

AUDIT COMMITTEE CHARTER



DIRTT ENVIRONMENTAL SOLUTIONS LTD.

2022 09 15



ORGANIZATION

The Audit Committee (the “**Committee**”) of the Board of Directors (the “**Board**”) of DIRTT Environmental Solutions Ltd. (the “**Company**”), will consist of at least three members of the Board. Committee members must be independent and financially literate (each as defined under applicable securities laws and exchange rules¹), and satisfy all other qualification requirements of applicable securities laws and exchange rules regarding audit committee membership. At least one Committee member must be an “audit committee financial expert” as defined under applicable securities laws and exchange rules. No Committee member may serve simultaneously on the audit committee of more than two other public companies without prior approval of the Board. Notwithstanding the foregoing membership requirements and subject to applicable law, no action of the Committee will be invalid by reason of any such requirement not being met at the time such action is taken.

The Board will annually confirm that the members of the Committee satisfy all applicable independence and other qualification requirements under applicable securities laws and exchange rules. Members of the Committee (including the chair of the Committee) are appointed by the Board, based on recommendations from the Compensation and Governance Committee of the Board, including to fill any vacancies, and may be removed by the Board in its discretion.

STATEMENT OF PURPOSE

The Committee provides assistance to the Board in fulfilling its responsibility to the Company’s current and potential shareholders, the investment community and others to oversee the integrity of the Company’s financial statements, the accounting and financial reporting process, the Company’s systems of internal accounting and financial controls, the independent auditors’ qualifications and independence, the performance of the Company’s internal audit function, if any, and independent auditors, and the Company’s compliance with legal and regulatory requirements. In carrying out this purpose, the Committee is responsible for maintaining free and open communication among the Committee members, the directors, the independent auditors and the Company’s management.

RESPONSIBILITIES

The Committee policies and procedures should remain flexible, to allow it to react to changing conditions and to ensure to the Board and shareholders that the Company’s corporate accounting and financial reporting practices are in accordance with all requirements and of the highest quality. The Committee is delegated all authority of the Board as may be required or advisable to fulfill the purposes of the Committee.

However, at a minimum, the Committee will be responsible for the below listed functions:

¹ “applicable securities laws and exchange rules” refers to: (a) the Securities Act (Alberta) and the equivalent thereof in each province and territory of Canada in which the Company is a “reporting issuer” or equivalent thereof, together with the regulations, rules and blanket orders of the securities commission or similar regulatory authority in each of those jurisdictions; (b) the United States Securities Act of 1933, the United States Securities Exchange Act of 1934 (the “U.S. Exchange Act”), and any rules or regulations thereunder; and (c) the rules of each of the Toronto Stock Exchange and The Nasdaq Stock Market LLC, to the extent any securities of the Company are listed on those exchanges.

FINANCIAL STATEMENT AND DISCLOSURE MATTERS

- Review and discuss with the Company's management and the independent auditors the annual audited and quarterly unaudited financial statements (including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations") to be included in the Company's filings the U.S. Securities and Exchange Commission and similar regulatory authorities in Canada, and make recommendations to the Board. Review and discuss earnings press releases (and in particular any "pro-forma" or non-GAAP information), as well as financial information and earnings guidance provided to analysts and rating agencies.
- Review reports and analyses prepared by the Company's management and the independent auditors about the Company's critical accounting policies and practices, significant financial reporting issues and judgments made in preparation of the financial statements, alternative treatments of financial information within generally accepted accounting principles ("GAAP") that the auditors have discussed with management and the ramifications of using those alternatives, material written communications between the independent auditors and management (such as any management letter or schedule of unadjusted differences), and significant changes in the Company's selection or application of accounting principles. Review any off-balance sheet structures that may have a material effect on the Company's financial statements or related compliance policies.
- At the conclusion of each annual audit, review the audit directly with the independent auditors, including any problems, difficulties, comments or recommendations of the independent auditors, and the response of the Company's management. Report the results of the annual audit to the Board.
- Review disclosures made to the Committee by the chief executive officer and chief financial officer during their certification process about any significant deficiencies and material weaknesses in internal control over financial reporting.
- Recommend to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year subject to the audit.
- Review with management, if management is considering whether a material charge for impairment to the Company's assets is required by GAAP and whether such a determination would require that the Company file a Current Report under Item 2.06 of Form 8-K promulgated under the U.S. Exchange Act, the facts and circumstances supporting the relevant analysis, which review will be conducted before management concludes that such a material charge is required.
- Consider and conclude, for purposes of Item 4.02 of Form 8-K promulgated under the U.S. Exchange Act, whether any previously issued financial statements should no longer be relied upon.

INDEPENDENT AUDITOR OVERSIGHT

- Be directly responsible for the appointment (and recommend that the Board submit for shareholder approval), compensation, termination and oversight of the independent auditors engaged to audit the financial statements of the Company or performing other audit, review or attestation services, including resolution of disagreements between management and the independent auditors regarding financial reporting issues. The Committee has the sole authority to approve all auditing engagements and all non-audit engagements of the independent auditors, and must approve all such services before they are rendered. The Committee may establish pre-approval policies and procedures for the approval of audit and permitted non-audit services. The independent auditors must report directly to the Committee.
- Meet with the independent auditors and financial management of the Company (including members of the Company's internal audit staff, if any) to review the scope of and plans for their respective audits and timely quarterly reviews for the current year and the procedures to be used, including compensation and the adequacy of staffing.
- Discuss with the independent auditors the matters required to be discussed by the PCAOB Auditing Standards No. 1301, Communications with Audit Committees, and any other matters required to be discussed under applicable accounting standards of the PCAOB, as then in effect.
- At least quarterly meet in camera, separately with the Company's management, with the personnel responsible for the Company's internal audit functions (if any) and with the independent auditors to discuss issues and concerns.

REGULATORY OVERSIGHT

- Review any inquiries from regulators or governmental agencies, as well as any legal and regulatory matters (including litigation, claims or contingencies), that may have a material effect on the Company's financial statements or compliance policies.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters, violations of the Company's Insider Trading Policy and Code of Conduct, and the confidential, anonymous submission by employees of concerns about such matters.
- Discuss with the independent auditors the Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct external audits, which is the responsibility of the independent auditor, or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations, which are the responsibilities of management.

The Committee will (i) report its actions and any recommendations to the Board regularly; (ii) prepare the Committee's report to be included in the Company's annual report or management information circular/proxy statement for its annual meetings of shareholders and audited financial

statements; (iii) participate in an annual self-evaluation of the Committee's performance of its duties under this Charter; (iv) at least annually, review and assess the adequacy of this Charter, including in light of legal or regulatory changes or other guidance, and recommend any proposed changes to the Board and (v) perform such other functions as the Board may assign the Committee from time to time.

MEETINGS AND PROCEDURES

The Committee shall meet at least once during each fiscal quarter and more frequently as the Committee deems desirable.

A majority of Committee members shall constitute a quorum. A majority of the members of the Committee in attendance at a meeting, where a quorum is present, is empowered to act on behalf of the Committee. In the event the number of Committee members voting in favor of a proposal and the number of Committee members voting against such proposal are equal, the proposal shall be submitted to a vote of the Board.

The Committee may, at its discretion, include in its meetings members of the Company's management or any other persons whose presence the Committee believes to be necessary or appropriate. Non-Committee members are encouraged to attend meetings of the Committee and may participate in any discussion or deliberation but are not entitled to vote.

The Committee has the authority to delegate any of its responsibilities to single members of the Committee or sub-committees, as the Committee deems appropriate in its sole discretion.

The Committee may conduct or authorize investigations into any matter brought to its attention, with full access to all books, records, facilities and personnel of the Company and has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties. The fees and expenses of such independent counsel and other advisors will be subject to the approval of the chair of the Committee and paid by the Company.

The Company will provide for appropriate funding, as determined by the Committee, for payment of (i) compensation to any independent registered public accounting firm, including the Company's independent auditors, engaged for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Company, (ii) any other accounting firm engaged to perform services for the Company, (iii) compensation to any advisers employed by the Committee, and (iv) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Subject to the Company's Bylaws and other policies, Committee members, including the chair, will be reimbursed by the Company for all reasonable expenses incurred in connection with their duties as Committee members, or as chair.

The Company will make this Charter available on or through the Company's website as required by applicable securities laws and exchange rules. In addition, the Company will disclose in its management information circular/proxy statement for its annual meeting of shareholders or in its Annual Report on Form 10-K, as applicable, that a copy of this Charter is available on the Company's website and provide the website address.