



## CORPORATE GOVERNANCE PRINCIPLES

### I. Purpose and Nature

The following principles have been approved by the Board of Directors of Osiris Therapeutics, Inc. (the "Company") and, along with the charters and key practices of the Board committees, provide the framework for the governance of the Company. The Board recognizes that there is an on going and realistic debate about corporate governance, and may review these principles and other aspects of the Company's governance annually or more often if deemed necessary.

### II. Role of Board and Management

The Company's business is conducted by its employees, managers and officers, under the direction of the chief executive officer (CEO) and the oversight of the Board, to enhance the long-term value of the Company for its stockholders. The Board is elected by the stockholders to oversee management and to assure that the long-term interests of the stockholders are being served. Both the Board and management recognize that the long-term interests of stockholders are advanced by responsibly addressing the concerns of other stockholders and interested parties including employees, recruits, customers, suppliers, communities, government officials and the public at large

### III. Functions of Board

The Board has several scheduled meetings a year at which it reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors are expected to attend all scheduled Board and committee meetings. In addition to its general oversight of management, the Board, either as a whole or through one or more committees, also performs a number of specific functions, including:

- selecting, evaluating and compensating the CEO and overseeing CEO succession planning;
- providing counsel and oversight on the selection, evaluation, development and compensation of senior management;
- reviewing, monitoring and, where appropriate, approving fundamental financial and business strategies and major corporate actions;
- assessing major risks facing the Company and reviewing options for their mitigation; and
- ensuring processes are in place for maintaining the integrity of the Company - the integrity of the financial statements, the integrity of compliance with law and ethics, the integrity of relationships with customers and suppliers, and the integrity of relationships with other stockholders.

### IV. Qualifications

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the stockholders. They must also have an inquisitive and

objective perspective, practical wisdom and mature judgment. The Company endeavors to have a Board representing diverse experience at policy-making levels in business, government, education and technology, and in areas that are relevant to the Company's global activities. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Directors should offer their resignation in the event of any significant changes in their personal circumstances, including a change in their principal job responsibilities. The Board does not believe that arbitrary term limits on directors' service are appropriate, nor does it believe that directors should expect to be re-nominated annually.

The Board does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. Although no formal Company policy for director nominations by stockholders exists, nominations made by stockholders will generally be considered. The Board believes such a policy to be unnecessary because the directors' intimate knowledge of the Company's business and the life science industry permit them to effectively locate and evaluate potential candidates.

There also exists no specific policy with regard to the diversity in identifying director nominees, although the above policies on director qualifications emphasize the Company's commitment to Board diversity — not only of sex, sexual orientation, race, religion or national origin, but also-of experience, expertise and training. The Company is committed to creating and sustaining a culture of inclusion and fairness and believes diversity is important in many ways, including the recruitment and retention of top talent.

## **V. Independence of Directors and Executive Sessions**

The Board will consist of at least a majority of independent directors. For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company. The Board will follow the guidelines set forth in the NASDAQ Listing Rules (the "Listing Rules") to assist it in determining director independence. The Board will make and publicly disclose its independence determination for each director when the director is first elected to the Board and annually thereafter for all nominees for election as directors.

The Board will hold regularly scheduled executive sessions without the CEO or management present. The independent directors will also hold regularly scheduled in-person executive sessions without non-independent directors and management present.

## **VI. Director Nomination Process**

Upon consideration and review of any the recommendation by the Nominating Committee, the Board will propose nominees to the stockholders for election to the Board at each annual meeting. Each director shall hold office as provided for in the Company's charter and bylaws.

## **VII. Board Committees**

The Board has established the following committees to assist the Board in discharging its responsibilities: the Nominating Committee, the Audit Committee and the Compensation Committee. The current charters and key practices of these committees are published on the Company's website, and will be mailed to stockholders on written request. The committee chairs generally report the highlights of their meetings to the full Board following each meeting of the respective committees. The committees occasionally hold meetings in conjunction with the full Board. For example, it is the practice of the Audit Committee to meet in conjunction with the full Board in February so that all directors may participate in the review of the annual financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations for the prior year and financial plans for the current year.

## **VIII. Independence of Audit Committee Members**

Members of the Audit Committee must satisfy additional independence requirements under rules promulgated by the Securities and Exchange Commission and under the Listing Rules.

## **IX. Reporting of Concerns to Non-Employee Directors or the Audit Committee**

The Audit Committee and the non-employee directors have established the following procedures to enable anyone who has a concern about the Company's conduct, or any employee who has a complaint about the Company's accounting, internal accounting controls or auditing matters, to communicate that concern directly to the presiding director, to the non-employee directors or to the Audit Committee. Such communications may be confidential or anonymous, and may be e-mailed, submitted in writing or reported by phone to special addresses and a toll-free phone number that are published on the Company's website. All such communications shall be promptly reviewed by the Audit Committee, and any concerns relating to accounting, internal controls, auditing or officer conduct shall be sent immediately to the presiding director and to the chair of the audit committee. All concerns will be reviewed and addressed by the Audit Committee in the same way that other concerns are addressed by the Company. The status of all outstanding concerns addressed to the non-employee directors or the Audit Committee will be reported to the chair of the Audit Committee on a quarterly basis. The Audit Committee chair may direct that certain matters be presented to the Audit Committee or the full Board and may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The Company's integrity manual prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.

## **X. Compensation of the Board**

In determining compensation for Board directors, the decision shall be guided by three goals: compensation should fairly pay directors for work required in a company of the Company's size and scope; compensation should align directors' interests with the long-term interests of stockholders; and the structure of the compensation should be simple, transparent and easy for stockholders to understand.

## **XI. Annual Compensation Review of Senior Management**

The Compensation Committee shall annually approve the goals and objectives for compensating the CEO. That committee shall evaluate the CEO's performance in light of these goals before setting the CEO's salary, bonus and other incentive and equity compensation. The Compensation Committee shall also annually approve the compensation structure for the Company's officers, and shall evaluate the performance of the Company's senior executive officers before approving their salary, bonus and other incentive and equity compensation.

## **XII. Stockholder Communication**

Stockholders who wish to communicate with the Board may do so by sending a written communication addressed to the Company's Corporate Secretary. All such communications will be compiled by the Corporate Secretary and submitted to the Board or the individual director so designated on a periodic basis. The Board has instructed the Corporate Secretary, prior to forwarding any correspondence, to review such correspondence and, in his discretion, not to forward items if they are deemed of a commercial, irrelevant or frivolous nature or otherwise inappropriate for consideration by the Board. These screening procedures are designed to assist the Board in reviewing and responding to stockholder communications in an appropriate manner. All communications directed to the Audit Committee in accordance with the procedures set forth in this paragraph that relate to questionable accounting or auditing matters involving the Company will be forwarded promptly and directly to the Chairman (or another member) of the Audit Committee.

### **XIII. Board's Role in Risk Oversight**

At the direction of the Board, the Company has instituted an enterprise-wide risk management system to assess, monitor and mitigate risks that arise in the course of its business. The Board has determined that the full Board, and not a separate committee, will oversee the Company's risk management process. Each of the Board's committees has historically focused on specific risks within its areas of responsibility, but the Board believes that the overall enterprise risk management process is more properly overseen by all of the members of the Board. The Audit Committee is primarily responsible to the Board in the planning, assessment and reporting of the Company's risk profile.