

Board **Mandate**



BOARD MANDATE

DIRTT ENVIRONMENTAL SOLUTIONS

Approved October 17, 2013 (Revised March 8, 2017 and December 29, 2017 and September 10, 2018)

A. ACCOUNTABILITY

The Board of Directors (the “Board”) of the Corporation is responsible for overseeing the management of the business and affairs of the Corporation.

B. ROLE

The role of the Board is to focus on governance and stewardship of the business carried on by the Corporation and its subsidiaries as a whole. In broad terms, stewardship of the Corporation involves the Board in strategic planning, risk management, internal control integrity and external reporting and compliance. The Board will review and approve strategy and monitor performance against those strategic objectives. In fulfilling this role, the Board will regularly review the strategic plans developed by management so that they continue to be responsive to the changing business environment in which the Corporation and its subsidiaries operate.

C. RESPONSIBILITIES

In fulfilling its role, the Board will:

1. Oversee Stakeholder Communication

Satisfy itself that there is effective communication between the Corporation (both the Board and management) and the Corporation’s securityholders, other stakeholders and the public by ensuring that the Corporation’s communication and disclosure policies and processes set forth under “L” below are reviewed annually by the Board.

2. Establish Strategic Goals, Performance Objectives and Operational Policies

The Board will establish a strategic planning process which ensures, among other things, that the Board has meaningful input during management’s development of the strategy. The Board is responsible for ensuring that the Corporation has a strategy which articulates broad strategic corporate objectives and the corporate values and metrics against which the performance of the Corporation and its subsidiaries will be measured. In this regard, the Board will, at least annually:

- a) Approve annual and long-term strategies which take into account, among other things, the opportunities and risks of the Corporation’s and its subsidiaries’ business.
- b) Review and approve strategic and operational policies and budgets developed by management and within which management of the Corporation and its subsidiaries will operate so that they are consistent with long-term goals.
- c) Review and approve corporate values and performance metrics against which success of the Corporation and its subsidiaries will be measured.
- d) Set targets against which to measure corporate and executive performance of the Corporation and its subsidiaries.
- e) Satisfy itself that a portion of executive compensation is linked appropriately to the Corporation’s performance.

3. Delegate Management Authority to the President and Chief Executive Officer

- a) Satisfy itself that a process is in place with respect to the appointment, development, evaluation and succession of senior management of the Corporation and its subsidiaries.
- b) Delegate to the President and Chief Executive Officer and such other executive officers as it determines appropriate, the authority to manage the business of the Corporation and its subsidiaries and to make decisions regarding the ordinary course of business and operations in accordance with the Corporation's Delegation of Authority, and ensure that the Delegation of Authority is reviewed annually by the Board.
- c) Satisfy itself as to the integrity of the President and Chief Executive Officer and the other executive officers and that such individuals create a culture of integrity throughout the Corporation and its subsidiaries.

4. Monitor Risk, Compliance and Corporate Performance

- a) Assess and monitor the principal risks of all aspects of the businesses in which the Corporation and its subsidiaries are engaged.
- b) Monitor performance of the Corporation and its subsidiaries against both short- term and long-term strategic plans and annual performance targets, monitor compliance with Board policies and procedures by which the Corporation operates, and monitor the effectiveness of risk management practices.
- c) Verify that the Corporation has implemented and maintains adequate and effective internal controls and management information systems which ensure the effective discharge of the Board's oversight responsibilities, including the Corporation's compliance with legal and regulatory requirements related to financial and other continuous disclosure reporting.
- d) Set the tone for the Corporation and management so as to foster ethical and responsible decision-making by management of the Corporation, and ensure that the DIRTT Code – Our Way of Doing Business (the "Code") is reviewed annually by the Board.

5. Develop Board Processes

Develop procedures relating to the conduct of the Board's business and the fulfillment of the Board's responsibilities. Develop the Board's approach to corporate governance through the Corporate Governance Committee.

D. QUALIFICATIONS OF DIRECTORS

Directors are expected to have the highest personal and professional ethics and values and be committed to advancing the best interests of the Corporation. They are also expected to possess skills and competencies in areas that are relevant to the Corporation's activities and that enhance the ability of the Board to effectively supervise the business and affairs of the Corporation and its subsidiaries.

A majority of the Board must be independent. Independence shall have the meaning, as the context requires, given to it in National Instrument 52-110, Audit Committees, as may be amended from time to time. The Chair of the Board (the "Chair") is expected to be an independent director but, if the Chair is not independent, then there will be an independent lead director. The Chair should act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.

Each director must have an understanding of the Corporation's and its subsidiaries' principal operational and financial objectives, plans and strategies, financial position and performance as well as the performance of the Corporation and its subsidiaries relative to their principal competitors. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership.

Directors who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the chair of the Corporate Governance Committee and, if determined appropriate by the Board on the recommendation of the Corporate Governance Committee, resign from the Board.

E. MAJORITY VOTING POLICY

At meetings of shareholders at which directors are to be elected, shareholders will vote in favor of, or withhold from voting for, each nominee separately. If, with respect to any particular nominee, the number of votes withheld exceeds the votes cast in favor of the nominee, then for purposes of this majority voting policy the nominee (each, a “Majority Withheld Director”) shall be considered not to have received the support of the shareholders, even though duly elected as a matter of corporate law.

A Majority Withheld Director shall forthwith submit to the Lead Director his or her resignation from the Board. The Corporate Governance Committee is expected to recommend acceptance of the resignation offer except in situations where exceptional circumstances would warrant the Majority Withheld Director continuing to serve on the Board. Exceptional circumstances may include: (i) the Corporation would not be compliant with corporate or securities law requirements, applicable regulations or commercial agreements regarding the composition of the Board as a result of accepting the resignation; (ii) the Majority Withheld Director is a key member of an established, active special committee which has a defined term or mandate and accepting the resignation of such director would jeopardize the achievement of the committee’s mandate; or (iii) majority voting was used for a purpose inconsistent with the policy objectives of the Toronto Stock Exchange related to its majority voting requirement. In reviewing the Corporate Governance Committee’s recommendation, the Board shall consider the factors considered by the Corporate Governance Committee and such additional information and factors as the Board considers to be relevant. The Board is expected to accept the recommendation of the Corporate Governance Committee and to otherwise accept the resignation offer except in situations where exceptional circumstances (including those described above) would warrant the Majority Withheld Director continuing to serve on the Board.

A Majority Withheld Director will not participate in any deliberations of the Corporate Governance Committee or the Board with respect to his or her resignation, which means, for greater certainty, a Majority Withheld Director will not attend any part of the meeting at which his or her resignation is discussed, or a related resolution is voted upon. If a Majority Withheld Director must attend the meeting in order to satisfy quorum requirements, then the director must not speak or otherwise participate in any part of the meeting where his or her resignation is discussed or considered or a related resolution is voted upon.

Notwithstanding the foregoing, in the event that a majority of the members of the Corporate Governance Committee are Majority Withheld Directors, then the Corporate Governance Committee shall not make a recommendation to the Board and, subject to the provisions hereof, the full Board shall consider whether or not to accept the resignation(s) without a recommendation from the Corporate Governance Committee.

Within ninety (90) days of receiving a Majority Withheld Director’s resignation, the Board will make a decision and issue a press release either announcing the resignation of the Majority Withheld Director or explaining why it has not been accepted, a copy of which press release must be provided to the Toronto Stock Exchange. Any resignation will be effective when accepted by the Board.

Subject to any corporate law restrictions, the directors that are entitled to make a decision regarding the resignation may: (i) leave the resultant vacancy unfilled until the next annual meeting of shareholders; (ii) fill the vacancy through the appointment of a new director who merits the confidence of the shareholders; or (iii) call a special meeting of shareholders to fill the vacant position.

All proposed nominees and directors shall agree to the terms of this majority voting policy in order to be nominated for election.

This majority voting policy does not apply to contested elections in which the number of director nominees for election is greater than the number of director positions on the Board. In contested elections, the directors shall be elected by the vote of a plurality of the votes cast.

F. MEETINGS

Subject to the Corporation's by-laws and articles and the requirements under the Business Corporations Act (Alberta):

1. Scheduling

The Board will meet as often as it determines is necessary to fulfill its responsibilities. A meeting of the Board may be called by the Chair, the President and Chief Executive Officer or any two Board members. The independent directors will hold an in-camera session at each meeting of the Board at which members of management and non-independent directors shall not be in attendance. Meetings will be held at a location determined by the Chair.

2. Notice

Notice of the time and place of each meeting will be given to each member either by telephone or other electronic means not less than forty eight (48) hours before the time of the meeting. Meetings may be held at any time without notice if all of the members have waived or are deemed to have waived notice of the meeting. A member participating in a meeting will be deemed to have waived notice of the meeting.

3. Agenda

The Chair will establish the agenda for each meeting and lead discussion on meeting agenda items. The Chair shall instruct management to circulate properly prepared agenda materials to members with sufficient time to review prior to scheduled meetings. Any member may propose the inclusion of items on the agenda, request the presence of, or a report by any member of senior management, or at any meeting raise subjects that are not on the agenda for the meeting.

4. Distribution of Information

The Chair will distribute, or cause the Secretary to distribute, an agenda and meeting materials in advance of each meeting to allow members sufficient time to review and consider the matters to be discussed.

5. Attendance and Participation

Each member is expected to attend all meetings. A member who is unable to attend a meeting in person may participate by telephone or teleconference.

6. Quorum

A majority of members of the Board will constitute a quorum for any meeting of the Board.

7. Voting and Approval

At meetings of the Board, each member will be entitled to one vote and questions will be decided by a majority of votes. In case of an equality of votes, the Chair will not have a second or casting vote in addition to his or her original vote.

8. Procedures

Procedures for Board meetings will be determined by the Chair unless otherwise determined by the by-laws of the Corporation or a resolution of the Board.

9. Transaction of Business

The powers of the Board may be exercised at a meeting where a quorum is present in person or by telephone or other electronic means, or by resolution in writing signed by all members entitled to vote on that resolution at a meeting of the Board.

10. Absence of Chair

In the absence of the Chair at a meeting of the Board, the members in attendance must select one of them to act as chair of that meeting.

11. Absence of Secretary

In the absence of the Secretary at a meeting of the Board, the Board may appoint one of its members or any other person to act as secretary.

12. Committees

The Board uses committees to undertake detailed reviews and to provide in-depth oversight in key areas of Board responsibility. The Board may establish committees as it sees fit, and may delegate to the committees any powers of the Board except the power to fill vacancies in the Board, or to approve or remove officers appointed by the Board.

Current standing committees of the Board are:

- a) Audit Committee
- b) Corporate Governance Committee; and
- c) Human Resources & Compensation Committee.

Each committee will establish a separate written charter which sets out the powers and duties of the committee, accountability, and its rules and procedures.

G. SERVICE ON OTHER BOARDS AND AUDIT COMMITTEE

The Board does not believe that its members should be prohibited from serving on the boards of other companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chair in advance of accepting an invitation to serve on the board of another company and, as a general rule, directors are not allowed to join a board of another company on which two or more other directors of the Corporation serve. In addition, directors cannot be on the board of a direct competitor of the Corporation.

Directors may not serve on the Board if they are on more than four public company boards. Directors who serve as Chief Executive Officer at a public company may not serve on the Board if they are on more than one outside public company board.

Members of the Audit Committee may not serve on the audit committees of more than two other public companies without the prior approval of the Board.

H. ACCESS TO OUTSIDE ADVISORS AND RECORDS

The Board may retain any outside advisor at the expense of the Corporation at any time and has the authority to determine any such advisors' fees and other retention terms. Any director may, subject to the approval of the Chair, retain an outside advisor at the expense of the Corporation.

The Board, and any outside advisors retained by it, will have access to all records and information relating to the Corporation which it deems relevant to the performance of its duties.

I. EVALUATION OF BOARD, DIRECTORS AND COMMITTEES

Through the Corporate Governance Committee, the Board will undertake annual evaluations of the effectiveness of the Board as a whole, all committees of the Board and each individual director to ensure they are fulfilling their respective roles and responsibilities.

J. ORIENTATION AND CONTINUING EDUCATION OF DIRECTORS

The Corporation is best served by a Board comprised of individuals who are well versed in modern principles of corporate governance and other subject matters relevant to Board service and who thoroughly comprehend the role and responsibilities of an effective Board in the oversight and management of the Corporation and its subsidiaries. On behalf of the Board, the Corporate Governance Committee will confirm that procedures are in place and resources are made available to provide new directors with a proper orientation to both the Corporation and their responsibilities and duties as directors, and to provide other directors with appropriate continuing education opportunities.

K. MANAGEMENT

1. Management's Role

- a) The primary responsibility of management of the Corporation and its subsidiaries is to preserve and enhance long-term value, ensure the Corporation meets its obligations on an ongoing basis and ensure the Corporation operates in a reliable and responsible manner. When performance is found to be inadequate, the Board has the responsibility to bring about appropriate change.
- b) In managing the Corporation, management should also have regard to the legitimate interests of the Corporation's other stakeholders, such as the Corporation's employees, distribution partners, creditors and the communities in which the Corporation operates.

2. Management's Relationship to the Board

- a) Senior management of the Corporation and its subsidiaries, primarily through the President and Chief Executive Officer, reports to and is accountable to the Board, or the board of such subsidiary which, in turn, is accountable to the Board.
- b) Business plans are developed to ensure the compatibility of securityholder, Board and senior management views on the Corporation's and its subsidiaries' strategic direction, performance targets and utilization of shareholders' equity. A special meeting of the Board is held each year to review the strategic initiatives and the business plan submitted by senior management of the Corporation and its subsidiaries.

3. Board Access to Business Information and Management

- a) Information provided by and access to management is critical to Board effectiveness. In addition to the reports presented to the Board at its regular and special meetings, the Board is also kept informed on a timely basis by management of the Corporation and its subsidiaries with respect to developments and key decisions taken by management in the execution of the Corporation's and its subsidiaries' strategic and business plans. The directors periodically assess the quality, completeness and timeliness of information provided by management to the Board.

4. Management Performance Review and Rewards

- a) The Compensation Committee annually reviews the position description of the President and Chief Executive Officer and establishes goals and objectives against which his or her performance is reviewed, with his or her compensation being assessed against these agreed goals and objectives. Similar reviews and assessments are undertaken for other members of senior management in consultation with the President and Chief Executive Officer.
- b) The compensation plans of the Corporation and its subsidiaries are based on maintaining a direct link between management rewards and the achievement of agreed goals and objectives while ensuring that such plans do not induce inappropriate risk-taking.

L. COMMUNICATION AND DISCLOSURE POLICIES

The Corporation endeavors to keep its securityholders informed of its progress through an annual report, annual information form, quarterly interim reports and periodic press releases. It also maintains a website that provides summary information about the Corporation and ready access to its published reports, press releases, statutory filings and supplementary information provided to analysts and investors. Directors and management meet with the Corporation's securityholders at the annual meeting and are available to receive feedback and respond to questions at that time.

The Corporation also maintains an investor relations program to respond to inquiries in a timely manner. Management meets on a regular basis with investment analysts, financial advisors and interested members of the public to ensure that accurate information is available to investors, including quarterly conference calls and webcasts to discuss the Corporation's financial results. The Corporation also endeavors to ensure that the media is kept informed of developments as they occur, and have an opportunity to meet and discuss these developments with the Corporation's designated spokespersons.

All such communications are subject to the Corporation's Disclosure and Insider Trading Policy and Stakeholder Engagement Policy. The Corporation's Disclosure and Insider Trading Policy sets out its policies and practices regarding disclosure of material information to investors, analysts and the media. The purpose of the Disclosure and Insider Trading Policy is to ensure that the Corporation's communications with the investment community are timely, consistent and in compliance with all applicable securities legislation. The Disclosure and Insider Trading Policy is reviewed annually by the Board and will be available on the Corporation's website.

The Corporation's Stakeholder Engagement Policy outlines how management and the Board communicate with stakeholders and how stakeholders can communicate with management and the Board. The purpose of the Stakeholder Engagement Policy is to emphasize the Corporation's commitment to consistent and meaningful engagement with stakeholders. The Stakeholder Engagement Policy is reviewed annually by the Board and will be available on the Corporation's website.

M. CODE OF CONDUCT AND ETHICS

The Board expects all directors, officers and employees of the Corporation and its subsidiaries to conduct themselves in accordance with the highest ethical standards and to adhere to the Code. Waivers of the Code will only be granted in exceptional circumstances where the waiver would not be inconsistent with the spirit of the Code and following consultation with legal counsel. Any waiver of the Code for officers or directors may only be made by the Board or the Corporate Governance Committee and will be disclosed to securityholders by the Corporation to the extent required by law, regulation or stock exchange requirement. Employees, other than officers, may seek waivers from the President and Chief Executive Officer and any such waivers will be promptly reported to the Board.