



**2021 Environmental, Social,
and Governance Report**

2021

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A Message from Our President and Chief Executive Officer



“We recognize the importance of incorporating ESG principles into the core of our operations, for our organization and employees, and for the larger communities in which we operate.”

I am pleased to present Vericel Corporation’s inaugural Environmental, Social, and Governance (ESG) report highlighting our Company’s steadfast commitment to incorporating these important principles into our business activities. Vericel is a leader in advanced therapies for the sports medicine and severe burn care markets, with a portfolio of innovative products focused on changing the standard of care for people with cartilage damage and severe burn injuries.

As a leading medical technology company, we recognize the importance of incorporating ESG principles into the core of our operations, for our organization and employees, and for the larger communities in which we operate. Along with our commitment to patients, we are committed to promoting ESG principles and we continuously seek to improve our performance.

Our Board of Directors shares our commitment to being a socially responsible organization. In 2021, our Board approved for the first time a specific ESG-related corporate goal focused, in part, on enhancing diversity and inclusion initiatives at all levels of the organization. The Company executed on the Board’s direction during the past year, increasing diversity at the Board level, conducting robust diversity and inclusion training for our officers and managers, and establishing a Diversity and Inclusion Advisory Committee with a mandate to integrate best practices for diversity, equity, and inclusion (DEI) into corporate initiatives, policies, and programs throughout the organization, with a direct line of communication to our Executive Leadership Team (ELT).

Additionally, in February 2022 we announced plans for a new state-of-the-art advanced cell therapy manufacturing and corporate headquarters facility in the greater-Boston area. The new facility, which is expected to begin commercial manufacturing in 2025, will significantly increase our manufacturing capacity and demonstrates our confidence in the continued growth trajectory of our products, MACI® and Epicel®, in the years ahead. Importantly, Vericel’s new campus is designed and operated in accordance with existing LEED Gold and Fitwel Level 2 certifications, and we are very pleased that our facility will be part of a campus focused on developing and managing environmentally responsible real estate.

At Vericel, we are passionate, not only about serving the patients and surgeons who use our products, but also about our continuing commitment to our employees, our community and operating our business in an ethical and compliant manner. We believe these guiding principles have contributed to strong patient outcomes, strong financial results, and the further advancement of our product portfolio.

Our first ESG report, encompasses not only the positive impact that the Company continues to have on patients in need of treatment, but also on the healthcare providers we serve, our employees, shareholders, suppliers, partners, and communities. We are committed to maintaining transparency with respect to important ESG initiatives, and we will continue to identify opportunities to broaden our impact and build upon our ESG performance in the years ahead.

Sincerely,

A handwritten signature in black ink, appearing to read 'DC', with a long horizontal flourish extending to the right.

Dominick Colangelo

President and Chief Executive Officer

About This Report

This is Vericel's inaugural ESG report covering the 2021 calendar year and it addresses the major aspects of our business operations, which are directed from our office and manufacturing facilities in Cambridge, Massachusetts and our office in Ann Arbor, Michigan. In drafting this report, we have considered the Sustainability Accounting Standards Board (SASB) Medical Equipment and Supplies Standard. The information and data contained in this report have been reviewed for quality, completeness, and verified by Vericel's internal management and leadership, who oversaw the preparation, assembly, and drafting of the report. For more information about Vericel, please see our [2022 Proxy Statement](#), our [2021 Annual Report](#), and additional information at www.vcel.com.

Forward-Looking Statements

All statements other than statements of historical facts included in this report that address activities, events, or developments that we expect, believe, or anticipate will or may occur in the future are forward-looking statements. Although we believe that we have a reasonable basis for forward-looking statements contained herein, we caution you that they are based on current expectations about future events affecting us and are subject to risks, uncertainties, and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that may cause our actual results to differ materially from those expressed or implied by forward-looking statements in this report. These risks, uncertainties, and factors related to Vericel and our business are described in detail under the caption "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the Securities and Exchange Commission ("SEC") on February 24, 2022. Our filings with the SEC are available in the Investor Section of our website at www.vcel.com or at www.sec.gov. In addition, information about the risks and benefits of our products is available on our website at www.vcel.com. Readers are cautioned not to place undue reliance on any estimate, target, or forward-looking statements contained herein, which speak only as of the date made. We do not undertake any obligation to update, amend, or clarify the statements set forth herein, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities law. In addition, historical, current, and forward-looking sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. The information included in, and any issues identified as material for purposes of, this document may not be considered material for SEC reporting purposes. In the context of this disclosure, the term "material" is distinct from, and should not be confused with, such term as defined for SEC reporting purposes.

Company Overview

Vericel is a leader in advanced therapies for the sports medicine and severe burn care markets. We market two cell therapy products in the United States. MACI® (autologous cultured chondrocytes on porcine collagen membrane) is an autologous cellularized scaffold product indicated for the repair of symptomatic, single, or multiple full-thickness cartilage defects of the knee with or without bone involvement in adults. Epicel® (cultured epidermal autografts) is a permanent skin replacement for the treatment of patients with deep dermal or full thickness burns greater than or equal to 30% of total body surface area (TBSA). We also hold an exclusive license for North American commercial rights to NexoBrid®, a registration-stage biological orphan product for eschar removal of severe thermal burns. NexoBrid is an investigational product in the U.S. and is not approved for commercial use or sale in the U.S. at this time.



Vision

Vericel is committed to improving the lives of patients with serious conditions by developing and manufacturing innovative cell therapies and specialty biologics.



Mission

Vericel is passionately committed to meeting significant patient and healthcare provider needs by providing potentially life-enhancing cell therapies to patients with serious medical conditions.



Values

Vericel believes in encouraging each employee to exceed the expectations of the patients we serve, their healthcare providers, and the shareholders who support our efforts.

Portfolio of Innovative Cell Therapies and Specialty Biologics with Significant Barriers to Entry

Delivering Sustained High Revenue Growth with a Strong Profitability and Operating Cash Flow Profile

SPORTS MEDICINE



autologous cultured chondrocytes on porcine collagen membrane

The leading restorative cartilage repair product in the sports medicine market

SEVERE BURNS



The leading permanent skin replacement in the severe burn care field



North American commercial rights to the next generation eschar removal product

Focused on changing the standard of care for patients with cartilage damage and severe burns

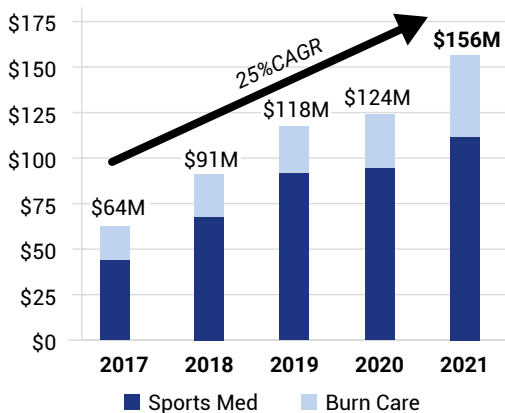
Our ESG Approach

Vericel’s focus on ESG encompasses all levels of our organization. Our Board’s Governance and Nominating Committee periodically reviews and oversees management of Vericel’s strategy, initiatives, risks, opportunities, and related reporting with respect to significant ESG topics.

We continue to seek feedback from our internal and external stakeholders, including our employees, investors, customers, suppliers, and advisors to prioritize our ESG activities.

ESG Executive Summary

Top-Tier Revenue Growth



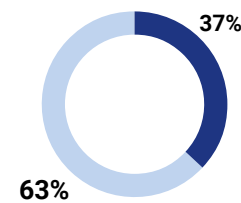
IN 2021:
\$156.2M
Total Net Revenue

26%
Total Revenue Growth

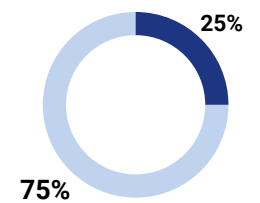
 **281 Full-Time**
Employees**

Gender Diversity

Company



Board of Directors



■ Female ■ Male

IN 2021:



\$111.6M
Total Net Revenue

18%
Growth



\$41.5M
Total Net Revenue

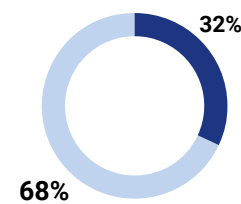
51%
Growth



\$3.1M
Total Net Revenue*

Racial Diversity

Company



■ Non-White ■ White



In 2021, we established a Diversity and Inclusion Advisory Committee as part of our commitment to DEI



12,000+ patients

have benefited from our innovative advanced cell therapy products to date




We are proud of our diversity and believe that diversity, equity, and inclusion foster an environment that promotes the collaboration, innovation, and perspectives necessary to successfully serve our patients, business partners, and communities.

* Related to U.S. Biomedical Advanced Research and Development Authority (BARDA) procurement for emergency response preparedness

** As of December 31, 2021.

Product Pipeline & Innovation

We currently work with advanced therapy and specialty biologic products. Our patient specific cell therapy products are manufactured for a single patient and administered during a surgical procedure. We are proud of our pioneering role in helping to develop the cell therapy industry, and we will continue to innovate and look to deliver life-enhancing products for patients as we continue to enhance our pipeline.

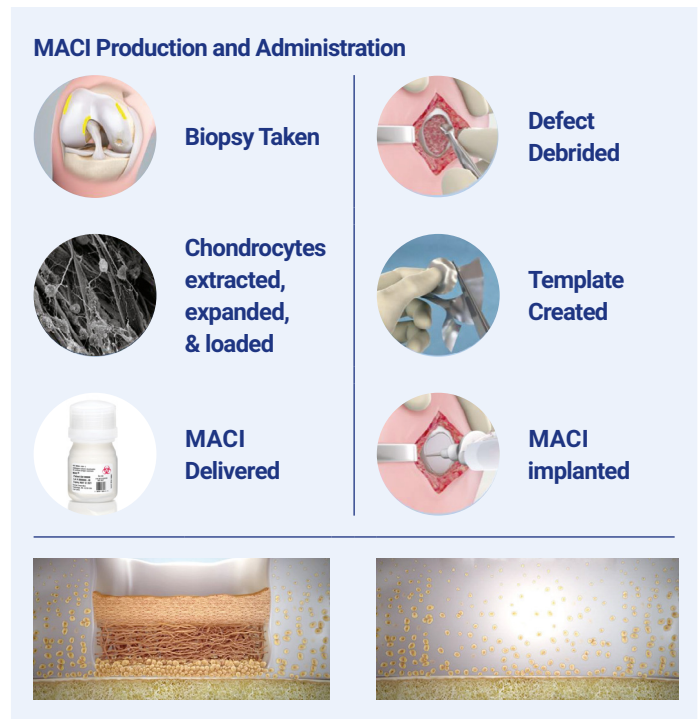
Product	Indication/Study	In Development	Phase I	Phase II	Phase III	Registration	Approval
	Treatment of Symptomatic Cartilage Defects of the Knee in Adults	Commercialized					
	Pediatric (PEAK) Study - Knee	Currently Enrolling					
	Arthroscopic Delivery - Knee	Study Pending					
	Treatment of Cartilage Defects - Ankle	Study Pending					
	Treatment of Large Deep Dermal and Full-Thickness Burns	Commercialized					
	Burn Eschar Removal in Adults	Pending BLA Resubmission					
	Pediatric (CIDS) Study	Enrollment Complete					

MACI®

MACI is the first U.S. Food & Drug Administration (FDA) approved tissue-engineered cellularized scaffold product that uses a patient's own cells and is indicated for the repair of symptomatic, single or multiple full-thickness cartilage defects of the knee in adult patients. MACI is made up of a patient's own cells, which are expanded and placed onto a porcine collagen membrane that is cut to size and implanted into the area of the cartilage damage and absorbed into a patient's own tissue.

We are continuing to advance important lifecycle management initiatives for MACI. Although MACI is currently implanted through a minimally-invasive outpatient surgical procedure, we are currently developing a custom arthroscopic delivery system, which we believe offers the potential to make MACI a less invasive procedure for surgeons and patients and allow for a more rapid patient recovery. We expect to meet with the FDA later this year to discuss the clinical development program for arthroscopic MACI.

MACI is currently indicated to treat certain cartilage defects in the knee. As part of our commitment to innovation, we are continuing to advance our MACI ankle indication program, which we believe, if approved, could enable patients with cartilage defects in the ankle to be successfully treated with MACI.



Epicel®

Epicel is the only cultured epidermal autograft product approved by the FDA for the treatment of adult and pediatric patients who have deep dermal or full thickness burns comprising a total body surface area of greater than or equal to 30%.

Epicel is produced by taking two postage stamp-sized biopsies of a patient's healthy skin and isolating and expanding the keratinocytes, which are the predominant cell type in the epidermal layer of the skin to produce Epicel skin grafts. Epicel is an important treatment option for patients with severe burns because these patients generally have very little healthy skin available for autografting.

Epicel Overview

Epicel is a permanent skin replacement for full thickness burns 30% of total body surface area

Only FDA-approved permanent skin replacement for adult and pediatric patients with full-thickness burns

Important treatment option for severe burn patients where little skin is available for obtaining autografts



Epicel Production and Administration



NexoBrid®

NexoBrid is a registration-stage product that is a topically administered biological product that enzymatically removes nonviable burn tissue, or eschar, in patients with deep partial and full-thickness thermal burns. If approved, NexoBrid will provide an important treatment option for burn surgeons and a potential advancement in the standard of care for removing eschar in order to begin the wound healing process for severe burn patients.

In May 2019, we entered into exclusive license and supply agreements with MediWound Ltd. (MediWound) to commercialize NexoBrid in North America. NexoBrid is approved in the European Union and other international markets and has been designated as an orphan biologic in the U.S. Under our license agreement with MediWound, NexoBrid is being manufactured for BARDA prior to approval by the FDA under an emergency use authorization (EUA). We continue to work with MediWound, BARDA, and the FDA to seek the approval of NexoBrid in the U.S.

Research and Development (R&D)

Our ongoing research and development activities are focused on exploring methods and processes that can improve our ability to efficiently manufacture high-quality cell therapy and biologic products for patients in need. We are constantly investigating ways in which we can improve upon our already established cell culture processes and quality control release tests, which are used in the everyday manufacture of MACI and Epicel. Our research and development program is focused on the many facets of process development for all of our products, including but not limited to understanding and incorporating new technologies, tissue procurement and processing, cell culturing and media modification, delivery methods, and other process efficiencies.

Looking ahead, we will continue investing in our R&D efforts, including in potential lifecycle management opportunities for MACI and Epicel.

Product Packaging

Appropriate MACI and Epicel packaging for biopsies and final product must be selected and tested for physical protection and temperature control during shipping. Stability studies are required to demonstrate that the biopsy and final product does not undergo unacceptable deterioration when maintained at the appropriate temperature over its hold time or shelf life. Vericel evaluates biopsy and product packaging to identify potential design innovations while maintaining compliance with FDA and other regulatory requirements. We rely on our end-user surgical facilities to responsibly dispose of our product packaging, which typically consists of single-use disposable plastic and recyclable cardboard.



Access to Our Products

We aspire to improve the standard of care in the sports medicine and severe burn care markets. We are committed to meeting significant patient and healthcare provider needs by providing potentially life-enhancing cell therapies and specialty biologics. To date, our innovative advanced cell therapy products have helped more than 12,000 patients throughout the U.S.




MACI

Chronic knee pain affects many people across the U.S., but often goes untreated for long periods of time. Knee cartilage damage can occur from acute or repetitive trauma from playing sports, exercising, work-related physical demands, or performing everyday activities.

A [2019 survey](#) that Vericel conducted with The Harris Poll, found that 77% of chronic knee pain sufferers say they can no longer participate in at least one activity they enjoy because of their pain. While 74% of those with knee pain hope that their symptoms will resolve without treatment, knee cartilage does not heal on its own, and if left untreated, cartilage defects can progress and lead to degenerative joint disease, osteoarthritis, and potentially require partial or total knee replacement, a poor option for younger and more active patients.

In its fifth year on the market, we continued to see significant growth in the MACI surgeon base with approximately 1,800 surgeons taking MACI biopsies in 2021, an increase of approximately 20% from 2020. We believe that MACI is well-positioned to help treat an even greater number of patients suffering from debilitating cartilage injuries.

MACI Product and Procedure Enhancements Driving Broader Surgeon Adoption

1995	2017	2019
<p>ARTHROTOMY</p>  <p>Cells in Suspension</p> <ul style="list-style-type: none"> Highly invasive, technically exacting procedure Required periosteal harvest from tibia and suture fixation to confine cells Extended surgical time High rate of subsequent procedures 	<p>MINI-ARTHROTOMY</p>  <p>Cells on Collagen Membrane</p> <ul style="list-style-type: none"> Simpler, less invasive ACI procedure Eliminates periosteal harvest and sutures Significant reduction in surgical time Uniform cell distribution Improved post-operative course 	<p>MINI-ARTHROTOMY</p>  <p>Advanced Instrumentation</p> <ul style="list-style-type: none"> Simplifies templating Simpler match of implant to defect size

SPOTLIGHT: MACI PATIENT SUPPORT

To support MACI patients every step of the way, we have created several programs to help educate and assist patients (with their consent) before and after surgery. We understand that every insurance policy is different and so to help MACI-biopsied patients navigate the insurance approval process, we established MyCartilageCare®, a support program with dedicated case managers who provide services related to insurance benefits. Most insurers cover MACI treatment under their medical benefits. In 2021, approximately 90% of all MACI surgeries were approved by the insurer on the initial submission.

In addition to insurance benefit coordination, we also created the MACI Mentor program, which provides patients considering MACI an opportunity to connect one-on-one with MACI patients to hear about their personal experiences with knee cartilage damage as well as the MACI procedure and rehabilitation process. Through our MACI Ambassadors program MACI patients share their stories through internet and print resources, as well as through visits to physician and physical therapy offices. Our specially designed My MACI App provides resources to assist patients in preparing for their surgery, adhering to their customized rehabilitation protocol, and tracking their progress during rehabilitation.

Epicel

Each year in the U.S., more than 40,000 people are hospitalized for burns. Approximately 1,500 of these patients are treated for burns covering more than 30% of their TBSA. According to the American Burn Association's National Burn Repository mortality rates for patients with burns covering more than 40% of their TBSA increase to 30% partially due to the inability to close wounds because of the lack of remaining healthy tissue from which to harvest autografts.

Epicel is a potentially life-saving product and an important treatment option for severe burn patients, with burns covering more than 30% of their TBSA, who possess little remaining skin available for autografting. Indeed, as the [Journal of Burn Care & Research](#)¹ recently published, the survival rate for patients treated with Epicel represents a profound increase compared to the standard of care. Epicel has demonstrated a lower mortality rate for burn patients compared to the National Burn Repository patient database, and in the Epicel Clinical Experience databases, 954 adult and pediatric patients with a mean TBSA of 67% showed 84% survival at hospital discharge.

Relative to clinical need, we believe that Epicel has been historically underutilized. In order to better ensure access to this potentially life-saving product, we expanded our sales and clinical support team from a single representative in 2014 to 13 professionals over the past several years. Our Epicel team is focused on educating the burn community on the potential life-saving benefits of Epicel, as well as providing high-quality training and support for our burn surgeon customers concerning the efficacy and appropriate use of Epicel. We expect Epicel's utilization to continue to grow as educational, commercial and medical efforts are appropriately dedicated to the product and as burn centers become more aware of its efficacy for appropriate patients.

NexoBrid

The closure of a burn wound is the primary goal of severe burn treatment. A critical first step in the treatment of partial- and full-thickness burns is the rapid removal of nonviable burned tissue, or eschar. NexoBrid aims to address this first critical step in burn treatment by enzymatically removing eschar. We believe that there is a significant unmet need for the selective and effective removal of eschar and we are currently seeking approval of NexoBrid from the FDA.

In the meantime, through our partnership with MediWound and BARDA, burn centers across the U.S. are treating burn patients under the NexoBrid Expanded Access (NEXT) Protocol. The NEXT protocol is supported and funded by BARDA and enables the continued clinical use of NexoBrid for U.S. patients during the preparation and review of the NexoBrid Biologics License Application (BLA). NEXT is an open-label, single-arm treatment protocol which allows for the treatment of up to 200 burn patients with deep partial- and full-thickness thermal burns. MediWound received FDA concurrence that patients can be treated under the NEXT protocol in a burn mass casualty incident that is not a declared national emergency. Therefore, we believe this provides a mechanism for U.S. burn centers to treat patients and gain valuable experience using NexoBrid prior to FDA approval, as well as making the product readily available for response in mass burn emergency situations.

Clinical Trial Management

We conduct well-controlled clinical trials to demonstrate the safety and effectiveness of our products. During all clinical activities and through every phase of clinical development, we comply with the extensive monitoring and auditing requirements established by the regulatory agencies with responsibility for overseeing our clinical operations, including the FDA. Our clinical trials are overseen by our Chief Medical Officer and we use various clinical research organizations (CROs) to assist in the conduct of these trials. Clinical trial conduct is governed by policies and Standard Operating Procedures (SOPs) to ensure that they are Good Clinical Practice (GCP) and FDA compliant. In addition, we adhere to applicable FDA requirements including: nonclinical animal testing to establish a safety profile and/ or a starting dose for initiation of clinical trials in humans; review of appropriate clinical research by clinical site Institutional Review Boards (IRBs); submission of Investigational New Drug (IND) applications; and submission of BLAs. We have also implemented internal procedures and policies pertaining to clinical trial management, including: GCP Vendor Selection and Oversight; Informed Consent Development and Approval; and Clinical Investigations and Corrective and Preventive Action Management. In addition, we adhere to stringent quality policies and procedures to mitigate the likelihood of quality failures. Further details are provided below in the [Quality](#) section of this report.

Please refer to our [website](#) for more information about our clinical trials, studies, and publications.

¹ (Hickerson WL, Remmers AE, Recker DP. Twenty-Five Years' Experience and Beyond with Cultured Epidermal Autografts for Coverage of Large Burn Wounds in Adult and Pediatric Patients, 1989-2015. J Burn Care Res. 2019;40(2):157-165. doi:10.1093/jbcr/iry061)

Pricing & Reimbursement

We take a responsible approach to pricing our products that is based on four guiding principles:

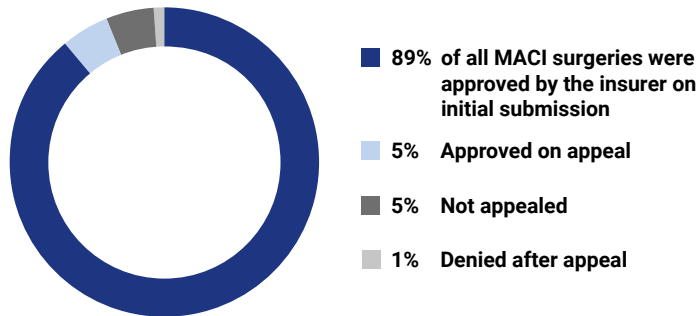
- 1**
Supporting patient access
- 2**
Bringing value to patients, healthcare providers, and society
- 3**
Reflecting market dynamics
- 4**
Sustaining growth and innovation

Hospitals and other healthcare providers that purchase our products typically bill various third-party payers to cover the costs associated with MACI and Epicel.

MACI

Strong Reimbursement Profile

MACI INSURANCE APPROVAL RATES



More than 90% of MACI cases are approved by insurers, with 89% approved upon initial submission, ensuring broad access for the procedure.

Epicel

Epicel is sold directly to hospitals based on contracted rates stated in an approved contract or purchase order and, like MACI, enjoys strong reimbursement from public and private payers alike.

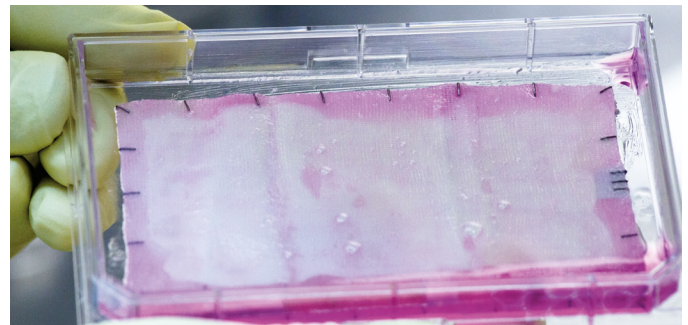
Commitment to Advancing Novel Therapies

As part of our mission to improve the lives of patients with debilitating cartilage injuries, as well as patients with severe burns, we are proud to provide support through grants for research (investigator-sponsored trials or ISTs), education efforts, and donations to appropriate charities. We support ISTs for the advancement of scientific and medical knowledge of our products. Each IST is carefully evaluated, taking into account scientific rigor, methodological considerations, and patient safety. We also provide financial support for valid healthcare professional educational activities organized by appropriate third-party organizations with educational missions.

Product, Quality, & Safety

Our commitment to providing life-enhancing cell therapies for patients and healthcare providers means that we take extensive measures to evaluate the safety of our products. Because our products consist of autologous cells that are uniquely created for each of our patients, the production process is complex and requires careful attention to ensure product quality. We have established a Quality Management System (QMS) to help maintain the highest quality standards for MACI and Epicel. We aim to foster an environment of quality excellence, compliance with applicable regulatory requirements, and continual improvement of the effectiveness of our QMS.

We enforce rigorous quality policies and procedures and take substantial steps to mitigate the likelihood of quality failures. We maintain compliance with relevant regulations, including FDA regulations pertaining to biological products and medical devices, and we manufacture our products in accordance with Good Manufacturing Practices (cGMP). We also require that our third-party manufacturers and suppliers comply with cGMP and FDA regulatory requirements. Furthermore, we monitor post-marketing requirements for our products as well as applicable procedures for publicly reporting certain product events to the FDA.



Quality Management System

Our QMS is overseen by our Vice President of Quality as well as our Quality staff. We require all personnel to adhere to documented quality procedures and instructions, and our Quality Manual establishes the framework for implementing the QMS through SOPs and policies that prescribe quality requirements.

All of the commercial manufacturing of our marketed products, MACI and Epicel, takes place at a single U.S. facility, located in Cambridge, Massachusetts. Over the past five years, there have been no documented cGMP violations or FDA enforcement actions in connection with any of our operations.

In 2025, we plan to begin manufacturing our cell therapy products at a new state-of-the-art facility in Burlington, Massachusetts. Further details are provided below in the [Environmental Sustainability](#) section of this report.

Use of Animals and Animal-Derived Products in Research and Manufacturing

As a part of our product development, we complete animal studies to analyze the physical characteristics of our products, establish the safety profile of our products for use in humans, and finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. We are committed to selecting vendors who follow all applicable regulations on animal care.

Supply Chain Management

Our commitment to provide innovative, patient-specific, cell therapies requires close cooperation with our suppliers involved in the cell manufacturing process. We rely on various third parties for materials and components used to manufacture our cell therapy products, and we work in partnership as we aim to minimize supply chain disruptions, ensure quality, and meet the needs of our patients and healthcare providers. We expect our suppliers to conduct their business practices in an ethical and responsible manner, and we obligate our suppliers to comply with all applicable regulations through our purchasing agreements.

Product Traceability

Both MACI and Epicel have limited shelf lives. Consequently, the maintenance of accurate product order and delivery logistics is critical for our business and for our patients. As such, we continue to develop comprehensive, integrated systems to track product orders and delivery for both MACI and Epicel. We also track our products during each part of the manufacturing continuum, and through that process we ensure:

- Complete electronic product genealogy tracing, including both the raw material inputs and work order records for the technician who performed the work as well as the equipment used;
- Enhanced raw and in-process materials control with barcoding of items with lot numbers, expiration dates and locations;
- Equipment management with barcoding to confirm validity of status and traceability of use; and
- Electronically guided manufacturing workflow with data capture and automated calculations using FDA regulation 21 CFR Part 11 compliant software.

Critical Materials

We carefully monitor supply chain risks and take steps to mitigate them, in part by maintaining a significant safety supply of all key raw materials needed for our manufacturing processes. We annually review the list of components and raw materials needed for our product manufacturing operations and categorize each item with an assigned risk level. This review results in a prioritization of actions to mitigate risk, such as increasing inventory or qualifying alternative suppliers. Our supply chain management practices have allowed us to navigate sourcing challenges over the past several years without any material manufacturing interruptions.

Supplier Audits

We regularly monitor our suppliers' compliance with our standards to ensure that our products can be developed and delivered on a reliable basis. We take a risk-based approach to our supplier audit program, evaluating vendors according to the critical nature of the raw materials or components they supply. Through thoughtful engagement with suppliers and a risk-based audit approach, we have been able to maintain a high-level of key supplier performance. Many of our Tier 1 supplier facilities participate in third-party audit programs such as ISO 13485:2016 or ISO 9001:2015.

Our People

We aim to foster a culture where our employees are motivated to perform to the best of their abilities and to achieve our mission of improving the lives of patients with cartilage and severe burn injuries. Our team possesses diverse personal and professional backgrounds that enrich our culture and drive our success. As of December 31, 2021, we had 281 full-time employees.

In February 2022, we signed a lease for a new state-of-the-art facility to be located on Network Drive in Burlington, Massachusetts, which will eventually serve as our corporate headquarters and primary manufacturing location. Importantly, the Network Drive Campus is designed and operated in accordance with existing LEED Gold and Fitwel Level 2 certifications.

We are pleased to locate our new facility in a campus focused on developing and managing environmentally responsible real estate in the Boston area, which helps ensure our continued access to the world-class talent that is critical to our long-term success.

Our Board of Directors through the Governance and Nominating Committee, oversees management of the Company's strategy, initiatives, opportunities and reporting on material ESG matters, including diversity and inclusion.

Year	Number of Employees
2021	281
2020	267
2019	231
2018	216

Diversity, Equity, and Inclusion

At Vericel, we continuously strive to enhance our diversity across the organization and we are committed to cultivating an environment that respects, supports, and promotes people of all races, ethnicities, religions, nationalities, genders, sexual orientation, and all other qualities that make each of us unique.

During 2021, our Board approved a specific ESG-related corporate goal for management, which was focused, in part, on enhancing diversity and inclusion initiatives at all levels of the organization. We executed on the Board's direction during the past year, increasing diversity at the Board level, conducting robust diversity and inclusion training for our officers and managers, and establishing a Diversity and Inclusion Advisory Committee, with a direct line of communication to our ELT. The Committee works to integrate DEI into corporate initiatives, policies, and programs. The Committee serves as an advisory body to the ELT and provides research, recommendations, program event support, educational opportunities, and policy guidance to the ELT within an established workplan and timeline. The Committee also continues to engage with external DEI consultants to help ensure that DEI will become further engrained into the fabric of our organization.

Please see our [Employee Demographics](#) and [Board Diversity](#) statistics on pages [15](#) and [18](#), respectively.

Workforce Diversity through Recruitment and Talent Development

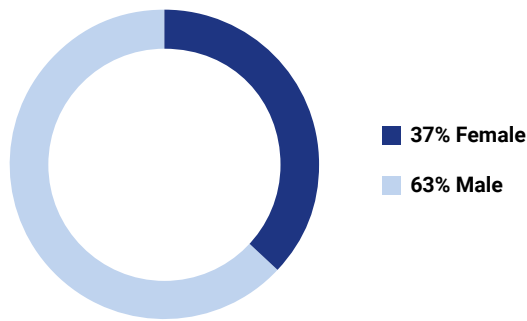
As part of our ongoing commitment to DEI we continue to pursue initiatives that enable us to successfully recruit talented individuals who represent a broad range of personal and professional backgrounds. We are proud of our diversity and believe that DEI fosters an environment that promotes the collaboration, innovation, and perspectives necessary to successfully serve our patients, business partners, and communities. We offer our employees internal development and advancement opportunities and encourage continued learning through internal and external programs and educational institutions. In recent years, we have conducted management training programs regarding topics such as diversity and inclusion, unconscious bias, and unlawful or discriminatory harassment and other inappropriate conduct. We consistently aim to integrate these learnings into all aspects of our business.

We appreciate employee differences and strengths and are proud to be an Equal Opportunity Employer. We value diversity of backgrounds and perspectives, and we maintain a policy against discrimination based on race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, military and veteran status, sexual orientation, or any other protected characteristic as established by federal, state, or local laws. This [policy](#) covers all employment practices, including selection, job assignment, compensation, discipline, termination, and access to benefits and training.

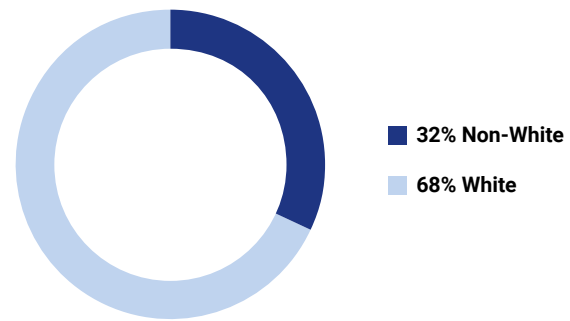
Employee Demographics

We strive to create an environment that respects, supports, and promotes people of all backgrounds and qualities, and we are proud of the diverse workforce that we have established over the past several years. We have increased the percentage of non-white employees in our workforce from approximately 26% in 2018 to nearly 32% as of year-end 2021. We continue to seek out and engage external experts to identify areas where we can improve our workforce diversity and assist in exploring opportunities to further broaden our demographics.

Gender Diversity (2021)



Racial/Ethnic Diversity (2021)



Talent Attraction and Retention

We are committed to attracting diverse talent to promote collaboration and innovation. Our employees are critical to the success of our business and future prospects, and we have implemented multiple initiatives to train and retain highly-qualified personnel. For roles within our manufacturing operations, we provide on-the-job technical training to help skilled-workers develop the expertise needed for a successful career at Vericel.

Response to COVID-19

At the outset of the pandemic, we put in place a comprehensive plan and instituted certain protective measures in response to the spread of the COVID-19 virus. Our workplace protection plan closely follows guidance issued by the Centers for Disease Control and Prevention (CDC) and the Occupational Safety and Health Administration (OSHA) and we continue to comply with applicable federal and state laws. To date, we have been successful in sustaining our operations and providing MACI and Epicel to patients in need without disruption. We continue to review our policies and procedures regularly, including our workplace protection plan, and as the pandemic evolves we may take additional actions to the extent required to ensure the safety of our employees.

To protect the individual health of each employee and the health of everyone around them, we have strongly encouraged our employees to be vaccinated and we have partnered with third-party organizations to provide rapid testing solutions for employees, when necessary. As an additional component of our COVID-19 response we have implemented a flexible, hybrid work schedule for eligible employees and we also offer our employees an assistance plan through which employees and their dependents can access free programs aimed at improving overall health and mental well-being.

Employee Health & Safety

At Vericel, we prioritize the safety of our employees, visitors, and contractors. We believe that safety is everyone's responsibility, and we are committed to nurturing a safe and healthy workplace by identifying and mitigating hazards and reducing the likelihood of accidents. As such, we have established procedures, equipment, and work practices designed to protect employees from health hazards, including those presented by the use of certain hazardous chemicals used in our facilities during the manufacture of our products. Wherever possible, we use the OSHA hierarchy of controls to keep laboratory and manufacturing personnel safe during chemical handling procedures. All employees working with hazardous chemicals are annually trained in accordance with OSHA 29 CFR 1910.1450, and these employees also receive annual Hazardous Waste training in accordance with Massachusetts Water Resources Authority (MWRA) requirements.

Benefits and Compensation Programs

Our competitive [benefits](#) and compensation programs are designed to attract, reward, and retain a talented and diverse workforce whose knowledge and skills are critical to the success of our business. We strive to provide employees with a comprehensive offering of programs to support health and wellness, including healthcare, dental and vision insurance, flexible spending accounts, life insurance and accidental death and dismemberment insurance, employee assistance counseling and education programs, Company contributions to employee 401(k) accounts, paid time off and leave programs, tuition assistance, gym membership subsidies, and other programs to support employee health and well-being.

Pay equity is a core tenet of our compensation philosophy, and internal analyses and external benchmarking are conducted regularly to maintain consistency in the administration of our compensation programs. We conduct periodic gender pay equity reviews to ensure that employees who perform comparable work are paid equally unless a pay differential is warranted based on a legally-recognized rationale. Components of the compensation and rewards program includes competitive base salaries, performance-based bonus targets to incentivize employees to achieve corporate goals, long-term equity incentive compensation in the form of stock option and restricted stock unit (RSU) grants, and additional employee appreciation programs and events. Broad-based equity grants are an important feature of our compensation program at Vericel. Upon hire, and annually thereafter, every employee is awarded time-vesting equity awards. We view these equity grants as a key tool in helping us attract, retain, and motivate our employees.



Harassment Policy

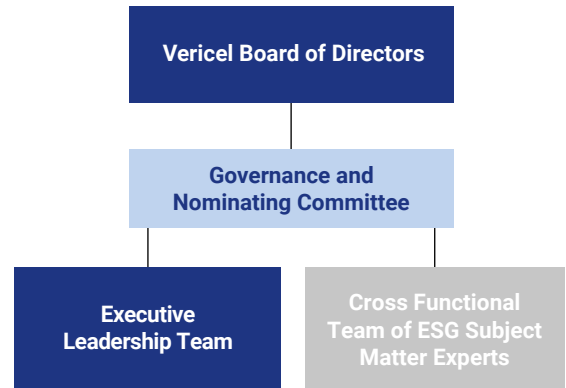
We are committed to providing a work environment that is free from all forms of unlawful and/or discriminatory harassment. We have a zero-tolerance policy for any behavior that is considered harassing, coercive, or disruptive, including sexual harassment. We do not tolerate any actions, words, jokes, or comments that denigrates or shows hostility or aversion toward an individual based on a person's sex (including pregnancy, childbirth, breastfeeding or related medical conditions), race, religion (including religious dress and grooming practices), color, gender (including gender identity and gender expression), national origin, ancestry, physical or mental disability, medical condition, age, sexual orientation, military and veteran status, or any other basis protected by federal, state or local law, ordinance or regulation. We prohibit retaliation against any individual who reports discrimination or harassment or participates in the investigation of such reports.

We conduct annual harassment training programs and our harassment policy applies to all work-related settings and activities, whether inside or outside the workplace. The policy also covers employees and other individuals who have a relationship with the Company, such as directors, officers, contractors, vendors, and third parties.

Corporate Governance

Overview

The Vericel Board of Directors provides oversight of, and strategic guidance to, our senior management on ESG topics. Our Board is comprised of industry leaders with extensive and diverse experiences spanning business, healthcare, and scientific leadership. Throughout 2021, the Board was keenly focused on its commitment to developing and implementing the Company’s ESG strategy and bolstering our overall corporate governance framework. In addition, the Board continued to conduct educational programs with outside experts on ESG topics specific to the healthcare industry and, for the first time, approved and oversaw the accomplishment of a set of ESG-related corporate goals for our management team, which were largely focused on DEI initiatives both at the Board and Company level.



Our Board has empowered its Governance and Nominating Committee (the Governance Committee) to periodically review and oversee management of the Company’s strategy, initiatives, risks, opportunities, and related reporting with respect to significant ESG matters. In that connection, the Governance Committee oversees corporate ESG matters as they pertain to our business and long-term strategy and identifies emerging trends and issues that may affect our operations, performance and external stakeholder relationships. Importantly, the Governance Committee periodically receives updates on the Company’s ongoing and future ESG programs, products, and disclosures, performance against ESG goals and corporate social responsibility, and DEI programs and activities.

Enhancing Our Governance Policies

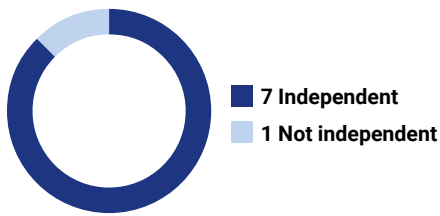
The Board and management were keenly focused in 2021 on improving Vericel’s corporate governance for the benefit of shareholders. For example, in February 2021, the Board unanimously approved the termination of the Company’s pre-existing shareholder rights agreement, commonly referred to as a “poison pill.” The Board also implemented comprehensive [Corporate Governance Guidelines](#), which clarify for investors the leadership exercised by each of the Board’s standing committees and their chairpersons, and which serve as a flexible framework within which the Board conducts its oversight of the Company. Additionally, in furtherance of its belief that senior leadership should have a meaningful ownership stake in the Company, in 2021 the Board adopted formal stock ownership guidelines for named executive officers and non-employee directors, which serve to further solidify the alignment of interests between senior leadership and our shareholders.

Board of Directors – Diversity

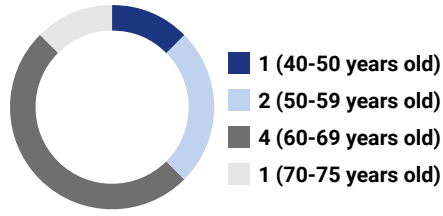
The Governance Committee actively seeks out highly-qualified diverse candidates. In February 2020, the Board formalized its longstanding practice of considering women and minority candidates for open director positions by amending the Charter of the Governance Committee and its Director Nominations Policy to clearly state that in filling each open director position the Governance Committee will endeavor to actively seek out highly-qualified diverse candidates to include in the pool from which director nominees are chosen. After an extensive nationwide search, we are pleased to have increased diversity at the Board level in 2021 and will continue to prioritize diversity in the years ahead. In situations where the Governance Committee engages a third-party search firm to assist in a Board member search, the policy requires that the search firm actively seek out highly qualified female as well as racially and ethnically diverse candidates, as well as individuals with diverse backgrounds, skills and experiences, to include in the candidate pool.

Board Snapshot

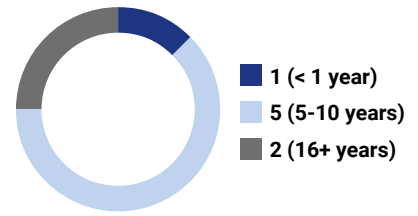
Independence



Age



Tenure



Skills and Experience

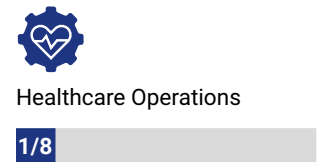
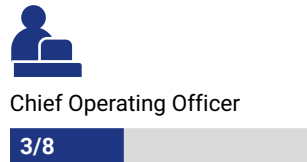
Prior Board Experience



Industry Experience



Functional Expertise



Board Diversity Matrix (As of January 21, 2022)

Total Number of Directors: 8

	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	2	6	0	0
Part II: Demographic Background				
African American or Black	1	0	0	0
Alaskan Native or Native American	0	0	0	0
Asian	0	0	0	0
Hispanic or Latinx	0	0	0	0
Native Hawaiian or Pacific Islander	0	0	0	0
White	1	6	0	0
Two or More Races or Ethnicities	0	0	0	0
LGBTQ+	0	0	0	0
Did Not Disclose Demographic Background	0	0	0	0

Directors who are Military Veterans: 0

Directors with Disabilities: 0

Directors who Identify as Middle Eastern: 0

Additional information about corporate governance at Vericel, including the Board's role and responsibilities, and our approach to executive compensation, is available in our [proxy statement](#).

Ethics & Compliance

Vericel's reputation as a leader in advanced therapies for the sports medicine and severe burn care markets is based, to a large extent, on the quality of our products and on the skill, integrity, and performance of our personnel. We strive to provide our customers with quality products, and we endeavor to use our best efforts to achieve the results that our patients and key stakeholders expect. It is Vericel's policy to comply with all federal, state, and local laws and regulations pertaining to the products that we develop, manufacture, or sell, and we are committed to standards of excellence in every aspect of that process.

Our commitment to legal, ethical, and moral behavior is critical to customers, shareholders, and to all employees, and our determination to do what is right in every instance drives our behavior. Accordingly, we have established and maintain a comprehensive Compliance Program consistent with the guidance published by the U.S. Department of Health and Human Services, Office of Inspector General. Our Compliance Program is one of the key components of the Company's commitment to high standards of corporate conduct and conformity to the laws and regulations that govern our interactions with healthcare professionals and others.

The foundation of our Compliance Program is the [Code of Business Conduct and Ethics](#) (Code of Conduct), which is applicable to all employees and directors. The Code of Conduct promotes, among other ideals, honest and ethical conduct, including the proper handling of actual or apparent conflicts of interest between personal and professional relationships. The Code of Conduct also provides guidance and instruction for employees concerning the issues surrounding interactions with healthcare professionals as well as the statutes, regulations and industry standards that govern our business as a commercial manufacturer.

A central pillar of our Compliance Program is the mandate that ethical business conduct be a part of every employee's job duties. We do not change our standards because competitors, suppliers, or customers behave differently, or in order to meet financial goals. We expect our employees to understand the legal and regulatory requirements applicable to their groups and areas of responsibility, and employees are encouraged to act proactively by asking questions, seeking guidance, and reporting suspected violations of applicable laws, regulations, or Company policies.

Interactions with Healthcare Professionals

We are committed to adhering to all laws surrounding interactions with healthcare professionals and other customers, including anti-kickback laws, and we seek to avoid any conflict of interest with healthcare professionals with whom we interact. We abide by the [PhRMA Code on Interactions with Health Care Professionals](#) and we expect all employees to comply with its tenets. We have implemented supplemental internal policies on gift giving and other interactions with healthcare professionals, and employees are provided with in-person training on these policies.

Ethical Sales and Marketing

We require employees to promote our products on the basis of quality, price, and service, and never on information that is inconsistent with their FDA-approved labels. We have implemented policies to prevent false, misleading, or off-label promotion of our products, and we require our employees to honestly describe Vericel's products and service features in advertising, product labeling, and public statements. We have established an internal marketing material review committee to ensure compliance with these policies.



Lobbying

We are a member of various trade organizations, however, we do not conduct any direct lobbying as a Company, nor do we employ any registered lobbyists.

Compliance Training and Education

We are committed to developing and providing our employees with effective compliance training. This training covers not only relevant Company policies and procedures governing the conduct of Vericel employees, but also applicable state and federal laws, rules, and regulations. To measure the effectiveness of our training and education programs, and to confirm that employees are acting in a compliant manner, we periodically perform monitoring and auditing activities to evaluate compliance with Company policies and applicable laws. The nature, frequency, and extent of these reviews may vary according to factors such as internal risk assessments, regulatory requirements and developments, and changes in Vericel's business practices.

Reporting Ethics or Compliance Concerns

We are committed to fostering an atmosphere where employees are comfortable communicating and reporting concerns of possible violations of regulations and policies, such as our Code of Conduct. We encourage and promote the prevention, detection, reporting, and correction of unlawful or improper conduct. We provide multiple channels, including both over the phone and via the internet, for employees to either report a suspected compliance violation (anonymously, if desired) or to engage in dialogue with management to voice their concerns.

No retaliation will be taken against any employee for expressing concern regarding a Company policy or practice or for making a good faith report of an actual or suspected violation.

Information Security & Privacy

We have implemented extensive information security policies and practices to protect the confidentiality and data of our patients, employees, and other stakeholders. We collect and store sensitive information, including intellectual property, protected health information (PHI), and personally identifiable information (PII), on our networks in order to manufacture our patient-specific autologous cell therapies. Our information security program includes SOPs and other appropriate safeguards to ensure we maintain the privacy of patient information in accordance with all applicable laws and industry standards.

Risk Management Policies and Practices

Our integrated information technology (IT) systems are supported by policies aligned with the National Institute of Standards and Technology (NIST) Cybersecurity Framework. As a non-covered entity, Vericel is not subject to the Health Insurance Portability and Accountability Act (HIPAA). Nevertheless, we treat all relevant data as if it were PHI or PII and have implemented appropriate safeguards to collect, store, and protect data securely on our networks.

We utilize the most up-to-date security technologies to regularly monitor our IT systems for security breaches. In the event of a breach, Vericel responds according to the severity of the case, which may include the activation of our Disaster Recovery Plan. Our defenses are audited and routinely reviewed by internal and external parties, and we work with certified ethical hackers to perform third-party defense penetration testing. We maintain an information security risk insurance policy to mitigate the impact of a potential data breach.

Oversight

Our Chief Operating Officer is responsible for managing our data security and IT program, which comprises both an internal IT team and external IT experts. The Board of Directors is also very focused on cybersecurity. Although specific responsibility for cybersecurity risk is delegated to the Audit Committee, the Board receives regular reports from management on both the cybersecurity risks facing Vericel and various mitigation and protective measures that have been implemented across the organization. Additionally, as part of its continuing education initiatives, the Board receives training on cybersecurity matters from outside experts in the field. The Company is currently engaged in an in-depth effort to evaluate its current incident response planning framework.



Training

All employees, vendors and contractors are enrolled in our Learning Management System and are required to complete cybersecurity training prior to working with any Vericel systems, including those that contain PHI. This training is repeated on a recurring basis or as content is changed. In addition, all Vericel employees receive cybersecurity tests and updates on an ongoing basis, including fake phishing tests, real-time threat updates, and training by IT staff.



Environment

We are committed to attempting to minimize the environmental impact of the Company's operations and as part of that commitment we have implemented several process improvements and identified operational efficiencies to reduce our environmental footprint. We have incorporated environmentally sustainable practices into our facilities and manufacturing operations and have established certain procedures and policies to manage our electricity and water usage, as well as the handling of medical and hazardous waste.

As part of our efforts to determine the Company's carbon footprint, we continue to evaluate our Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions in line with the GHG Protocol and guidance from the U.S. Environmental Protection Agency (EPA). The Company's Scope 1 emissions consist of direct emissions from the use of natural gas, while Scope 2 emissions consist of purchased electricity supplied by the local utility. While our operational activities are generally not water-intensive, monitoring and managing water usage has been a significant focus at Vericel. After implementing processes to track water consumption, we identified ways to consume water more efficiently. Our current wastewater policies are designed to ensure that we do not discharge regulated materials into the sewer. We maintain these policies in line with guidance from the Company's regional water authority.

The Company's R&D and manufacturing processes involve the use of hazardous materials. Biological waste that is produced is incinerated at a waste-to-energy facility, while general, non-hazardous waste is sent to a landfill. We believe the Company complies with all regulations set by the EPA, which classifies Vericel as a Very Small Quantity Generator (VSQG). We track waste generation in accordance with our current VSQG status.

We encourage and expect our employees to be environmentally responsible and encourage their engagement and participation in environmental and sustainability initiatives to meet our goal of reducing the Company's environmental impact.

Facilities

We currently lease approximately 71,000 square feet (ft²) of operational space at two locations in Cambridge, Massachusetts. Our facility at 160 Sidney Street includes office and conference room space and our location at 64 Sidney Street includes both office space, as well as the clean rooms and laboratories required to manufacture our autologous cell therapy products. We also lease approximately 6,000 ft² of office space in Ann Arbor, Michigan.

We recently announced the signing of a long-term lease for a new state-of-the-art facility in Burlington, Massachusetts, which will be the future home of our corporate headquarters and manufacturing operations. The 125,000 ft² facility, which we expect to be completed in 2024, will significantly increase our cell therapy manufacturing capacity to support the long-term growth of MACI and Epicel. Our manufacturing expansion will enable us to sustain our long-term revenue growth while helping us promote environmentally responsible operations and workforce well-being. The new facility will be located within a campus that is designed and operated in accordance with existing LEED Gold and Fitwel Level 2 certifications. We will continue to evaluate opportunities to manage the Company's environmental impact as we prepare to transition operations to this new facility.



Looking Ahead

We plan to continue our efforts to understand the Company's environmental impact, integrate environmental stewardship into our business, and identify opportunities to utilize resources more efficiently. Once we establish our new facility in Burlington, we plan to take further steps to analyze and improve our environmental performance.



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