Simulation Plus, Inc.

Guiding Principles of Corporate Governance

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Simulations Plus, Inc. supports the following core guiding principles of corporate governance:

1. The Board approves corporate strategies that are intended to build sustainable long-term value; selects a chief executive officer (CEO); oversees the CEO and senior management in operating the company's business, including allocating capital for long-term growth and assessing and managing risks; and sets the "tone at the top" for ethical conduct.
2. Management develops and implements corporate strategy and operates the company's business under the Board's oversight, with the goal of producing sustainable long-term value creation.
3. Management, under the oversight of the Board and its Audit Committee, produces financial statements that fairly present the company's financial condition and results of operations and makes the timely disclosures investors need to assess the financial and business soundness and risks of the company.
4. The Audit Committee of the Board retains and manages the relationship with the outside auditor, oversees the company's annual financial statement audit and internal controls over financial reporting, and oversees the company's risk management and compliance programs.
5. The Nominating and Corporate Governance Committee of the Board plays a leadership role in shaping the corporate governance of the company, strives to build an engaged and diverse Board whose composition is appropriate in light of the company's needs and strategy, and actively conducts succession planning for the Board.
6. The Compensation Committee of the Board develops an executive compensation philosophy, adopts and oversees the implementation of compensation policies that fit within its philosophy, designs compensation packages for the CEO and senior management to incentivize the creation of long-term value, and develops meaningful goals for performance-based compensation that support the company's long-term value creation strategy.
7. The Board and management should engage with long-term shareholders on issues and concerns that are of widespread interest to them and that affect the company's long-term value creation. Shareholders that engage with the Board and management in a manner that may affect corporate decision making or strategies are encouraged to disclose appropriate identifying information and to assume some accountability for the long-term interests of the company and its shareholders as a whole. As part of this responsibility, shareholders should recognize that the Board must continually weigh both short-term and long-term uses of capital when determining how to allocate it in a way that is most beneficial to shareholders and to building long-term value.
8. In making decisions, the Board may consider the interests of all of the company's constituencies, including stakeholders such as employees, customers, suppliers and the community in which the company does business, when doing so contributes in a direct and meaningful way to building long-term value creation.