

## **GW PHARMACEUTICALS PLC**

### **REMUNERATION COMMITTEE - TERMS OF REFERENCE**

#### **1. PURPOSE**

The purpose of the Committee is:

- to ensure that the executive directors are fairly rewarded for their individual contributions to the overall performance of the Company;
- to determine all elements of the remuneration of the executive directors and the next tier of Officer roles (Officers to include: CFO, CMO, CLO, COO, President – US, and Company Secretary); and
- to demonstrate to the Company's shareholders that the remuneration of the executive directors and Officers is set by a Board committee whose members are independent (as defined by Nasdaq Rule 5605(a)(2)) and have no personal interest in the outcome of the committee's decision and who will have appropriate regard to the interests of the shareholders.
- to administer the operation of the shareholder approved pay policy, as set out in the UK report and accounts and the Company's Proxy Statement and as approved by the shareholders in General meeting in accordance with the Companies Act and the U.S. Securities and Exchange Commission's rules and regulations ("SEC Rules").

#### **2. MEMBERSHIP**

- (a) The members of the Committee shall be appointed by the Board from amongst the non-executive directors.
- (b) The Committee shall have at least two members. Each member shall be an independent non-executive director, that is, independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment, and meets the independence requirements under the SEC Rules and the listing standards of Nasdaq. A quorum shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- (c) The Committee's chairman shall be appointed by the Board. In the absence of the Chairman of the Committee the remaining members present shall elect one of their number to chair the meeting.
- (d) If a member is unable to act for any reason the chairman of the Committee may appoint another non-executive director as an additional member.

#### **3. SECRETARY**

The secretary of the Committee shall be the Company Secretary or such other person as the Committee may appoint.

#### 4. **ATTENDANCE AT MEETINGS**

- (a) The Committee may invite any person it thinks appropriate to join the members of the Committee at its meetings.
- (b) The Chairman of the Board and/or Chief Executive Officer may be invited to attend its meetings to discuss the performance of the other executive officers. However, neither the Chairman of the Board or Chief Executive Officer shall be involved in any decision or be present at any discussions relating to his or her own remuneration.

#### 5. **FREQUENCY OF MEETINGS**

- (a) At least two meetings shall be held each year. These meetings shall be convened by the secretary of the Committee at the request of its chairman.
- (b) Additionally, any member of the Committee, any director and the external auditors may ask the secretary of the Committee to convene a meeting if he/they consider that such a meeting is necessary or appropriate.

#### 6. **AUTHORITY**

The Committee is authorised by the Board:

- to investigate any activity within its terms of reference;
- to seek any information it requires from any employee;
- to assess the remuneration paid by other US listed companies of a similar size in any comparable industry sector and to assess whether changes to the executive directors' remuneration is appropriate for the purpose of making their remuneration competitive or otherwise comparable with the remuneration paid by such companies;
- to obtain outside legal or other independent professional advice at the Company's expense, including independent remuneration consultants; ensuring that such advice is sought only after taking into consideration the following factors that could influence the independence of the adviser:
  - the provision of other services to GW by the company or person that employs the compensation consultant, legal counsel or other adviser;
  - the amount of fees received from GW by the company/person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the company/person that employs the compensation consultant, legal counsel or other adviser;
  - the policies and procedures of the company/person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
  - any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
  - any GW shares owned by the compensation consultant, legal counsel or other adviser; and

- any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with any Executive Officer of the Company;
- to instruct external professional advisers to attend any meeting if it considers this necessary or appropriate.

## 7. DUTIES

The duties of the Committee shall be:

- to consider and agree with the board the framework or broad policy for the remuneration of the executive directors and senior officers, taking into account all factors it considers necessary;
- to consider, at least annually, the basic salaries paid to the executive directors and any recommendations made by the independent remuneration consultant for changes to their basic salaries;
- to consider, at least annually, any bonuses to be paid to the executive directors and, in respect of any element of remuneration which is performance related, to formulate suitable performance related criteria and monitor their operation, and to consider any recommendations of the Chairman of the Board or the Chief Executive Officer regarding bonuses or performance related remuneration;
- to advise on and determine all performance-related formulae relevant to the remuneration of the executive directors and to consider their eligibility for annual bonuses and benefits under long term incentive schemes;
- to oversee and review all aspects of any share option or equity based incentive award scheme operated by or to be established by the Company, including but not limited to (subject always to the scheme rules and any applicable legal, SEC or Nasdaq requirements):
  - the selection of the eligible directors, employees or consultants to whom options or other equity based incentives should be granted;
  - the timing of any grant;
  - the numbers of shares over which awards are to be granted;
  - the exercise price at which awards are to be granted; and
  - the imposition of any objective condition which must be complied with before any award may be exercised;
- to have regard in the performance of the Committee's duties to any published guidelines or recommendations regarding the remuneration of directors of Nasdaq listed companies or the formation and operation of equity based incentive schemes which the Committee considers relevant or appropriate;
- to have regard to the pay policy approved by shareholders in general meeting and to ensure that any amendments to the pay policy are approved by shareholders from time to time and at least every three years.
- to consider and make recommendations to the Board about the public disclosure of information about the executive directors' and officers remuneration packages and structures in addition to those required by law or by SEC or Nasdaq;

- to consider other benefits granted to the executive directors and any recommendations for changes in those benefits;
- to consider and make recommendations in respect of the pension arrangements applicable to the executive directors;
- to consider and make recommendations in respect of the terms of the service contracts of the executive directors, any proposed changes to those contracts and any termination or severance payment or other termination or severance terms;
- to consider other matters relating to the remuneration of or terms of employment applicable to the executive directors and officers that may be referred to the Committee by the Board;
- to review and discuss the Compensation Discussion and Analysis (the “CD&A”) required to be included in the Company’s proxy statement and annual report on Form 10-K by the rules and regulations of the SEC with management, and, based on such review and discussion, determine whether or not to recommend to the Board that the CD&A be so included;
- to produce the annual Compensation Committee Report for inclusion in the Company’s proxy statement in compliance with the rules and regulations promulgated by the SEC;
- to monitor the Company’s compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers, and with all other applicable laws affecting employee compensation and benefits; and
- oversee the Company’s compliance with SEC rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirement under the NASDAQ rules that, with limited exceptions, shareholders approve equity compensation plans.

## 8. **REPORTING TO SHAREHOLDERS**

- (a) The Committee should report annually on the Board's behalf to the Company's shareholders. Its report should accompany the directors' report in the Company's UK annual report and accounts, annual report on Form 10-K and proxy report (if required) and should contain such information as is required to comply with the Companies Act and SEC disclosure requirements.
- (b) The chairman of the Committee should attend the Company's Annual General Meeting (“AGM”) for the purpose of handling questions and enquiries at the meeting about the remuneration of executive directors.
- (c) The remuneration policy as set out in the annual report and accounts shall be put to the shareholders for their approval at the AGM at least every three years, and in the event of a change to the policy, at the next possible AGM.

## 9. **MINUTES**

The secretary of the Committee shall circulate the minutes of each meeting of the Committee to all members of the Board.

Adopted by resolution of the Board of Directors of GW Pharmaceuticals plc at a meeting held on 7 February 2019.

**Committee membership at 7 February 2019:**

Thomas Lynch – Committee Chairman and independent non-executive Director

Cabot Brown – independent non-executive Director

Alicia Secor – independent non-executive Director