

GW PHARMACEUTICALS PLC

REMUNERATION COMMITTEE - TERMS OF REFERENCE

The Remuneration Committee was established as a Board committee in June 2001.

The following revised and updated terms of reference were proposed and adopted on 30 October 2006 by a resolution of the Board.

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
- to demonstrate to the Company's shareholders that the remuneration of the executive directors is set by a Board committee whose members have no personal interest in the outcome of the committee's decision and who will have appropriate regard to the interests of the shareholders.

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. 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 executive chairman should normally be invited to attend its meetings to discuss the performance of the other executive directors and to make proposals

relating to their remuneration as necessary. However, no director shall be involved in any decision or be present at any discussions as 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 UK 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; and
- 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, taking into account all factors it considers necessary;
- to consider the basic salaries paid to the executive directors and any recommendations made by the executive chairman for changes to their basic salaries;
- to consider 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 executive chairman 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 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 or AiM / London Stock Exchange requirements):

- the selection of the eligible directors and other employees to whom options should be granted;
 - the timing of any grant;
 - the numbers of shares over which options are to be granted;
 - the exercise price at which options are to be granted; and
 - the imposition of any objective condition which must be complied with before any option 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 AiM listed companies or the formation and operation of share options schemes (in particular the guidelines published by the Association of British Insurers and National Association of Pension Funds and the Combined Code) which the Committee considers relevant or appropriate;
 - to consider and make recommendations to the Board about the public disclosure of information about the executive directors' remuneration packages and structures in addition to those required by law or by AiM / the London Stock Exchange;
 - to consider other benefits granted to the executive directors and any recommendations of the managing director 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; and
 - to consider other matters relating to the remuneration of or terms of employment applicable to the executive directors that may be referred to the Committee by the Board.

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 annual report and accounts and should contain such information as is required to comply with the AIM Rules or, where the Committee has determined that there are good reasons for not so complying, an explanation of those reasons.
- (b) The chairman of the Committee should attend the Company's annual general meeting 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 annual general meeting.

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 30 October 2006.