52,322	254.75p	—	—	—	52,322
	ESOS	11.4.09	10.4.16	43,378	334.05p	—	—	—	43,378
N M Stein	ESOS	21.9.04	20.9.11	—	242.75p	—	—	169,928	169,928
	ESOS	15.3.05	14.3.12	146,103	308p	—	—	—	146,103
	ESOS	19.3.06	18.3.13	303,587	163.05p	—	—	—	303,587
	ESOS	16.9.07	15.9.14	—	219p	—	—	282,395	282,395
	ESOS	5.4.08	4.4.15	172,209	253.5p	—	—	—	172,209
	ESOS	11.4.09	10.4.16	141,138	334.05p	—	—	—	141,138
	ESOS	2.4.10	1.4.11	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) Or, if later, at date of appointment as a Director.

(c) Appointed to the Board 1 June 2007.

(d) Appointed to the Board 10 September 2007.

(e) 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).

(f) The closing mid-market price of GKN plc ordinary shares on the London Stock Exchange on 31 December 2007 was 282p and the price range during the year was 272p to 411.75p.

(g) At 31 December 2007, the total number of GKN plc ordinary 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 schemes was 11.5 million and 8.2 million respectively. This represents approximately 1.5% of the issued share capital of the Company at that date in respect of discretionary (i.e. executive) schemes and 2.6% of the issued share capital of the Company at that date in respect of all (i.e. both executive and all-employee) schemes.

Directors' Remuneration Report

continued

Since 31 December 2007, the following number of shares the subject of ESOS awards granted in relation to the measurement period 2002 to 2004, with an option price of 308p per share, have vested and become capable of exercise or have lapsed:

	Vested	Lapsed
Sir Kevin Smith	99,350	66,234
M J Bryson	15,280	10,187
A Reynolds Smith	22,920	15,280
N M Stein	87,661	58,442

Since 31 December 2007, the following number of shares the subject of ESOS awards granted in relation to the measurement period 2003 to 2005, with an option price of 163.05p per share, have vested and become capable of exercise:

	Vested
Sir Kevin Smith	634,774
M J Bryson	30,703
A Reynolds Smith	58,785
N M Stein	242,869

Since 31 December 2007, the following ESOS awards granted in relation to the measurement period 2005 to 2007 have lapsed:

	Lapsed
Sir Kevin Smith	300,062
M J Bryson	38,793
A Reynolds Smith	38,793
W C Seeger	52,322
N M Stein	172,209

The exercise of options under the ESOS and SAYE share option schemes 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 the 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	
	2007 £000	2006 £000
Sir Kevin Smith	288	270
M J Bryson ^(a)	18	—
A Reynolds Smith ^(a)	62	—
W C Seeger ^(b)	42	—
N M Stein	134	118

	Accrued annual pension at 31 December 2007 ^(c) £000	Accrued annual pension at 31 December 2006 ^(c) £000	Transfer value of accrued annual pension at 31 December 2007 £000	Transfer value of accrued annual pension at 31 December 2006 £000	Change in transfer value in 2007 ^(d) £000	Increase in annual pension in 2007 ^(e) £000	Transfer value at 31 December 2007 of increase in annual pension in 2007 ^(d) £000
M J Bryson ^(a)	121	102	1,955	1,513	425	16	225
A Reynolds Smith ^(a)	17	13	156	111	38	3	20
N M Stein	48	42	707	584	115	3	40

(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 (b) on page 63 represents GKN's contribution to the Director's qualified and non-qualified defined pension arrangement (equivalent, for 2007, to 11% of Mr Seeger's basic salary).

(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 have been calculated in accordance with version 9.2 of Guidance Note 11 prepared by the Institute/Faculty of Actuaries with effect from 30 December 2005.

Directors' Remuneration Report

continued

Share interests

The beneficial interests of the Directors, including family interests, in GKN plc ordinary shares at 31 December 2007 and 1 January 2007 (or, if later, on date of appointment as a Director) were as follows:

	31 December 2007	1 January 2007 ^(a)
R D Brown	26,264	26,264
Sir Kevin Smith	302,462	276,006
M J Bryson ^(b)	36,341	28,784
Sir Ian Gibson ^(c)	10,000	10,000
H C-J Mamsch	7,500	7,500
Sir Christopher Meyer	3,500	2,500
A Reynolds Smith ^(b)	28,828	18,472
W C Seeger ^(d)	6,724	6,724
J N Sheldrick	5,000	5,000
N M Stein	125,272	125,272
Sir Peter Williams	10,000	10,000

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

(b) Appointed to the Board 1 June 2007.

(c) Retired 31 December 2007.

(d) Appointed to the Board 10 September 2007.

There were no changes in the Directors' interests in shares or options between 31 December 2007 and 27 February 2008* other than in respect of the lapse of conditional rights to GKN plc ordinary shares under the LTIP disclosed on page 64 and the vesting and lapse of awards under the ESOS disclosed on page 66.

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



Sir Peter Williams

Chairman of the Remuneration Committee

27 February 2008

* As at 29 February 2008, there were no changes to the beneficial and non-beneficial interests of the Directors.