

CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE CHARTER



DIRTT ENVIRONMENTAL SOLUTIONS LTD.

2022 09 15



ORGANIZATION

The Corporate Governance and Compensation 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. Each Committee member must be independent and a “non-employee director” as defined under applicable securities laws and exchange rules.¹

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 this Committee, including to fill any vacancies, and may be removed by the Board in its discretion. 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

STATEMENT OF PURPOSE

The Committee provides assistance to the Board in fulfilling its responsibility to identify qualified individuals to become Board members; determine the qualifications, qualities, skills, and other expertise required to be a director and to develop, and recommend to the Board for its approval, criteria to be considered in selecting nominees for directorship; evaluate the composition, structure and functioning of the Board and its committees; develop and implement the Company’s corporate governance principles; review shareholder proposals and recommend Board action to such proposals; and carry out the responsibilities delegated by the Board relating to these purposes.

In addition, the Committee provides assistance to the Board in fulfilling its responsibility to identify potential candidates for the Chief Executive Officer (“CEO”) and other executive officer (as such term is defined in Rule 3b-7 of the United States Exchange Act of 1934) positions; review and determine the compensation of the CEO, other executive officers and non-management directors; implement compensation and benefits plans, policies and programs of the Company as they affect the Company’s executive officers and non-management directors; establish a compensation philosophy designed to align the interests of senior management with shareholders, assisting in attracting and retaining key officers; and carry out the responsibilities delegated by the Board relating to such purposes.

RESPONSIBILITIES

The Committee policies and procedures should remain flexible, to allow it to react to changing conditions and to ensure that the Company’s corporate governance and compensation 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.

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.

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

A. CORPORATE GOVERNANCE MATTERS

- Identify individuals qualified to become members of the Board and recommend to the Board director nominees to be presented for shareholder approval at each meeting of shareholders at which one or more directors will be elected and to fill vacancies on the Board or the committees thereof. The Committee will recommend individuals as director nominees who meet the qualification standards for directors set forth in the Company's Board Mandate and Corporate Governance Guidelines, and any other qualification standards that may be established by the Board from time to time, including a consideration of the competencies and skills possessed by any potential nominee to the Board relative to the competencies and skills required for the Board as a whole, and the Company's desire to assure that directors represent a diversity of backgrounds, including with respect to gender.
- The Committee will (i) monitor the implementation of the Board Diversity and Inclusion Policy at least annually, (ii) monitor and review the Company's progress in achieving its aspirational targets and report the results to the Board, and (iii) make recommendations to the Board regarding any revisions to the Diversity and Inclusion Policy that may be necessary or appropriate.
- Review and evaluate on an annual basis the Board's committee structure and composition, as well as the leadership structure of the Board, in accordance with the Company's Board Mandate and Corporate Governance Guidelines, including an assessment of the competencies and skills possessed by each existing director relative to the competencies and skills required for the Board as a whole.
- The Committee will make recommendations to the Board regarding the directors to serve on each Board committee and as the chair of each Board committee, including evaluating whether at least one member of the Audit Committee is an "audit committee financial expert" as defined under applicable securities laws and exchange rules.
- Evaluate on an annual basis whether each director satisfies the applicable independence and qualification standards under applicable securities laws and exchange rules and report the results of its review to the Board, which will then determine which directors satisfy the applicable independence standards.
- Review on an annual basis the Board Mandate and Corporate Governance Guidelines, as well as the Company's Code of Conduct and Code of Ethics (collectively, "**Code of Conduct**"), and recommend any proposed changes to the Board.
- Maintain regular contact with the Company's management, which may include, in the Committee's discretion, meeting with the officers responsible for implementing the Company's Code of Conduct and legal compliance, without the presence of other executive officers or non-independent directors.
- Review all material related party transactions and conflicts of interest involving any executive officer or director, except that if the transaction or conflict of interest involves a director who is a member of the Committee and there are not at least two other members of the Committee who are not involved in the transaction or conflict, then the Board shall review and approve/ratify the transaction or conflict.
- Adopt and maintain a policy with respect to the consideration of any director nominees properly recommended by shareholders in accordance with the Company's Bylaws.

- Develop and recommend to the Board an annual self-evaluation process for the Board and its committees, which annual self-evaluation shall be overseen by the Committee.
- Develop and periodically evaluate an orientation program for new directors and a continuing education program for current directors.
- When the chair of the Board is not independent, make a recommendation to the Board concerning the selection and designation of a “Lead Director” to preside over the meetings of the independent directors in executive session.

B. COMPENSATION MATTERS

- Assist the Board in identifying and evaluating potential candidates for executive officer positions, including the CEO, and oversee the development of executive succession plans. The Committee shall review succession plans periodically and recommend any proposed changes to the Board.
- Review, modify (if necessary) and approve the Company’s peer companies, if any, and data sources for purposes of evaluating the Company’s compensation competitiveness and establishing the appropriate competitive positioning of the levels and mix of compensation elements.
- Annually review and recommend to the board for approval the Company’s goals and objectives relevant to the CEO’s compensation, evaluate the CEO’s performance in light of these goals and objectives and, based on such evaluation, determine and approve the CEO’s annual compensation. The CEO may not be present during voting or deliberations on his or her own compensation.
- Annually review and recommend to the board for approval the compensation of all other executive officers of the Company in light of the Company’s performance relative to its goals and objectives.
- Review and recommend to the Board for approval, when appropriate, any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers of the Company, including the ability to adopt, amend and terminate such agreements, arrangements or plans.
- Annually review all non-management director cash and equity-based compensation and benefits for service on the Board and committees of the Board, and recommend any appropriate changes to the Board as necessary.
- Review and recommend to the Board, when appropriate, significant incentive compensation plans and policies and equity-based plans and, where appropriate or required, recommend such plans for approval by the shareholders of the Company, which includes the ability to adopt, amend and terminate such plans. The Committee shall also have the authority to administer the Company’s incentive compensation plans and equity-based plans, including designation of the employees to whom awards are to be granted, the amount of the award to be granted and the terms and conditions applicable to each award, subject to the provisions of each plan.

- If and when applicable, review and recommend to the Board the frequency with which the Company should permit shareholders to have an advisory vote on executive compensation (“**Say on Pay Vote**”), taking into account the results of the most recent shareholder advisory vote on the frequency of Say on Pay Votes. Following each Say on Pay Vote, the Committee will review the results and consider whether to make changes to the Company’s executive compensation policies and practices (particularly if the Say on Pay Vote receives less than 70% shareholder support).
- Recommend to the Board and annually review compliance with share ownership guidelines for executive officers and non-employee directors of the Company to further align management and shareholder interests and discourage inappropriate or excessive risk-taking.
- Review and approve, or review and recommend to the Board for its approval, any transaction in equity securities of the Company, or derivatives of those equity securities, between the Company and any officer or director of the Company who is subject to the reporting and short-swing liability provisions of Section 16 of the United States Securities Exchange Act of 1934, as amended.
- On a periodic basis, review and evaluate the Company’s clawback policy relating to the forfeiture or repayment of incentive compensation paid to an executive officer or other corporate officer in the event of an accounting restatement. Recommend any revisions to the policy to the Board in light of changes in applicable securities laws and exchange rules.
- Review and discuss with management the Company’s “Compensation Discussion and Analysis” (“**CD&A**”), if required, to be included in the Company’s management information circular/proxy statement or other securities filings, and determine whether to recommend to the board that the CD&A be included in the appropriate filing. If required in accordance with applicable securities laws and exchange rules, review the report to be included in the Company’s management information circular/proxy statement and otherwise review any human capital management or executive compensation disclosure, in accordance with applicable securities laws and exchange rules.

The Committee may conduct or authorize investigations into any matter within the scope of the responsibilities delegated to the Committee with respect to corporate governance or compensation matters as it deems appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Committee or any advisors engaged by the Committee. The Committee may, in its sole discretion, select, retain and obtain the advice of, and terminate the engagement of, a director search firm, compensation consultant, outside legal counsel or other advisor, including sole authority to approve the advisor’s fees (the expense of which shall be borne by the Company) and other terms of the engagement. The Committee shall conduct an independence assessment of each compensation consultant or other advisor to the Committee (other than an advisor whose role is limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the consultant or advisor, and about which the consultant or advisor does not provide advice), taking into consideration all factors relevant to that person’s independence from management, including the independence factors specified under applicable securities laws and exchange rules, prior to selecting or obtaining advice from such advisor and as appropriate thereafter.

The Committee will (i) report its actions and any recommendations to the Board regularly; (ii) conduct an annual self-evaluation of the Committee's performance of its duties under this Charter and present the results of such evaluation, and that of other committees, to the Board; (iii) on a periodic basis, and 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 (vi) perform such other functions as the Board may assign the Committee from time to time.

MEETINGS AND PROCEDURES

The Committee shall meet regularly, with a goal of meeting 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; except in no event shall the CEO or any other officers be present at a meeting where their compensation or performance is discussed or determined. 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.

When planning to establish, modify or certify performance targets under bonus plans for senior executives, grant any and all forms of equity compensation, modify or rescind any option, share or restricted share grants, or make, modify or rescind loans to employees or directors, the Committee shall consult the Company's finance and legal departments before taking action.

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.