

Directors' Remuneration Report

As reported in the business review, 2009 proved to be a challenging year for GKN with the severe recessionary conditions impacting Group earnings, particularly in the first six months. The Committee in turn has faced challenges in applying the remuneration policy to ensure the executive Directors are appropriately rewarded and incentivised in such circumstances. Against this background, the Committee believes it has applied the remuneration policy prudently and with a clear alignment to the interests of shareholders.

In particular, notwithstanding the strong leadership of the Directors in managing the business through the recession, no salary increases were awarded to Directors in 2009. In addition, the maximum potential payment under the short term variable remuneration scheme was reduced, with targets geared towards profit progression, margin recovery and cash generation. The long term incentives awarded to Directors in the year focus on strong earnings growth following the recession as well as increasing returns to shareholders. It should also be noted that no long term incentives were awarded in 2008.

In light of these factors, and also that several Directors chose to take a reduced salary for the majority of the year, the Committee believes that remuneration levels are justified and will incentivise growth and reward Directors appropriately for their contribution.

I am, therefore, pleased to present the Remuneration Report for 2009 which sets out in more detail the remuneration policy for Directors and how it has been applied, including disclosures on directors' remuneration required by law.



Sir Peter Williams
Chairman of the Remuneration Committee
24 February 2010

The Remuneration Committee

Composition

The Committee comprises the following independent non-executive Directors, biographical details of whom are set out on pages 40 and 41:

Sir Peter Williams (Chairman)
Helmut Mamsch
Sir Christopher Meyer
Richard Parry-Jones
John Sheldrick
Michael Turner (since his appointment to the Board on 1 September 2009)

The Company Secretary acts as secretary to the Committee.

Role

The Remuneration Committee formulates the Group's policy for the remuneration of the executive Directors of GKN plc. It reviews the policy annually and recommends any changes to the Board for formal approval. Within the framework of the agreed policy, the Committee has responsibility for:

- determining the detailed terms of service of the executive Directors and the Company Secretary, including basic

salary, incentives and benefits, and the terms upon which their service may be terminated;

- determining the fees of the Chairman; and
- monitoring the level and structure of remuneration of the most senior executives immediately below Board level.

The Committee appointed Hewitt New Bridge Street (HNBS) in 2006 as its independent consultants to provide advice on executive Directors' remuneration and incentive arrangements for senior executives below Board level. HNBS also provide the total shareholder return monitoring service in connection with the Group's long term incentive arrangements, a role it has performed for the Group since 2004. HNBS did not provide any other services direct to the Group during the year.

A review of arrangements for the provision of external advice is currently being undertaken.

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

Written terms of reference that outline the Committee's authority and responsibilities 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 46, comply with the best practice provisions of the Combined Code on Corporate Governance.

Activities

The Committee met on eight occasions in 2009 to consider a range of issues including:

- a review of the Directors' remuneration and severance policies;
- proposals for and payments under the short term variable remuneration scheme;
- a review of the awards to be made under the Group's long term incentive arrangements;
- the adjustment to long term incentive awards and share options following the rights issue; and
- a formal evaluation of its own performance.

Members' attendance at meetings of the Committee in 2009 is set out in the table on page 48.

Executive Directors

Remuneration policy

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

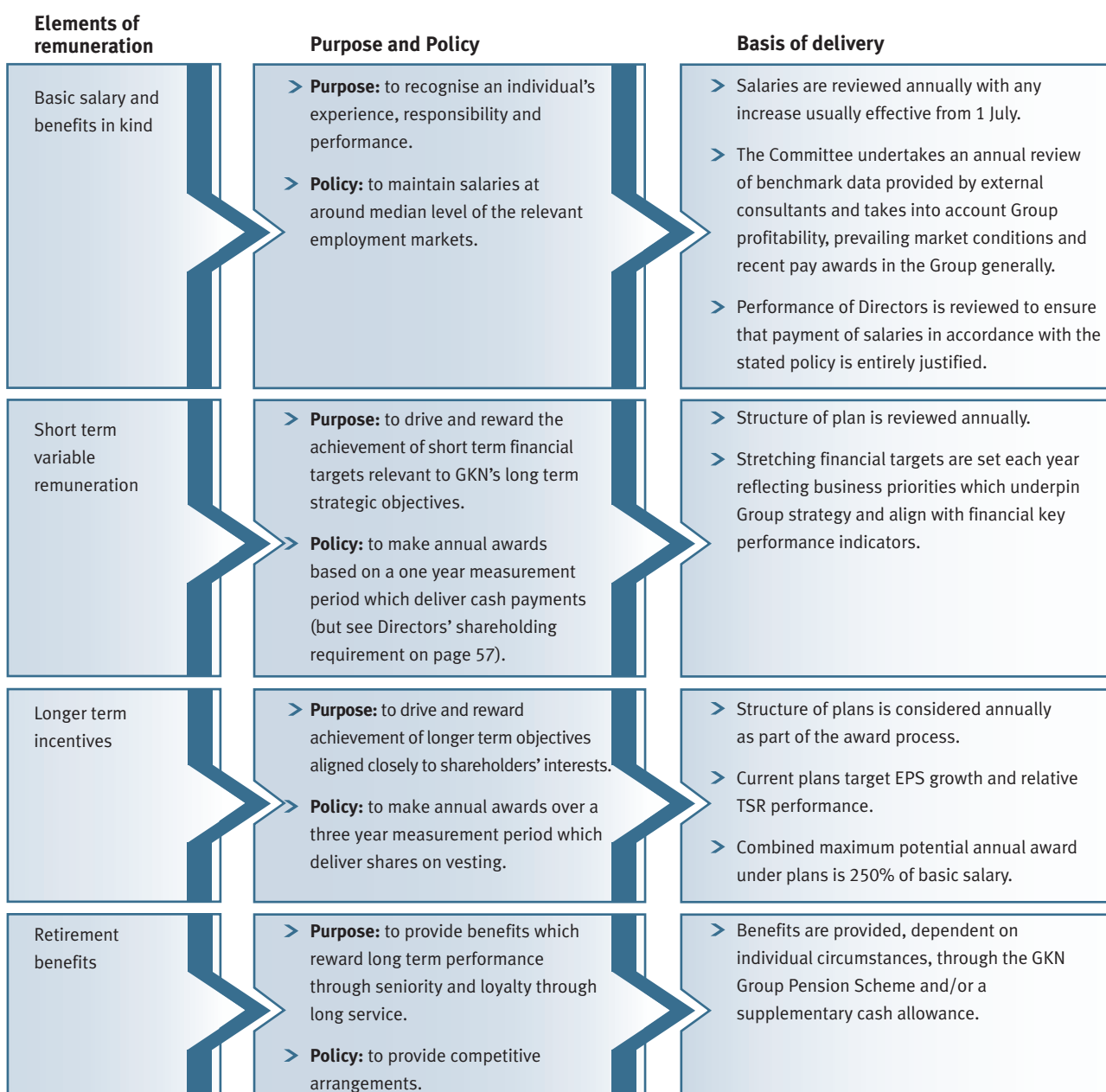
In setting remuneration levels the Committee takes into consideration the remuneration

practices found in other multinational companies and also ensures that the remuneration arrangements for executive Directors are compatible with those for executives throughout the Group.

It also considers the most recent pay awards in the Group generally when reviewing the basic salaries of the executive Directors.

On the basis of the expected value of long term incentives and achievement of on target performance for the purposes of the

short term variable remuneration scheme, the total annual remuneration (excluding pension benefits) of each executive Director under the Group's remuneration policy is weighted between performance-related and non performance-related elements, valued as at the time of award of long term incentives, at around 55% and 45% respectively. The Committee believes that these proportions represent an appropriate balance between certainty of income and incentive-based remuneration linked to the achievement of GKN's operational and strategic objectives.



Directors' Remuneration Report

Basic salary

Individual salaries of executive Directors are reviewed annually by the Committee, taking into account Group profitability, prevailing market conditions and benchmark data on remuneration provided to it by external consultants. No salary increase was awarded in 2009.

The basic salaries payable in respect of executive Directors as at 31 December 2009 were:

| Director | Salary £ |
|-----------------------|-------------|
| Sir Kevin Smith | 747,579 |
| Marcus Bryson | 375,000 |
| Andrew Reynolds Smith | 400,000 |
| William Seeger | 400,000 |
| Nigel Stein | 487,500 |

Sir Kevin Smith's salary has remained unchanged since 2007 (he chose not to take an increase in 2008). Due to prevailing conditions in the Group's markets and their impact on Group profitability, Sir Kevin Smith and Nigel Stein waived 20% of their basic salary entitlement and Andrew Reynolds Smith waived 15% of his basic salary entitlement for the period 1 January to 31 August 2009.

The average basic salary of those executives in the most senior executive grade below Board level whose remuneration is monitored by the Remuneration Committee was £261,815 as at 31 December 2009 (all non-sterling amounts have been translated into sterling at the year end exchange rate for this purpose).

Benefits in kind

Benefits in kind comprise principally car and healthcare benefits. The level of benefits provided to executive Directors is consistent with that provided by other major companies. These benefits do not form part of pensionable earnings.

In addition, under the terms of William Seeger's service agreement, under which he was required to relocate to the UK in 2008, additional reimbursement was made by the Company in 2009 in respect of final expenses relating to his relocation.

Due to the complicated interaction between the UK and the US tax regimes, tax and social security equalisation is applied to Mr Seeger's remuneration. Additional taxes which arise in excess of the monthly contribution deducted from Mr Seeger's salary are settled by the Company in order to ensure that he is not disadvantaged by his global tax position.

Performance-related short term variable remuneration scheme (STVRS)

For the 2009 financial year, stretching targets related to a combination of Group and, where appropriate, individual portfolio profit and cash flow performance and Group net debt were applied. Achievement of on target performance would result in payments of approximately 37.5% of an executive Director's salary (47.5% for the Chief Executive Aerospace) and payments were capped at 80% of salary (90% of salary for the Chief Executive Aerospace). (This compares with a potential payment of approximately 78% of salary in 2008 for on target performance and a cap of 110%.)

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. Payments to Directors are based upon a percentage of basic salary received during the year and do not form part of pensionable earnings.

Long term incentive arrangements

These currently comprise the GKN Long Term Incentive Plan which targets earnings per share (EPS) growth and the GKN Executive Share Option Scheme which is based on total shareholder return (TSR). The Committee believes that these arrangements, aligned to the Group's growth strategy and reflecting performance relative to the external market, provide a meaningful incentive package for the motivation and retention of executive Directors which is linked directly to shareholders' interests.

The combined maximum potential annual award under the GKN Long Term Incentive Plan and the GKN Executive Share Option Scheme is 250% of basic salary.

Under both plans the number of shares that vest will depend on the Group's performance against the relevant targets during the three years commencing on 1 January in the year of award and on satisfaction of a personal shareholding requirement (see page 57). In addition, before any shares become eligible for release or exercise the Remuneration Committee must be satisfied that this is justified by the underlying financial performance of the Group over the measurement period. There is no provision for the retesting of awards.

Neither the GKN Long Term Incentive Plan nor the GKN Executive Share Option Scheme contains provisions for the automatic release of unvested awards on a change of control of GKN plc.

GKN Long Term Incentive Plan (LTIP)

Each executive Director may be awarded annually a right to receive GKN shares up to a maximum value of 150% of basic salary. The value of shares for this purpose is calculated by reference to the average of the daily closing prices of a GKN share during the preceding year.

For awards made between 2004 and 2007, which were based on relative TSR performance over a three year measurement period, the comparator group comprised 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.) Details of the comparator groups are set out on page 58.

Following shareholder approval, a new performance condition based on compound annual growth in EPS (normalised for tax, and excluding exceptional items, other net financing charges and volatile IFRS charges or credits) was introduced to replace relative TSR for awards granted after the 2008 AGM.

In the light of the impact of the severe recessionary conditions on the Group's earnings performance, the Remuneration Committee considered that the performance condition that would normally be applied to LTIP awards (as set out in the first table below), which would have measured EPS growth from a 2008 (i.e. pre-recession) base, was inappropriate for the 2009 awards. Exercising its power under the rules of the plan, and taking account of the performance of the Group in the first half of 2009 as well as market expectations of earnings growth over the measurement period, the Committee

applied a performance condition which aims to incentivise earnings recovery following the recession. The Committee considers that this performance condition is no less challenging than that which would normally have applied.

GKN Executive Share Option Scheme (ESOS)

Each executive Director may be awarded annually an option to acquire a number of GKN shares. The Remuneration Committee decides the level of awards in each year. 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. 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 a GKN share at the time of grant.

Performance 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.

In 2008 changes were made to the ESOS to reduce, from 50% to 35%, the percentage of shares that vest if GKN's TSR ranks at the median level in the comparator group (see the second table below).

Vesting levels under the rules of the LTIP are as follows:

| Vesting level | Pre-2008 awards TSR ranking in comparator group | Post-2008 awards Compound annual EPS growth |
|---------------------|--|--|
| 100% | Upper quartile | 12% or more |
| 30% | Median level | 6% |
| 0 | Below median level | Less than 6% |
| Straight line basis | Between median and upper quartile | Between 6% and 12% |

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

Vesting levels under the rules of the ESOS are as follows:

| Vesting level | | TSR ranking in comparator group |
|---------------------|---------------------|-----------------------------------|
| 2004–2007 awards | Post-2008 awards | |
| 100% | 100% | Upper quartile |
| 50% | 35% | Median level |
| 0 | 0 | Below median level |
| Straight line basis | | Between median and upper quartile |

The TSR data and ranking information is obtained from HNBS to ensure that the comparative performance is independently verified.

Directors' Remuneration Report

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

Executive Directors with non-UK service agreements typically receive retirement benefits consistent with local practice. In particular, in accordance with standard practice in the US, GKN makes a total annual contribution equivalent to 11% of William Seeger's basic salary and any STVRS payment made in the relevant year 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).

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

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

Service agreements

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

There is no contractual provision for predetermined compensation payable upon early termination of an executive Director's service agreement, other than in the event of early termination following a change of control of GKN plc. In the event of such an early termination (other than on a change of control) the Remuneration Committee would apply the principles of the severance policy adopted by the Board. Under this policy, which may be varied in individual cases, an immediate lump sum severance payment will be made to the Director equivalent to one year's basic salary plus one year's pension contributions. Consideration would be given to the inclusion in the severance payment of additional elements relating to short term variable remuneration and major benefits in kind.

However, such additional elements will not normally be included where the severance is as a result of underperformance. Consideration would also be given to making the severance payment in 12 equal instalments which will only be paid to the extent that the Director has not been able to mitigate his loss by the date of the relevant payment.

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

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

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

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

External appointments

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

Nigel Stein is a non-executive director of Wolseley plc. He retains the fee payable in respect of this appointment (currently £61,800 per annum).

Chairman and non-executive Directors

Remuneration policy

The remuneration policy for the Chairman and the other non-executive Directors is for recompense by way of fees in line with those paid by other UK listed companies of comparable size and complexity. Such fees may include additional payments in respect of the chairmanship of Board Committees to reflect the significant extra responsibilities attached to these positions.

The fees of the non-executive Directors (other than the Chairman), together with any additional fees payable to the Chairmen of Board Committees, are determined by the Board upon the recommendation of 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. The fees received by the Chairman are determined by the Remuneration Committee. No Director participates in deliberations concerning his own fee. Current fee levels, which remain unchanged from 2008, are as follows:

| Position | Fee £000 |
|---------------------------------|-------------|
| Chairman | 300 |
| Non-executive Director | 50 |
| Senior Independent Director | 5 |
| Audit Committee Chairman | 11 |
| Remuneration Committee Chairman | 10 |

In the light of prevailing conditions in the Group's markets and their impact on Group profitability Roy Brown, Chairman, waived 10% of his fee from 1 January to 31 August 2009.

Neither the Chairman nor the other non-executive Directors participate in the Group's short term variable remuneration or long term incentive arrangements or in its pension scheme, nor do they receive benefits in kind.

Terms of appointment

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

Roy Brown became Chairman in May 2004 for an initial period of three years, this term being subsequently extended to 2010, terminable at any time upon 12 months' notice by either party. In 2009, by resolution of the Board, his term was further extended until the date of the Company's AGM in 2012. The current policy for other non-executive Directors is to serve on the Board for nine years with interim renewals after three and six years, subject to mutual agreement and annual performance reviews. Appointments may be terminated upon three months' notice by either party and there are no provisions for compensation in the event of termination. Roy Brown's letter of appointment provides for the payment of fees up to the date of the 2012 AGM in the event that his service is terminated by the Company other than in accordance with his letter of appointment.

Shareholding requirement

In order to reinforce the alignment of their interests with those of shareholders generally, all Directors are subject to a shareholding requirement. Details of Directors' shareholdings are given on page 62.

Executive Directors

Under a policy adopted by the Remuneration Committee, executive Directors are required to establish and maintain an investment in GKN shares equivalent to at least 100% of their basic salary. The receipt of any shares by a Director from an award made under the LTIP and ESOS is conditional upon the

shareholding requirement being met on the third anniversary of the grant of the award. For these purposes any vested but unexercised rights under the LTIP will be counted as shares.

Each executive Director must acquire the minimum required shareholding by adding to any existing shareholding using performance-related rewards which may be received under the GKN short term variable remuneration and long term incentive arrangements.

Until the required shareholding level is reached, an executive Director must apply, in the purchase of GKN shares, 30% of that amount of the gross (i.e. before tax) payment under the STVRS 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.

Non-executive Directors

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

Rights issue

Following the rights issue completed in July 2009, the Remuneration Committee approved adjustments to share-based options and awards granted under the Group's incentive arrangements in accordance with the rules of the relevant schemes. The adjustments were based on the theoretical ex-rights price (TERP) formula and ensured that the value of outstanding options and awards remained the same as the value of the options and awards when originally granted. The number of shares the subject of options and awards was multiplied by a TERP factor of 1.4816 and, where applicable, the exercise price of options was multiplied by a factor of 0.6749. The adjustments, where necessary, were approved by HM Revenue & Customs. Following the capital reorganisation effected immediately prior to the rights issue, all outstanding share-based options and awards are over GKN ordinary shares of 10p each.

Directors' Remuneration Report

Historical TSR performance

| Period | TSR % | Percentile ranking in comparator group (rank no.1 = 100) | | % of award vested | |
|------------------------------|---------|--|---------------------|---------------------|---------------------|
| | | LTIP ^(a) | ESOS ^(b) | LTIP ^(a) | ESOS ^(b) |
| January 2003 – December 2005 | 3.59 | 22 | n/a | 0 | n/a |
| January 2004 – December 2006 | 49.81 | 37 | 24 | 0 | 0 |
| January 2005 – December 2007 | 70.78 | 46 | 47 | 0 | 0 |
| January 2006 – December 2008 | (5.71) | 34 | 30 | 0 | 0 |
| January 2007 – December 2009 | (51.90) | 22 | 20 | 0 | 0 |

(a) For the measurement period under the LTIP ending on 31 December 2005 the comparator group was based on the FTSE 100 Index less the telecommunications, media, technology and financial services sectors and comprised 64 companies (including GKN). For the measurement periods ending on 31 December 2006, 2007, 2008 and 2009, they comprised tailored peer groups of 38, 37, 41 and 40 companies respectively (including GKN), listed in the table below.

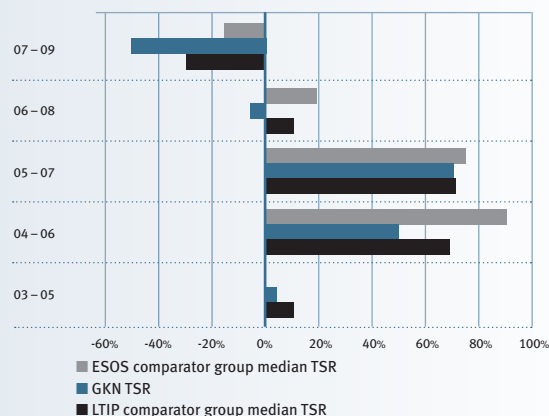
(b) The ESOS comparator groups comprised the FTSE 350 Index constituent companies on 1 January in the first year of the relevant measurement period.

Total shareholder return — £ sterling
GKN and FTSE 350 Index 2004 to 2009



The chart above is prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations). It shows the Company's TSR and that of the FTSE 350 Index, based on an initial investment of £100, over the five-year period to the end of 2009. The FTSE 350 Index was chosen for this chart as it is a broadly based index which contains more manufacturing and engineering companies than the FTSE 100 Index.

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



The LTIP uses different comparator groups and for both the LTIP and ESOS the TSR calculation methodology required is different from that required by the Regulations. The chart above illustrates GKN's TSR compared to the median TSR of the relevant comparator group under the LTIP and ESOS in respect of the five most recently completed measurement periods.

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

| Automotive companies | Faurecia SA | Torch Investment Co Ltd‡ | Cobham plc |
|-----------------------------------|----------------------------|--------------------------------|---------------------------------|
| American Axle & Manufacturing Inc | Fiat SpA | Toyota Motor Corporation | Finmeccanica SpA |
| ArvinMeritor Inc | Ford Motor Company | TRW Automotive Holdings Corp.§ | General Dynamics Corporation |
| Autoliv Inc§ | General Motors Corporation | Valeo SA | Goodrich Corporation |
| BMW AG§ | Haldex AB§ | Visteon Corporation | Lockheed Martin Corporation |
| Borg Warner Inc | Johnson Controls Inc | Volkswagen AG | Meggitt plc |
| Continental AG§ | Magna International Inc | Wagon plct | Raytheon Company |
| DaimlerChrysler AG | Mayflower Corporation plc* | | Rolls-Royce plc |
| Dana Corporation† | NGK Spark Plug Co Ltd | Aerospace companies | Smiths Group plc |
| Delphi Corporation† | NTN Corporation§ | BAE Systems plc | United Technologies Corporation |
| Denso Corporation | Scania AB | Boeing Company | Zodiac SA |
| Eaton Corporation§ | Tomkins plc | Bombardier Inc | |

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

Directors' remuneration 2009

With the exception of the dates shown in the first table below and in the first table on page 60, note (f) to the table on page 61 and the section headed 'Share interests' on page 62, the information set out on pages 59 to 62 represents the auditable disclosures required by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The remuneration of the executive Directors in 2009, excluding pension benefits and long term incentives, was as follows:

| | Date of service agreement | Salary £000 | Performance-related £000 | Car allowance £000 | Other benefits £000 | Total 2009 £000 | Total 2008 £000 |
|-------------------------------|---------------------------|----------------|-----------------------------|-----------------------|------------------------|-----------------------|-----------------------|
| Sir Kevin Smith | 24.01.03 | 648 | 299 | 14 | 7 | 968 ^(a) | 894 |
| Marcus Bryson | 01.10.07 | 353 | 275 | 15 | 26 ^(b) | 669 ^(a) | 576 |
| Andrew Reynolds Smith | 14.11.07 | 350 | 150 | 12 | 4 | 516 ^(a) | 498 |
| William Seeger ^(c) | 11.02.08 | 400 | 160 | 12 | 82 | 654 ^(a) | 549 |
| Nigel Stein | 22.08.01 | 413 | 195 | 12 | 4 | 624 ^(a) | 594 |
| | | 2,164 | 1,079 | 65 | 123 | 3,431 ^(a) | 3,111 |

(a) Payments of supplementary allowances to certain executive Directors to assist them towards securing retirement benefits are included in the cash allowances for pension benefit purposes disclosed in the second table on page 62. The following allowances 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 Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008: Sir Kevin Smith £299,031 (2008 – £299,031); M J S Bryson £44,160 (2008 – £37,320); A Reynolds Smith £112,960 (2008 – £109,920); W C Seeger £107,225 (2008 – £83,382); N M Stein £147,960 (2008 – £145,420).

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

(c) 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 relocated to the UK in 2008 in the role of Finance Director; additional reimbursement was made by the Company in 2009 in respect of expenses relating to his relocation. Mr Seeger had full US Federal and State hypothetical tax withholding through the US payroll in 2009. As a result of the complicated interaction of the UK and US tax regimes, an additional payment of £244,160 was made by GKN to the UK and US tax authorities on his 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 £60,858 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. An amount totalling £58,023, relating to an element of UK tax paid but not reported in 2008, is not included in the above figures.

The 2009 performance-related payments made under the STVRS were triggered by the achievement of a number of Group and, where appropriate, individual portfolio targets relating to profit and cash flow performance and Group net debt. The maximum amount that an individual could receive and actual total payments to executive Directors under the 2009 STVRS were as follows:

| Element | Maximum % | Actual % |
|----------------|---------------------|--------------|
| Profit | 50.0 ^(a) | 10.0 to 43.4 |
| Cash flow | 12.5 | 10.0 to 12.5 |
| Group net debt | 17.5 | 17.5 |
| | 80.0 ^(b) | 37.5 to 73.4 |

(a) 60% for the Chief Executive Aerospace.

(b) 90% for the Chief Executive Aerospace.

Directors' Remuneration Report

The remuneration of the non-executive Directors in 2009 was as follows:

| | Date of current letter of appointment | Expiry of current term ^(b) | 2009 £000 | 2008 £000 |
|-------------------------------|---------------------------------------|---------------------------------------|--------------|--------------|
| Roy Brown | 28.04.09 | 2012 AGM | 280 | 300 |
| Helmut Mamsch | 24.11.09 | 30.11.12 | 50 | 50 |
| Sir Christopher Meyer | 03.08.09 | 2010 AGM | 50 | 50 |
| Richard Parry-Jones | 26.02.08 | 01.03.11 | 50 | 42 |
| John Sheldrick | 05.12.07 | 19.12.10 | 61 | 61 |
| Michael Turner ^(a) | 31.07.09 | 01.09.12 | 17 | — |
| Sir Peter Williams | 07.06.07 | 2010 AGM | 65 | 65 |
| | | | 573 | 568 |

(a) Appointed 1 September 2009.

(b) Subject to re-election at the AGM following their appointment and subsequently at intervals of no more than three years.

Directors' aggregate emoluments for 2009 amounted to £4.7 million (2008 – £4.4 million).

LTIP

Awards over GKN shares under the LTIP held by the executive Directors at 31 December 2009 and 1 January 2009, together with awards made and lapsed during the period, were as follows:

| | Date of grant | Awards held 31 December 2009 | Rights issue adjustment ^(a) | Awards made ^(b) | Awards lapsed ^(c) | Awards held 1 January 2009 |
|-----------------------|---------------|------------------------------------|---|-------------------------------|---------------------------------|----------------------------------|
| Sir Kevin Smith | 11.04.06 | — | — | — | 247,560 | 247,560 |
| | 02.04.07 | 346,398 | 112,598 | — | — | 233,800 |
| | 12.08.09 | 400,000 | 130,021 | 269,979 | — | — |
| Marcus Bryson | 11.04.06 | — | — | — | 63,370 | 63,370 |
| | 02.04.07 | 30,400 | 9,881 | — | — | 20,519 |
| | 12.08.09 | 200,647 | 65,221 | 135,426 | — | — |
| Andrew Reynolds Smith | 11.04.06 | — | — | — | 80,268 | 80,268 |
| | 02.04.07 | 37,794 | 12,285 | — | — | 25,509 |
| | 12.08.09 | 214,024 | 69,569 | 144,455 | — | — |
| William Seeger | 11.04.06 | — | — | — | 54,410 | 54,410 |
| | 12.08.09 | 214,024 | 69,569 | 144,455 | — | — |
| Nigel Stein | 11.04.06 | — | — | — | 147,542 | 147,542 |
| | 02.04.07 | 206,447 | 67,106 | — | — | 139,341 |
| | 12.08.09 | 260,841 | 84,787 | 176,054 | — | — |

(a) Outstanding awards were subject to an adjustment following the rights issue to reflect the dilutive effect of the transaction. For further information see page 57.

(b) The closing mid-market price of a GKN share on the date of award was 109.6p. The measurement period relating to these awards ends on 31 December 2011 and the performance condition is described on page 55.

(c) Since 31 December 2009, the LTIP awards granted on 2 April 2007 have lapsed.

(d) During 2009, no awards vested and no shares were released to Directors.

ESOS

Options over GKN shares under the ESOS held by the executive Directors at 31 December 2009 and 1 January 2009, together with options granted and lapsed during the period, were as follows:

| | Date of grant | Exercisable ^(a) | | Exercise price | Shares under option 31 December 2009 | 2009 | | Shares under option 1 January 2009 |
|-----------------------|---------------|----------------------------|----------|------------------------|--------------------------------------|--|-----------------|------------------------------------|
| | | From | To | | | Rights issue adjustment ^(b) | Options granted | |
| Sir Kevin Smith | 15.03.02 | 15.03.05 | 14.03.12 | 207.87p ^(b) | 147,196 | 47,846 | — | 99,350 |
| | 19.03.03 | 19.03.06 | 18.03.13 | 110.04p ^(b) | 940,481 | 305,707 | — | 793,468 |
| | 11.04.06 | 11.04.09 | 10.04.16 | 334.05p | — | — | 236,816 | 236,816 |
| | 02.04.07 | 02.04.10 | 01.04.17 | 256.66p ^(b) | 323,605 | 105,188 | — | 218,417 |
| Marcus Bryson | 12.08.09 | 12.08.12 | 11.08.19 | 110.08p | 1,154,509 | — | 1,154,509 | — |
| | 15.03.02 | 15.03.05 | 14.03.12 | 207.87p ^(b) | 22,638 | 7,358 | — | 15,280 |
| | 19.03.03 | 19.03.06 | 18.03.13 | 110.04p ^(b) | 45,489 | 14,786 | — | 38,379 |
| | 11.04.06 | 11.04.09 | 10.04.16 | 334.05p | — | — | 33,677 | 33,677 |
| Andrew Reynolds Smith | 12.08.09 | 12.08.12 | 11.08.19 | 110.08p | 579,124 | — | 579,124 | — |
| | 15.03.02 | 15.03.05 | 14.03.12 | 207.87p ^(b) | 33,957 | 11,037 | — | 22,920 |
| | 19.03.03 | 19.03.06 | 18.03.13 | 110.04p ^(b) | 87,095 | 28,310 | — | 73,482 |
| | 11.04.06 | 11.04.09 | 10.04.16 | 334.05p | — | — | 42,658 | 42,658 |
| William Seeger | 12.08.09 | 12.08.12 | 11.08.19 | 110.08p | 617,732 | — | 617,732 | — |
| | 11.04.06 | 11.04.09 | 10.04.16 | 334.05p | — | — | 43,378 | 43,378 |
| | 12.08.09 | 12.08.12 | 11.08.19 | 110.08p | 617,732 | — | 617,732 | — |
| | 15.03.02 | 15.03.05 | 14.03.12 | 207.87p ^(b) | 129,878 | 42,217 | — | 87,661 |
| Nigel Stein | 19.03.03 | 19.03.06 | 18.03.13 | 110.04p ^(b) | 359,834 | 116,965 | — | 303,587 |
| | 11.04.06 | 11.04.09 | 10.04.16 | 334.05p | — | — | 141,138 | 141,138 |
| | 02.04.07 | 02.04.10 | 01.04.17 | 256.66p ^(b) | 192,864 | 62,691 | — | 130,173 |
| | 12.08.09 | 12.08.12 | 11.08.19 | 110.08p | 752,861 | — | 752,861 | — |

(a) Represents the earliest exercise date (assuming satisfaction of the relevant performance condition and personal shareholding requirement) and latest expiry date of options held by the Director during the year. The performance condition is described on page 55.

(b) Outstanding options were subject to an adjustment following the rights issue to reflect the dilutive effect of the transaction. For further information see page 57.

(c) Since 31 December 2009, the ESOS awards granted on 2 April 2007 have lapsed.

(d) The closing mid-market price of a GKN share on 31 December 2009 was 117p. The price range of ordinary 50p shares prior to the capital reorganisation and rights issue was 56.75p to 140.25p. The price range of ordinary 10p shares following the capital reorganisation and rights issue was 92p to 127.5p.

(e) During 2009, no options were exercised by Directors.

(f) At 31 December 2009, the total number of GKN shares which had been issued on the exercise of options granted by the Company or were the subject of such options remaining outstanding under the ESOS and the Save As You Earn (SAYE) share option scheme was 17.1 million and 7.8 million respectively. This represents approximately 1.1% of the issued share capital of the Company at that date in respect of discretionary (i.e. executive) schemes and 1.6% of the issued share capital of the Company at that date in respect of all (i.e. both executive and all-employee) schemes.

Awards held by the executive Directors under the GKN Profit Growth Incentive Plan (PGIP) as at 31 December 2009 and 1 January 2009 (as adjusted for the rights issue) are as follows: Sir Kevin Smith — nil; Marcus Bryson — 30,199; Andrew Reynolds Smith — 37,543; William Seeger — 10,790; Nigel Stein — nil. Directors are prohibited from participating in the PGIP; awards 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 would be capable of release dependent on the extent to which profit growth targets were satisfied by the Group over a three year measurement period which commenced on 1 January 2007 (the Group's reported profit for 2006 formed the baseline for this performance measure) and the satisfaction of a personal shareholding requirement. Since 31 December 2009, the above PGIP awards have lapsed.

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

Directors' Remuneration Report

Retirement benefits

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 | |
|-------------------------------|--|--------------|
| | 2009 £000 | 2008 £000 |
| Sir Kevin Smith | 299 | 299 |
| Marcus Bryson | 44 | 37 |
| Andrew Reynolds Smith | 113 | 110 |
| William Seeger ^(a) | 160 | 146 |
| Nigel Stein | 148 | 145 |

| | Accrued annual pension at 31 December 2009 ^(b) £000 | Accrued annual pension at 31 December 2008 ^(b) £000 | Transfer value of accrued annual pension at 31 December 2009 £000 | Transfer value of accrued annual pension at 31 December 2008 £000 | Change in transfer value in 2009 £000 | Increase in annual pension in 2009 ^(c) £000 | Transfer value at 31 December 2009 of increase in annual pension in 2009 ^(d) £000 |
|-----------------------|---|---|--|--|--|---|---|
| Marcus Bryson | 149 | 134 | 2,911 | 2,663 | 248 | 12 | 221 |
| Andrew Reynolds Smith | 25 | 21 | 301 | 241 | 60 | 4 | 48 |
| Nigel Stein | 60 | 53 | 1,085 | 976 | 109 | 5 | 92 |

(a) The difference between the Director's pension cost shown in this table and the supplementary allowance amount disclosed in note (a) on page 59 represents GKN's contribution to the Director's qualified and non-qualified defined pension arrangement (equivalent to 11% of Mr Seeger's gross earnings).

(b) 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.

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

(d) 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. The transfer values have been calculated in accordance with the method and assumptions used to calculate transfer values from the GKN Group Pension Scheme. These assumptions were adopted by the Trustees with effect from April 2008 in order to meet the requirements of new transfer value legislation which came into effect on 1 October 2008.

Share interests

The beneficial interests of the Directors, including connected persons, in GKN shares at 31 December 2009 and 1 January 2009 are set out below. All the Directors who were eligible to do so took up their entitlements in full under the rights issue completed in July 2009.

| | 31 December 2009 | 1 January 2009 |
|-----------------------|------------------|------------------------|
| Roy Brown | 80,780 | 26,264 |
| Sir Kevin Smith | 1,204,401 | 547,456 |
| Marcus Bryson | 161,725 | 73,512 |
| Helmut Mamsch | 16,500 | 7,500 |
| Sir Christopher Meyer | 13,479 | 3,500 |
| Richard Parry-Jones | 20,000 | — |
| Andrew Reynolds Smith | 283,123 | 83,238 |
| William Seeger | 100,000 | 38,626 |
| John Sheldrick | 20,000 | 5,000 |
| Nigel Stein | 460,398 | 209,272 |
| Michael Turner | 100,000 | 100,000 ^(a) |
| Sir Peter Williams | 33,000 | 15,000 |

(a) On appointment to the Board on 1 September 2009.

There were no changes in the Directors' interests in shares or options between 31 December 2009 and 24 February 2010* other than in respect of the lapse of awards under the LTIP, ESOS and PGIP disclosed on pages 60 and 61.

* As at 28 February 2010, there were no changes to the beneficial and non-beneficial interests of the Directors.