

DIRTT®



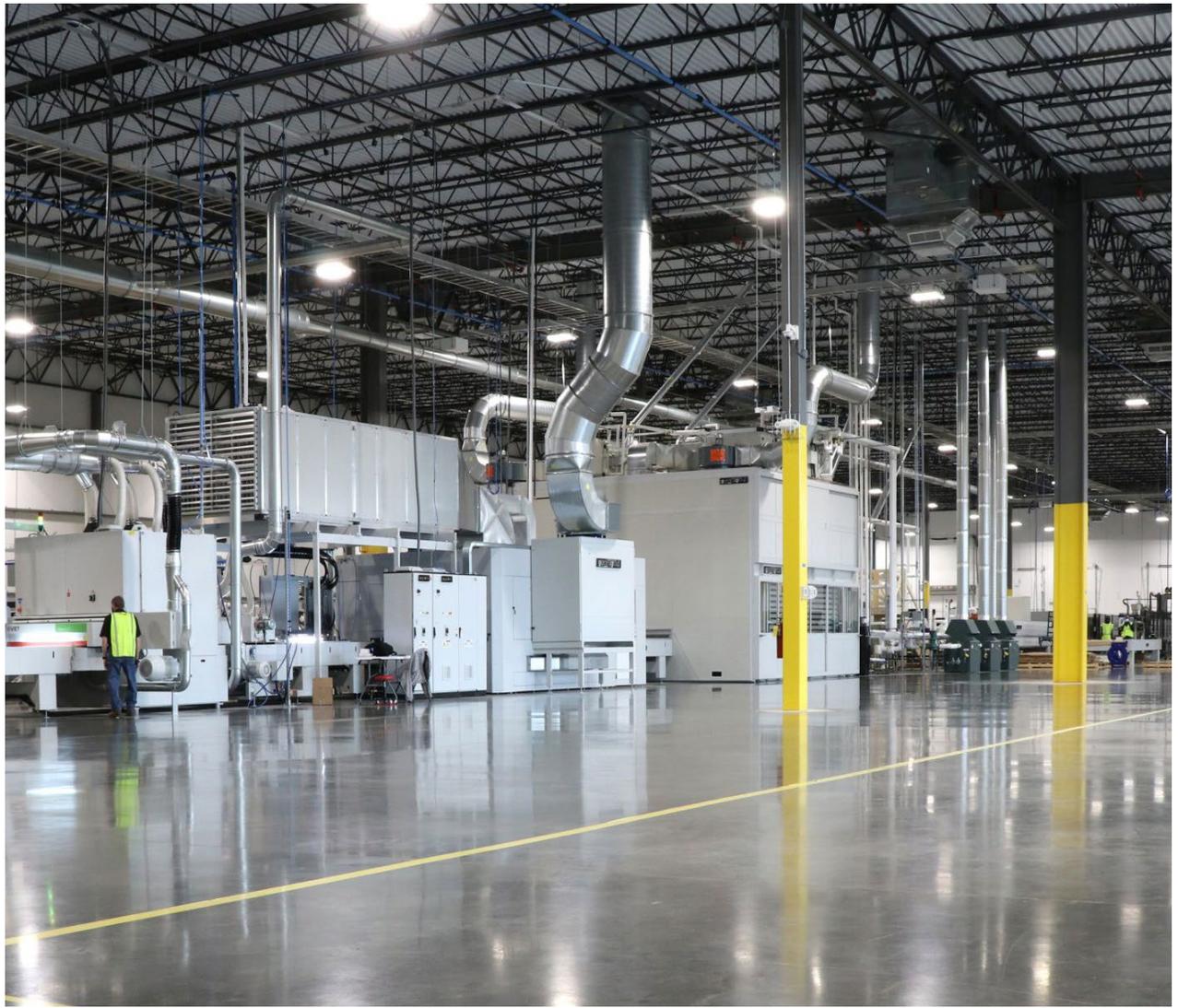
**DIRTT**

FIGHTING AGAINST FORCED  
LABOUR AND CHILD LABOUR  
IN SUPPLY CHAINS

REPORT

ISSUED 2024 05 31





## Introduction

DIRTT Environmental Solutions Ltd. and DIRTT Environmental Solutions Inc. (collectively, “DIRTT” or “our”, “we”) has prepared this Fighting Against Forced Labour and Child Labour in Supply Chains Report (the “Report”) in accordance with Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, SC 2023, c 9 (the “Act”) for the financial year ended December 31, 2023 (the “Reporting Period”).

## Structure and Activities

DIRTT Environmental Solutions Ltd. is incorporated and headquartered in Calgary, Alberta, Canada. DIRTT's common shares trade on the Toronto Stock Exchange under the symbol "DRT" and are quoted on the OTC Markets on the "OTC Pink Tier" under the symbol "DRITF". DIRTT Environmental Solutions Inc. is a wholly owned American subsidiary of DIRTT Environmental Solutions Ltd.

DIRTT manufactures customized interiors used in the workplace, healthcare, education, and public sector markets. We manufacture our products in factories located in Calgary, Alberta and Savannah, Georgia. Our products are shipped to our customers across North America.

## DIRTT's Supply Chain

DIRTT's supply chain includes businesses that supply goods and services to our organization, primarily encompassing various vendors, suppliers, contractors, and subcontractors involved in the procurement of goods and services necessary for our operations. DIRTT procures aluminium, hardware, wood, powder and paint, and glass, amongst other goods, for use in its manufacturing processes. During the Reporting Period, aluminium accounted for approximately 31% of our purchased materials, while wood, hardware, and finishing powder and paint accounted for approximately 12%, 9%, and 9%, respectively. During the Reporting Period, our key materials were sourced as follows:

- i. one supplier accounted for approximately 61% of our aluminum supply and two additional suppliers provided 19% and 18%, respectively;
- ii. two suppliers accounted for approximately 46% and 44% of our wood supply;
- iii. one supplier accounted for 100% of our paint; and
- iv. one supplier accounted for approximately 42% of our hardware supply.

Approximately 93% of the materials we purchased were manufactured in North America, and the remaining 7% in other regions including Europe and Asia. During the Reporting Period, DIRTT did not have any sales outside of Canada and the United States.

## Potential Risk of Forced Labour and Child Labour in our Supply Chains

We believe that identifying and managing risks is an essential component of our success. DIRTT employs an enterprise risk management process, with oversight from the Board of Directors (the "Board"). During the Reporting Period, DIRTT started the process of identifying risks related to forced labour and child labour in our operations and our supply chain and intends to continue building and strengthening our risk assessment strategies.

Our workforce is comprised of manufacturing and office positions, as well as contractors. All employees and contractors that work for us are subject to Canadian and American employment law. As such, we consider there to be a low risk of forced labour or child labour within our own workforce.

We acknowledge that the potential risk of forced and child labour in our supply chains depends on the type and level of activity being conducted. Our current policies, procedures and practices help ensure that labour used by our tier one and two suppliers is voluntary, provides workers with a fair wage, is non-exploitative to workers, and that facilities where workers are present are in compliance with health and safety standards.

We will continue to assess and monitor these risks and work to further develop and improve our processes to protect against these risks.

## DIRTT Policies and Procedures

DIRTT is continuing to implement policies, procedures, and processes to address identified potential risks of forced labour and child labour in our activities and supply chains.

DIRTT fosters a corporate culture that upholds internationally recognized human rights principles. We acknowledge our duty to respect human rights and to prevent any involvement in human trafficking, worker exploitation, child labour, forced labour, or other forms of human rights abuses.

DIRTT's expectations are clearly outlined in our **Code of Conduct** and **Code of Ethics**. Both codes require our directors, officers, employees, service providers, suppliers, and contractors to obey laws, explicitly stating that "we do not use child labour or slave labour or permit our suppliers to do so".

As part of our commitment to respecting human rights, some of our supplier agreements explicitly mandate that suppliers adhere to human rights principles, including those expressed in the International Bill of Human Rights, within their own operations and their supply chains.

DIRTT provides a third-party confidential ethics hotline which is publicly available 24/7 for reports of suspected or confirmed violations by DIRTT's directors, officers, and employees of applicable laws, the **Code of Conduct** or **Code of Ethics**. Further, DIRTT mandates non-retaliation against any report of possible wrongdoing. Hotline reports, and reports made to the Audit Committee are an important aspect of our risk mitigation strategies.

During the Reporting Period, DIRTT also performed ongoing internal assessments of risks related to the Act which involved the following:

- Formation of an internal working group comprised of management representatives from our Environment, Social, and Governance (ESG) team. This group was tasked with assessing the implications of the Act on our organization.
- Participation in internal workshops to deepen our understanding of the Act's objectives and compliance requirements. Additionally, we sought guidance from external advisors to tailor our approach for responding to the Act's framework.
- Conducting a comparative analysis of similar frameworks in other jurisdictions to inform our strategy and ensure comprehensive compliance.
- Evaluation and gap analysis of existing policies and mandates to identify areas for improvement and alignment with the Act.

DIRTT's processes include actively monitoring select suppliers through virtual and in person site visits to our major suppliers. We also conduct virtual site tours of select prospective suppliers. During the Reporting Period, we completed a site visit to our main supplier in China and reviewed documentation. The supplier provided the following documents to demonstrate their compliance with the following requirements of Chinese labour laws:

- refusing to employ anyone under the age of 16 or engage anyone under the age of 18 in any heavy physical labour;
- paying employees' salaries in accordance with relevant laws, regulations, and company regulations; and
- refusing to employ those who do not have resident identification cards or other valid documents.

## Remediation Measures

DIRTT has not been made aware of any instances of forced or child labour in its operations or supply chains in the Reporting Period. Therefore, no measures have been taken to remediate instances of forced labour or child labour, or remediate loss of income resulting from remediation measures, during the Reporting Period.

## Education and Training

During the onboarding process for new staff, we require new staff to understand and acknowledge our policies, including our **Code of Conduct** and **Code of Ethics** as part of DIRTT's commitment to honesty, integrity, and accountability. These codes emphasize the essential role of each employee's cooperation and dedication in ensuring our sustained success and upholding our reputation as a responsible corporate citizen.

All directors, officers, employees, and consultants are required to annually confirm their understanding of and commitment to the **Code of Ethics** including the prohibition of all forms of slavery, forced labour, human trafficking, and child labour within our business. Employees who are uncertain about whether an act or working condition contravenes our policies are encouraged to seek guidance from leadership or our talent department.

## Next Steps

Continuously preventing and addressing forced and child labour risks within our operations and supply chains remains an ongoing priority for DIRTT. To further enhance our efforts in the coming year, DIRTT is assessing implementing the following measures:

- reviewing and refining our policies and mandates pertaining to forced labour and child labour to identify opportunities for improvement and enhancement;
- strengthening our supplier prequalification and onboarding processes to bolster controls and procedures including by requiring compliance from our vendors with the DIRTT Supplier Code of Conduct;
- engaging with our suppliers by way of questionnaire and audit, both of which will explicitly make child labour and forced labour inquiries, to emphasize DIRTT's commitment to ensuring forced or child labour never occurs within DIRTT's supply chains; and
- developing and delivering regular, comprehensive employee training sessions to raise awareness and understanding of all facets of slavery, compulsory labour, forced labour, human trafficking, and child labour.

Through undertaking these measures, we aim to assess the effectiveness of our forced and child labour risk management and due diligence practices, and also aim to reaffirm our dedication to ethical business operations and risk mitigation throughout our supply chain.

## Approval and Attestation

This report was approved pursuant to subparagraph 11(4)(b)(ii) of the Act by the Board of Directors of DIRTT Environmental Solutions Ltd. In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.



**Benjamin Urban**

Chief Executive Officer

I have authority to bind DIRTT Environmental Solutions Ltd.

Date: Friday, May 31, 2024