2020 ESG REPORT

SimulationsPlus

SCIENCE + SOFTWARE = SUCCESS

Table of Contents

Introduction from Our CEO

At Simulations Plus, our vision is grand – to improve global health – and we have adopted the mission of achieving this goal through innovative, science-based software and consulting solutions to optimize treatment options that will both save and improve the quality of patients' lives.

Our primary focus is on supporting our clients' efforts to accelerate the development and delivery of better, safer, and more effective therapeutics with less impactful methodologies. We also are committed to providing consistent and excellent return to our shareholders, all while maintaining a strong sense of good corporate citizenship that places a high value on the welfare of our employees, the communities in which we operate, and the world as a whole.

The core values underlying our approach to this mission include:

- **Innovation:** Pursuing novel and creative solutions with the potential to change the world

- **Respect:** Embracing a diverse workplace, promoting an inclusive culture, and playing a positive role in the communities in which we serve

- **Integrity:** Uncompromising truth and honesty in everything we do

- **Commitment:** Dedication to ensuring a positive impact in all our efforts

I am passionate about our vision and the means by which we will achieve it, and I am proud of what we have accomplished thus far for the benefit of our clients, our shareholders, our employees, and the world in which we operate. But our goals are ambitious and we have much more to accomplish.

This report provides you with a snapshot of where we are today, and where we strive to be in the future.

Shawn O'Connor, *Chief Executive Officer*

About Us

Simulations Plus, Inc. (Nasdaq: SLP), incorporated in 1996, is a premier developer of drug discovery and development software for modeling and simulation, and for the prediction of molecular properties utilizing artificial intelligence and machine learning-based technology. We also provide consulting services ranging from early drug discovery through preclinical and clinical trial data analysis and for submissions to regulatory agencies. Our software and consulting services are provided to major pharmaceutical, biotechnology, agrochemical, cosmetics, food industry companies, and to regulatory agencies worldwide for use in the conduct of industry- based research. SLP is headquartered in Southern California, with offices in Buffalo, NY; Research Triangle Park, NC; and Paris, France.

1. Governance & Leadership

The SLP Board of Directors is responsible for the oversight of risks facing the company, while our management is responsible for the day-to-day management of risk. The board, as a whole, directly oversees our strategic and business risk, including risks related to financial reporting, compensation practices, ESG, and product developments.

1.1 Board of Directors

The Nominating Committee provides oversight of SLP's CSR (Corporate Social Responsibility) and ESG (Environmental, Social and Governance) strategy, initiatives, and policies, including communications with employees, investors, and other stakeholders of the company with respect to CSR and ESG matters. The committee is periodically providing reports to the full board on CSR and ESG matters.

1.2 ESG Steering Committee

A cross-functional ESG Steering Committee is in the process of being formed. It will meet quarterly and has representation from the following departments:

- C-Suite
- Operations
- Human Resources
- Legal
- IT
- Finance

1.3 Board Diversity and Independence

The SLP Board of Directors Nominating Committee is committed to consideration of qualified directors of diverse gender, race, age, color, religion, national origin, sexual orientation, genetic information, marital status, disability, or covered veteran status, and seeks nominees from a broad variety of sources.

We have five directors serving on the SLP board, including one female director. We recognize the value of diversity, and we are working with our board to move its composition toward greater diversity. We will comply with any and all legal requirements on gender and ethnic diversity. For more information about our board, please see our proxy statement.

1.4 Risk Management

The SLP board is responsible for oversight of risk management. Our Chief Executive Officer, division presidents, and our Chief Financial Officer are responsible for assessing and managing the day-to-day risks facing SLP. The SLP executive leadership team performs an annual enterprise risk assessment. Some of the risks that are assessed through this process are data security, disaster recovery, and business continuity.

In addition to the annual risk review, each of the functional areas within our company are positioned to mitigate the risks to their particular area. The Human Resource department handles the human capital risk management. The IT department creates and implements the data center business continuity and disaster recovery plans. Specific to system downtime, SLP software, in general, is not sold as a Software as a Service (SaaS) platform so there are no downtime risks for clients that need to be considered from a business continuity perspective. A portion of our consulting clients rely on our data center to deliver and access reports. In order to mitigate data center downtime, the company has implemented a systems strategy that incorporates physical redundancy, the use of enterprise-grade equipment, and a defense-in-depth approach to security.

Sustainability Framework

At Simulations Plus, our core mission – accelerating the development and delivery of better, safer, and more effective therapeutics – and the potential it offers for improving patients' lives, and advancing and improving global health, has broad and indisputable positive impacts for society. The fact that we have been engaged in these endeavors since 1996 is evidence, we believe, of our company's long-term financial sustainability.

We are proud of what we have accomplished, but we never take anything for granted – not our customers, collaborators, and partners, whose support has contributed to our growth and fueled many of our innovations, and certainly not our brilliant and dedicated employees, who share our vision of contributing to global health and a healthier planet. And always, we feel a deep commitment to our shareholders, many of whom have been with us from the beginning, whose enthusiasm, confidence, and trust propel us forward and inspire us to conduct our operations with the highest integrity.

These are the strategic priorities that form the foundation of our sustainability framework, based on the four primary pillars of Environment, Social, Human Capital, and Business Governance presented below:

Environment

Minimize the environmental impacts of our operations, directly and indirectly, by waste reduction, recycling practices, and by using renewable energy providers where possible.

Social

Advance science and innovation through partnerships and collaboration to benefit global health, while minimizing the negative social impacts of traditional research.

Human Capital

We embrace a culture of engagement, empowerment, and equity to attract, support, and retain a talented and diverse workforce dedicated to promoting scientific innovations.

Business Governance

Ensure thorough oversight of enterprise and ESG risks associated with our business, leveraging policies and procedures, training and awareness, and controls.

Highlights

Environment

COMMITTED TO RENEWABLE ENERGY with our Lancaster headquarters joining the Lancaster Choice Energy Smart Choice 100% renewable energy program

OPTIMIZED OUR DATA CENTERS by reducing the number of physical servers in our Buffalo, NY, data center from 140 units to just 60 units

IMPLEMENTED BUSINESS RECYCLING EFFORTS to reduce our environmental footprint and pursue responsible business practices

Social

REDUCED EXPOSURE TO HUMANS AND ANIMALS by advancing *in silico* simulation analyses of complex compound behaviors for chemical safety assessment programs

SUPPORTED ACADEMIC RESEARCH by partnering with universities and donating free software licenses to support academic research and training

FUNDED AWARDS AND POST DOCTORAL RESEARCH to support education

Human Capital

EXPANDED OUR HR TEAM AND CAPABILITIES IN 2020 with special focus on training and development

FOCUSED ON DIVERSITY AND INCLUSION with over 39% of our employees from minority backgrounds

IMPLEMENTED A NEW FLEXIBLE VACATION POLICY by augmenting the 11 paid holidays for our U.S. employees with no annual limit provided employee duties and obligations are met

Business Governance

ADVANCED GROWING ACCEPTANCE OF TECHNOLOGY by developing collaborations with universities, research organizations, distributors, and government agencies such as the U.S. Food and Drug Administration (FDA) and National Institutes of Health (NIH)

CREATED A NEW CORPORATE DATA PROTECTION OFFICER to standardize and advance our company-wide Data Protection & Customer Privacy framework

STRENGTHENED OUR BUSINESS ETHICS PROGRAM by implementing a new unified Corporate Code of Business Conduct and Ethics, thereby replacing separate policies currently in effect at our divisions

2. Our Commitment to the Environment

At SLP, we are firmly committed to reducing our environmental footprint and pursuing responsible business practices in all of our operations. We proudly support our local waste and energy management programs at our Lancaster, CA, and Buffalo, NY, divisions, which together account for 70 percent of our workforce.

2.1 Paper & Waste Management

At our Lancaster division, we participate in a recycling program through our local waste management facility to divert all recyclable materials – bottles, cans, plastics, paper, and cardboard – from landfills. Across the company, our facilities provide for recycling, and our electronic waste is sent to local approved e-waste recycling centers.

2.2 Carbon Emissions & Energy Management

Our operations are built on continual improvements in efficiency and clean energy. From 2012 to 2019, our Buffalo division redesigned its data center to be more energy efficient as part of our ongoing and increasing commitment to reduce our environmental footprint and energy usage. Examples of upgrades are installation of an uninterruptible power supply with hot and cold dial separation, regulating the temperature and airflow through in-row cooling units with high efficiency fans based on cooling needs. Additionally, we have significantly reduced the number of physical servers from 140 units to 60 units by virtualizing them. Prior to this change, we were maxing out the 30 kVA UPS capacity; now, we use only 45% of our capacity.

We are also attentive to our energy use in our office operations. Our Lancaster division, which accounts for over 30% of our employees, recently switched to renewable energy. Lancaster Choice Energy (LCE) is the locally run power program created by the City of Lancaster, and we now proudly participate in LCE's Smart Choice 100% renewable energy program. Our decision to opt in to the program not only contributes to the city's goal of becoming one of the world's first net zero cities, but also reflects SLP's dedication to creating positive impacts on the environment and local communities.

3. Social Impact

The research and development costs of bringing a new drug to market are estimated between $1 and $2.6 billion, at an average time of 12-15 years. These costs are inevitably borne by individuals, place a heavy burden on society and can have a profound impact on global health. Simulations Plus was founded and built on the concept that by integrating the complex scientific processes involved in drug discovery and development into simulation and modeling software applications, thereby simulating laboratory experiments *in silico*, we enable researchers and regulators to perform sophisticated analyses of complex drug behaviors in humans and animals. The use of simulation and modeling applications allows our customers the opportunity to reduce unnecessary animal testing and lowers the risks of exposure to humans in clinical trials. Our software and consulting solutions, that bridge machine learning, physiologically based pharmacokinetics, quantitative systems pharmacology/toxicology, and population PK/PD modeling approaches, support the companies and regulatory agencies involved in these life-saving endeavors.

To read more about our work in this area please see our website https://www.simulations-plus.com/services/pharmaceutical/pbpk-modeling-simulation/

3.1 Corporate Philanthropy & Academic Support

At SLP, we believe corporate philanthropy and academic support are both a privilege and a responsibility. We are privileged to be in a position where we can provide donations of time, financial support, and scientific expertise to academic institutions, research institutes, and to students. Our sense of responsibility is based on a belief that supporting academia and research is vital to the advancement of science, leads to greater collaboration between the academic and private sectors, and will unquestionably benefit society and the world, at large.

Our support for the academic community is broad and deep. We provide certain distinguished professors at academic institutions with free reference site licenses for nonprofit research and teaching, including providing free access to our software in university instruction. In addition to reference site licenses, academic and research institutions are entitled to a 95% discount off commercial license fees, and we offer students and professors either free or substantially reduced fees to attend our training courses and workshops. In recent years, SLP has sponsored several students with awards given by the Society of Toxicology.

We provide sponsorships to numerous conferences, symposia, and associations such as the American Conference on Pharmacometrics (ACoP), American Association of Pharmaceutical Scientists (AAPS), American Chemical Society (ACS), Controlled Release Society (CRS), Groupe de Métabolisme et Pharmacocinétique (GMP), and the Gordon Research Conferences. Individually, many of our employees, including our division presidents and scientists at all levels, volunteer their time to teach and mentor at universities and professional organizations, and frequently serve as peer reviewers for scientific journals.

At the local level, SLP promotes a culture of volunteerism, and we offer our employees the flexibility they need to participate, from sponsoring and participating in charity golf tournaments to volunteering to serve hot meals to the disadvantaged. In recent years, we have joined the global GivingTuesday movement and donated food, clothing, and financial support to several organizations that serve those in need in our communities.

Our commitment to community, to education, and to gender equity can best be summarized by how our Lancaster division has, for more than a decade, funded a summer scholarship to Tech Trek, a one-week residential science, technology, engineering and math (STEM) camp founded and operated by the American Association of University Women (AAUW) that is designed to inspire young women to attend college, to major in STEM fields, and to pursue STEM careers. Our own female scientists, who are excellent role models for these young women, have volunteered their time to personally present our Tech Trek scholarship each year.
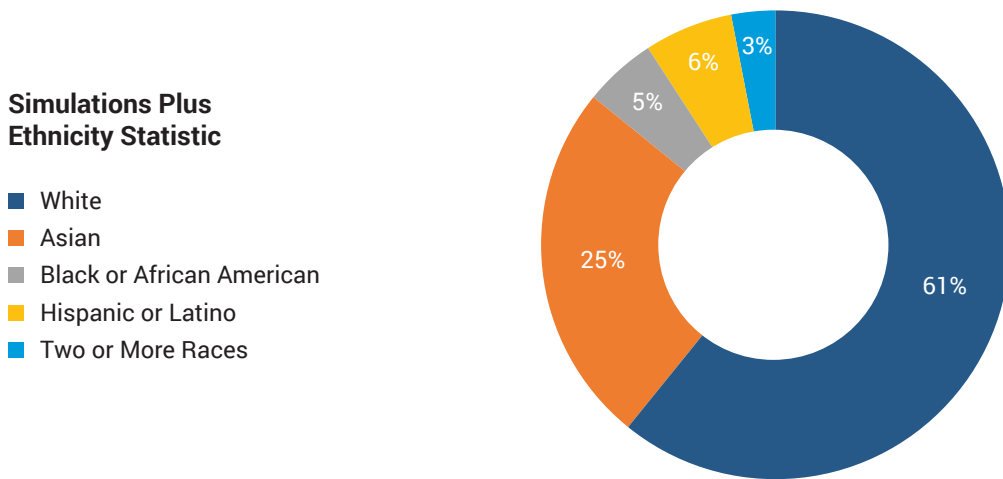
4. Our People

SLP is committed to our people, and we embrace a culture of engagement, empowerment, and equity. With an estimated 137 employees across three U.S. cities (Lancaster, CA; Buffalo, NY; and Research Triangle Park, NC) and Paris, France, over 90 percent of our employees are employed full-time, and more than two-thirds work within our life sciences software or consulting divisions.

Given the specialized nature of our business, candidates for our open positions are strategically selected for their unique education and skills. The majority of our employees have advanced degrees in mathematics, chemistry, biomedical engineering, and/or the pharmaceutical sciences; more than half hold doctorate degrees and approximately one-fifth hold master's degrees.

4.1 Diversity, Equity & Inclusion

In 2020, we added an HR resource who is currently implementing unified and consistent policies, procedures, and employee training across all of our business units. In our recruitment and hiring, SLP embraces diversity with the knowledge that it can lead to greater innovation, and in our workplace, we foster inclusion so all employees feel part of the SLP team with equal access to all opportunities. One of our goals is to expand our focus on Diversity, Equity and Inclusion.

Ethnic minority groups comprise more than one-third of our U.S. workforce (39%), and an estimated one-half of our employees originate from countries outside the United States. In terms of gender equity, women comprise 47% of our workforce and men comprise 53%.

**Simulations Plus
Ethnicity Statistic**

- White
- Asian
- Black or African American
- Hispanic or Latino
- Two or More Races

61%
25%
5%
6%
3%

In the wake of the Black Lives Matter movement, in June 2020, we publicly acknowledged the reality of systemic racial discrimination and injustice, and we offered assurances and support to our Black colleagues.

4.2 Employee Benefits and Health & Safety

Employment Security

At SLP, we recognize that our employees are our greatest asset, therefore the majority of our positions are full-time (94%), and our employee retention rates have historically been in the high 90th percentile. The expertise required of our employees demands a long-term investment to which we are wholly committed.

Work Flexibility

In our competitive industry, SLP recognizes that providing employees with the flexibility to work from locations that are distant from our offices is now an essential component of recruiting and retaining a talented workforce. With that in mind, in late 2019, SLP implemented a Telecommuting and Remote-Work Policy that provides employees with clear guidelines and performance expectations to take advantage of this flexible work benefit. To further support our telecommuting and remote workers, we provide equipment comparable to our in-office employees – e.g., a laptop computer and basic peripheral devices – along with an allowance to purchase additional office equipment, as needed, to meet their functional or ergonomic needs.

With the use of several video conferencing platforms for meeting and engagement, we now have an estimated 40% of our workforce living more than 90 miles from our offices and working remotely.

Vacation, Holidays, and Sick Leave

At SLP, where our workforce engages in highly technical and analytical endeavors on a daily basis, we recognize that time away from the office to relax and recharge is critically important for employee well-being and retention, as well as for maintaining an atmosphere of creativity and innovation in the workplace. We therefore strongly encourage our employees to enjoy quality time away from the office and have recently implemented consistent new flexible vacation and sick leave policies for all our U.S. employees.

Augmenting SLP's 11 annual paid holidays, our new Flexible Vacation Policy provides employees with paid time off to use for vacation or any other non-illness related reasons, such as family matters, jury duty, and/or bereavement. We believe this new policy engenders trust and respect in the workplace, places a greater emphasis on producing excellent results, and will empower employees, working in partnership with their managers, to take ownership of their time. There is no annual limit on the time employees are allowed to take for vacation provided work duties and obligations are met.

Our paid Sick Leave Policy provides two weeks, or 80 hours, of sick leave for all employees with 90 days of continuous employment. In addition to federal and state family and medical leave policies, SLP's sick leave can be used for the employee's medical condition or to care for an immediate family member. To further support our employees' needs, the company provides all employees with short- and long-term disability insurance benefits.

Health & Safety

SLP places a high value on maintaining a clean, safe, and healthy environment for our employees. We have in place effective procedures to identify, evaluate, and mitigate potential risks associated with our operations, although we believe such risks are minimal.

The well-being of our employees, whether they're working in our divisional offices or remotely from home offices, is paramount. SLP complies with all applicable laws, regulations, and standards, but we make every effort to be attentive and responsive to our employees' needs. In our offices, we have provided employees with ergonomic equipment, including ergonomic chairs and standing desks, and for their home offices, we provide an allowance for the purchase of home office equipment.

We also see open and transparent channels of communication as a critical component of our employee health and wellness program. Toward this end, on a quarterly basis, we hold a company-wide virtual meeting to keep our employees engaged, informed, and apprised of activities occurring at the company and at each division, including quarterly financial results, future goals, and notable milestones.

COVID-19 Health & Safety Response

With employee health and safety always a top priority, SLP proactively implemented a COVID-19 Contingency Plan in late February of 2020, prior to the state-issued stay-at-home orders. The comprehensive plan included information on prevention measures, travel restrictions, when and how to quarantine, the Families First Coronavirus Response Act, sick leave arrangements, including caring for family members affected by COVID-19, and workplace safety measures. At the time, as part of our ongoing flexible work initiative to give employees the option of telecommuting or working remotely, over 40 percent of our workforce was already working from home, however in response to the COVID-19 pandemic, we took quick action to ensure the safety of the rest of our workforce by supporting them in setting up home offices.

Since that initial plan was disseminated, additional updates from SLP management have included the most up-to-date information from the U.S. Department of State, CDC and WHO, and we have, at all times, encouraged employees to keep management informed of the need for any additional support. Our final COVID-19 Contingency Plan communication was circulated in early May, followed by our SLP Policy for Returning to Work During the Coronavirus Pandemic issued in late May. This policy specifies several CDC-recommended measures to mitigate the spread of COVID-19 in the workplace, including that masks be worn in the office, the importance of social and physical distancing and frequent hand-washing, and that employees are to remain home if feeling unwell and self-quarantine following any possible exposure to the virus. In addition to these measures, the company has increased sanitation procedures to ensure the safety of those employees who have resumed working in the office.

4.3 Training and Awareness Programs

In 2020, we expanded our Human Resources team and broadened our capabilities to include, among other responsibilities, a new focus on training and development. Company-wide, we have analyzed all of our positions, including job descriptions and salary bands, and created career paths for the different functions within our organization. We will use these career paths as a basis for promoting employee career development and growth within the organization, as well as in recruiting and hiring new talent. As part of this effort, we are also working with a consultant to ensure that our job descriptions and salary bands are competitive in the market. We expect this to be rolled out by the end of 2020.

Once the functional career path initiative is implemented, we are next committed to conducting a Talent Gap Analysis, a process by which we will design and implement a comprehensive training program to be integrated into the annual Performance Review cycle. This employee training program will include several key components of career development such as technical and soft skills, leadership development, and mandated employee compliance training.

In addition to these new employee training and development initiatives, SLP has an ongoing program of cross-specialty training consisting of presentations by expert modelers from each division. These monthly sessions serve to familiarize all divisions with the applications and techniques unique to each division and, in so doing, create opportunities to find synergies, expand the knowledge base across all divisions, and build a shared sense of purpose.

Business Governance Highlights
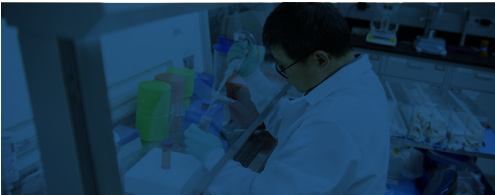
Product Quality & Innovation
Our StrategiesPlus™ COVID-19 ACT program provides consulting for coronavirus research; improving predictions of clinical outcomes, focusing research priorities and expediting regulatory approval

Intellectual Property Protection & Transparency
We are committed to scientific transparency to instill confidence in the accuracy and validity of simulation results, and to further advance the acceptance and adoption of our technologies.
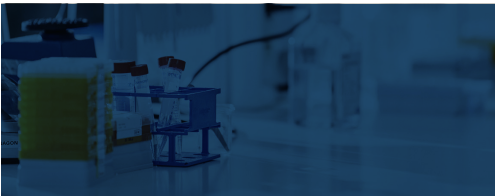
Vendor Management
We expect our suppliers to abide by all legal and regulatory requirements, including matters of human rights and ethical business practices addressed in our Corporate Code of Business Conduct and Ethics.
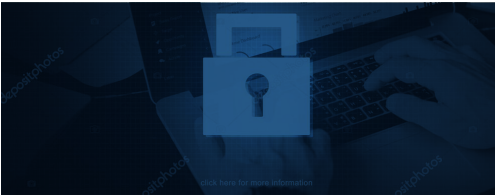
Customer Privacy and Data Security
Our Data Protection and Customer Privacy protocols include threat prevention, device encryption, impact assessments, audits, and employee training that together help to ensure our compliance with laws and regulations.

Business Ethics
Management and employees are required to comply with our Corporate Code of Business Conduct and Ethics which sets forth the company's values, business culture, and practices, as well as all applicable laws.

Human Rights
We believe our technologies can advance and improve global health and better the lives of humankind. We support the principles set forth in the United Nations Universal Declaration of Human Rights.

5. Business Governance

5.1 Product Quality & Innovation

Quality Management System

As we continue to integrate the operations of our four divisions, we are working toward developing a comprehensive cross-functional Quality Management System (QMS), with policies, procedures and controls that are consistent across all of SLP. A comprehensive QMS is currently in place at Cognigen - SLP's largest consulting division – which we are leveraging to implement a company-wide QMS system. Cognigen's QMS is led by an Executive Leadership team that oversees and approves all activities of the cross-functional QMS team, and the QMS team oversees all QMS functions, including defining processes, creating and maintaining QMS documentation, and providing QMS training to employees.

The QMS is comprised of policies, standard operating procedures (SOPs), and general procedural guidelines, including the roles and responsibilities for each functional area. It provides uniform, permanent records of operational methods, development techniques, and other tasks relating to our business processes and procedures, thereby creating operational standardization and consistency. We believe our QMS also serves as an important foundation for employee training.

The QMS team has operational responsibility for assessing its implementation and full compliance, including an annual employee review process. Every project is subject to a QMS review upon completion, and external audits are conducted by clients several times a year. Additionally, we conduct our own internal audit of each functional area approximately every three years to ensure that we are doing everything possible to meet our customers' needs.

When our cross-functional QMS is fully implemented across all SLP divisions, our goal going forward will be to continuously improve our processes and procedures to achieve quality, consistency, and excellence in all our operations.

Innovation

As a technology company, we recognize that innovation is vitally important to achieving our objectives. We are continuously improving our products and services, and collaborations and partnerships with the pharmaceutical industry, universities, and government agencies – many fully funded – have resulted in some of our most advanced product features. Together with our focus on improving how scientists utilize knowledge and data to predict the properties and outcomes of pharmaceutical and biotechnology agents, and our expertise in integrating new and existing science from medicinal chemistry, computational chemistry, pharmaceutical science, biology, and physiology into our software, we are now among the leading solution providers of computational, or *in silico*, physiologically based pharmacokinetic (PBPK) modeling, physiologically based biopharmaceutics modeling (PBBM), and quantitative systems pharmacology/toxicology (QSP/QST) software and services.

Although we value all of our partnerships, it is a distinct privilege to have collaborated with several government agencies, including the U.S. Food and Drug Administration and the National Institutes of Health, on numerous projects. Some of these projects have been fully funded and others have involved research collaboration agreements (RCAs) and material transfer agreements (MTAs), and all have resulted in important advancements to our software applications as well as valuable contributions to their efforts in expediting and improving the drug approval process. In addition to these collaborations, we provide software licenses, training, and scientific expertise to these and other U.S. and international governmental regulatory and health agencies. We believe these collaborations have not only resulted in important innovations, they have served to validate our technology and to advance its acceptance by regulatory agencies and the pharmaceutical industry, worldwide. A partial list of our Partners and Collaborators is on our website.

COVID-19 Research

As the COVID-19 pandemic emerged in early 2020, we quickly assembled a cross-divisional team to explore how we could leverage our software and consulting solutions and regulatory expertise to address this global threat. On March 26, 2020, we announced our StrategiesPlus™ COVID-19 ACT Program to speed consulting assistance to any organization involved in coronavirus research. With a team of experts from each SLP division working together with pharmaceutical companies, universities, and government agencies, we believe that our technology and experience can accelerate the search for and evaluation of new and/or repurposed drug candidates through improved predictions of clinical outcomes thereby driving research priorities and expediting regulatory approval. Time is of the essence, and we remain ready to offer our software solutions and consulting expertise to bring safe and effective therapies to the market quickly in the effort to solve this global health crisis.

5.2 Intellectual Property & Transparency

Intellectual Property

Our intellectual property consists primarily of proprietary source code, data and data files, and software documentation for our software applications.

Since software has limited patentability, our intellectual property is protected through copyright laws, trademark laws, intellectual property laws, international treaty provisions, and comprehensive end-user software license agreements. Our end-user software license agreements, versions of which are both embedded within our software applications and also executed with all users of our software applications - i.e., customers, partners, collaborators, and employees – clearly define the terms and conditions of the authorized and unauthorized use of our software, including, but not limited to, prohibitions against the discovery and disclosure of trade secrets by disassembling or reverse engineering the software, or the unauthorized transfer of the license. We brand our software through trademarks, a common practice in the software industry. We also rely on copyright protection for our software. Additional details regarding SLP's copyrights and trademarks are found at the website under Terms of Use.

Internally, we believe that our Business Protection Agreement, Confidentiality Agreement, Computer Resources User Agreement, and our Corporate Code of Business Conduct and Ethics, which apply to all employment classifications working at or for SLP, and financially compensated by SLP, provide ample protections of SLP's Intellectual Property. These documents, separately and together, define and cover a broad range of protections including, but not limited to: Non-disclosure and Non-use of proprietary information, Assignment, Non-Disparagement, Return of Company Materials, and Legal and Equitable Remedies.

Transparency

At SLP, we are committed to making the science underlying our software applications – that is, the mathematical equations – more transparent. This is not only in response to the regulatory agencies that require it as part of their rigorous drug approval process, it is also in response to our customers who should be confident that they are getting accurate and validated results. Many of the equations are published in our software documentation – user manuals are provided with each software application – and we also provide many of the underlying equations at client trainings and workshops. Moreover, as we publish our research in scientific journals and present our findings at scientific conferences, we will continue to be transparent in the furtherance of our efforts to advance the acceptance and adoption of our technologies.

Our website, with its Resource Center and Events pages, provides a knowledge base replete with information of interest to the stakeholder (clients, collaborators, investors) or the simply curious – including journal articles, datasheets, posters and presentations, product flyers and brochures, user groups, and webinars.

5.3 Vendor Management

SLP recognizes that, as responsible corporate citizens, we have an important role to play in ensuring that our suppliers abide by all legal and regulatory requirements, including matters of human rights and ethics which are addressed in our Corporate Code of Business Conduct and Ethics.

As part of our Vendor Qualification Process, which we have designed to ensure that SLP's business practices are of the highest standard, third-party vendors are assessed on several critical areas before we commence working with them. This assessment includes, but is not limited to, the following key areas:

• Cybersecurity policies, procedures, and protocols

• Business continuity and disaster recovery (BC/DR) planning

• Robust employee compliance programs

Our business operations are primarily office-based, therefore the majority of the vendors with whom we have relationships are not providing us with exclusive products and services. That is to say, in most cases, we are not limited to any one vendor or supplier, thus we are not subject to the limitations and constraints inherent in working with a single or exclusive supplier of a product or service.

5.4 Customer Privacy & Data Security

Customer Privacy

SLP values customer privacy and the data we collect is only as needed to deliver company information, software products, and/or simulation and modeling consulting services. When accessing our website or contacting any of our divisions to request SLP product information or services, to register for workshops or webinars, or to download software evaluations or licenses, we may require the following personal information: full name, company name, email address, mailing address, and/or user login and password. Our website includes our comprehensive Privacy Policy which details what and how data is collected, how data is used and stored, and the options for controlling personal data, including accessing, updating or deleting it.

As we continue to integrate our four divisions, we are working to ensure that all divisions are following the same policies regarding Customer Privacy.

Data Security

In recognition of the critical importance of Data Security to our operations - i.e., Cybersecurity, Data Protection and Customer Privacy, in whole or in part – the SLP executive leadership team conducts a thorough examination of all elements of Data Security. Our obligation, across all divisions, is to ensure the security, confidentiality, and privacy of our systems and information assets, and to follow and be compliant with all relevant laws, regulations, and guidelines, including, but not limited to:

• U.S. and State Data Privacy Laws

• The EU's General Data Protection Regulation (GDPR)

• Pharmaceutical Good Practice Quality Guidelines, including FDA 21 CFR Part 11

• Sarbanes-Oxley Act

In 2020, we enacted several organizational changes to strengthen our Data Security, beginning with the creation of a corporate level Information Technology department, operating under Corporate Human Resources, to bring greater consistency, efficiency, and functional IT support across all divisions. The Director of Information Technology is responsible for centralizing divisional data processing, storage, and backup capabilities with the support of IT teams in place at each of our geographical locations. The Director of Information Technology is also responsible for ensuring that corporate IT policies are aligned and compliant with all applicable regulatory provisions and current best practices.

Another addition to our corporate Data Security team is the Corporate Personal Data Protection Officer (DPO). The DPO is responsible for establishing a Data Privacy program at SLP that is compliant with data privacy laws and legislation at the state and federal levels, as well as the European Union's General Data Protection Regulation (GDPR). The DPO will also be leading our efforts to define, design, and implement a company-wide Data Protection and Customer Privacy framework and protocols.

The Data Protection and Customer Privacy protocols include threat prevention, device encryption, impact assessments and audits, and employee training to ensure company-wide compliance with applicable data privacy laws. SLP currently has policies and procedures in place for Information Security, Information Handling, Data Protection, Data Retention and Deletion. We are drafting several more specific policies to cover such practices as Employee Acceptable Use, Encryption, and Email to augment our existing Business Protection and Computer Resources User employment agreements. And we have an ongoing program of employee training in security awareness to keep our staff fully informed about potential cyber threats - such as phishing and malware – with periodic random phishing tests.

Environmental Controls

We have several environmental controls in place for our data centers, including fire suppression systems, and moisture and temperature sensors. With respect to power supply, we have an uninterruptible power system (UPS) augmented by backup generators to prevent any power disruption, however in the unlikely event of an extended power outage, we have in place monitoring software that provides notification of power events via email and the automatic shutdown of all servers.

5.5 Business Ethics

From its inception, SLP has placed the highest emphasis on conducting its business with honesty and integrity. The highest ethical standards are expected of management and employees alike, and we continuously strive to create a corporate culture of honesty, integrity, and trust. Throughout our operations and in our dealings with SLP stakeholders, we endeavor to engender the confidence that the company's conduct is beyond reproach.

The policies we have developed are intended to:

- Define and disseminate our core values and the legal requirements applicable to good business conduct and ethical behavior.

- Offer guidance in understanding company policies, interpreting laws, and handling company-related issues and situations.

- Foster clear, ethical behaviors and conduct to create an atmosphere of respect, trust, cooperation, and collaboration throughout the company and its activities.

- Provide clear and well-defined procedures by which employees can easily obtain information, ask questions, and, if necessary, report any suspected violations of any of our Business Ethics policies.

In addition to abiding by all applicable laws, all management and employees are required to comply fully with our Corporate Code of Business Conduct and Ethics (CCBCE) which sets forth the company's values, business culture, and practices.

All employees are required to read and acknowledge their understanding of our CCBCE as part of their new employee orientation process, and again, during their annual employee review and compliance training.

5.6 Human Rights

SLP was founded on the belief that our software technologies could lead to important advances in healthcare, thereby improving patient outcomes, advancing and improving global health, and bettering the lives of humankind. This objective cannot be accomplished without a commitment to Human Rights, and SLP is committed to ensuring that, in our day-to-day business practices, in our business relationships, and in matters of employment, we will uphold our own principles as delineated in our Corporate Code of Business Conduct and Ethics. Furthermore, we support the principles set forth in the United Nations International Bill of Human Rights, specifically the Universal Declaration of Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work. As we evolve this policy, we will look to the UN Guiding Principles on Business and Human Rights (UNGPs) for guidance.

6. SASB Index

In developing this report, we have referenced the SASB Frameworks for the Software & IT industry. According to the SASB Industry Level Materiality Map, the following categories are most relevant to companies in this industry. You'll see sections of our report referenced where you can find more information about our efforts in a specific area.

SOFTWARE & IT SERVICES	Report Section
Energy Management	2.2
Customer Privacy	5.4
Data Security	5.4
Employee Engagement, Diversity & Inclusion	4.1
Intellectual Property Protection & Competitive Behavior	5.2, 5.5
Systemic Risk Management	5.4

7. Alignment with United Nations Sustainable Development Goals

In accordance with guidance from the United Nations, we aim to integrate the Sustainable Development Goals (SDGs) into our business strategy. At SLP, we are focused on five SDGs and targets most relevant to our core business.
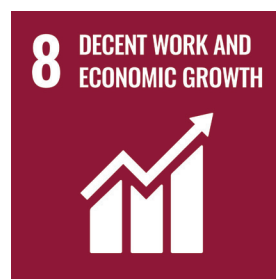
Goal 3 Good Health and Well-Being: Our core mission is to accelerate the development and delivery of better, safer, and more effective therapeutics, advancing and improving global health (ref. section 3)

Goal 4 Quality Education: We are privileged to be in a position where we can provide donations of time, financial support, and scientific expertise to academic institutions, research institutes, and to students (ref. section 3.1)

Goal 5 Gender Equality: We embrace diversity with the knowledge that it can lead to greater innovation, and in our workplace, we foster inclusion so all employees feel part of the SLP team with equal access to all opportunities (ref. section 4.1)

Goal 8 Decent Work and Economic Growth: Our employees are our greatest asset therefore the majority of our positions are full-time (94%), and our employee retention rates are in the high 90th percentile (ref. section 4)

Goal 9 Industry, Innovation and Infrastructure: Innovation is at the core of what we do. Our focus on improving how scientists utilize knowledge and data and our expertise in integrating new and existing science makes us among the leading solution providers of *in silico* software and services (ref. section 5.1)

Certainly, we have a role to play across all 17 SDG goals, but these five represent areas where we are particularly well positioned to drive significant progress based on our core business and specialized citizenship initiatives.

8. Methodology

To help inform our decision making regarding the content to include in our first sustainability report, we performed a benchmarking analysis to help us understand what other firms in our sector were reporting. We relied upon the Sustainability Accounting Standards Board (SASB) to help us understand the areas that may be of most relevance to our U.S. investors, and we referred broadly to the Global Reporting Initiative (GRI) to help us identify anything that we may have missed. We drew upon the subject matter expertise of our colleagues throughout SLP to collect and organize the content relative to the areas we identified in our benchmarking. Lastly, we compared our activities to the United Nations Sustainable Development Goals (SDGs) to assess how we may be contributing to these important goals.

Inquiries about our ESG practices and policies can be directed to ESG@simulations-plus.com.