



Board of Directors Corporate Governance Charter

The Inovalon Board of Directors (“Board”) bears ultimate responsibility for the oversight of the business and affairs of the Company. The Board in particular makes fundamental decisions about strategic focus, establishes significant policies for the Company, and is responsible for the approval of the hiring and firing of executive officers responsible for the management of the day-to-day business operations of the Company. In addition to its oversight role, the Board sets the tone for ethical business conduct for Inovalon. To aid in these objectives, the Board will conduct its affairs by way of governing policies designed to free the Board from process-driven trivia that regularly diminish, or even eradicate, a Board’s effectiveness. In place of administrative work, the Board’s governance principles intend to direct the Board’s energies on vision, outward focus and staff accountability through the President.

Governance Generally

The fundamental responsibilities of the members of the Board are to be engaged, informed and faithful fiduciaries and gatekeepers protecting the long-term interests of Inovalon, the stockholders, and the other important constituencies that they serve (including employees, clients, vendors and the public).

Importantly, this requires as much an exercise of common sense judgment as it does any particular extension of technical expertise. It requires skepticism, diligence and a willingness to ask tough (and oftentimes basic) questions, while insisting that the answers received are understandable and responsive. It requires a level of prudence in making sure that Inovalon does not take on an undue level of risk and a level of vigilance in making sure that concerns respecting the stewardship of the Board are quickly rectified as necessary.

Directors’ Duties and Responsibilities

The basic responsibility of each Director is to exercise his or her judgment to act in a manner he or she reasonably believes to be in the best interests of Inovalon and its stockholders. In discharging these obligations, the Directors are entitled to rely on management and the advice of Inovalon’s outside advisors and auditors.

Directors are monitors and gatekeepers charged with the duty of installing competent managers who they reasonably believe will serve the best interests of Inovalon, and diligently monitoring their conduct. The Directors should inquire of such managers with due care to make sure that Inovalon is being run in a faithful, prudent and principled manner.

Directors are expected to attend Board meetings on a regular basis and the meetings of the committees (if any) on which they serve, and to spend the time that is needed to properly discharge their functions. Directors are also expected to attend Inovalon's annual meeting of stockholders. Directors should make sure that they are receiving from management and from Inovalon's auditors and outside advisors all of the information and data they deem relevant to understanding the issues before them and reaching sound judgments with respect thereto.

The Board has access to management in order to ensure that Directors can ask any questions and receive all information necessary to perform their duties. Directors should exercise judgment to ensure that their contact with management does not distract managers from their jobs or disturb the business operations of Inovalon.

The Board committees may hire independent advisors, such as auditors, compensation consultants, legal counsel, and other advisors. The Board as a whole will have access to these advisors and other independent advisors that Inovalon retains or that the Board considers necessary or advisable in performing its responsibilities.

Business Conduct and Ethics

Perhaps the most important of the Board's responsibilities is to set the tone for Inovalon, its code of conduct and ethics. The Board must establish the proper code of conduct not just for its own members but must also set the tone and standards by which the conduct of management and all employees of Inovalon will be judged and monitored. Effort must be placed on establishing proper training programs to ensure that the highest standards of conduct and ethical behavior, and regulatory compliance are adhered to throughout the organization.

Loyalty, Care and Candor

As fiduciaries to the stockholders and the Company, management and Directors have three fundamental duties: the duty of loyalty, the duty of care and the duty of candor.

In addition to any specific procedural checklist one follows, it may be useful to ask the following simple questions:

- Have I acted with undivided loyalty to Inovalon and have all my personal interests in this matter been fully disclosed?
- Have I exercised due care in examining the issues underlying the proposed action, including whether the action is compatible and in compliance with Inovalon's mission, Bylaws, and all applicable civil rules and regulations? and
- Will the proposed action and the relevant facts relating thereto be candidly disclosed to all affected parties?

If the answers to those questions are yes, you should be comfortable that you have properly exercised your judgment and, even if such judgments proved flawed with the benefit of hindsight, the actions should be free of subsequent reproach.

Board Committees

The Board has four principal standing committees: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Security & Compliance Committee. The Board may also from time to time establish a committee for a specific purpose. The number and responsibilities of committees are reviewed periodically.

The Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Security & Compliance Committee review their respective committee charters at least annually and recommend any proposed changes to the Board for its approval.

Committees will generally report to the Board at the next regularly scheduled Board meeting following a committee meeting.

Membership on the committees is reviewed on a periodic basis by the Nominating and Corporate Governance Committee and approved by the full Board, which also designates a chair or co-chair for each committee. Each committee member and chair serves at the pleasure of the Board. There is no strict committee rotation policy. Changes in committee assignments are made based on committee needs, Director experience, interest and availability, and evolving legal and regulatory considerations.

Each of the members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee will be Directors for whom the Board has made an independence determination. Officer-Directors may not serve on any of such committees, but may attend committee meetings at the invitation of the committee chair.

In reviewing the composition of Board committees, the Board will also consider any listing and/or regulatory qualifications as may be applicable to specific committees.

Size of the Board

The number of Directors that constitutes the Board will be fixed from time to time by a resolution adopted by the Board in conformity with Inovalon's Second Amended and Restated Certificate of Incorporation (the "Certificate") and Amended and Restated Bylaws (the "Bylaws"). The Nominating and Corporate Governance Committee periodically reviews the size of the Board to ensure that the current number of Directors most effectively supports Inovalon.

Confidentiality and the Role of Directors Outside the Boardroom

The Board should function as a collegial body, and each Director should respect the confidentiality of all discussions that take place in Board meetings. Confidentiality is essential for an effective Board process and for the protection of Inovalon and its members. Moreover,

Directors generally owe a broad legal duty of confidentiality to Inovalon with respect to information they learn about the Company in the course of their duties. Even when a Director believes the subject matter of his or her statements is generally known, it is good practice for individual Directors to avoid commenting on matters concerning Inovalon.

Directors should also respect the role of the President as the chief spokesperson for Inovalon. They should generally not engage in discussions with outsiders concerning Company business unless specifically requested to do so by the President or the Board.

Inovalon should speak in one official voice. Whatever dialogue takes place within the context of Board meetings, the Board should strive to maintain a unified voice outside such meetings. Even where there is dissent on a given matter, those in the minority should voice their dissent, but should respect the confidences they are required to observe as Directors.

Governing Style

The Board will govern with an emphasis on (a) outward vision rather than an internal preoccupation, (b) encouragement of diversity in viewpoints, (c) strategic leadership more than administrative detail, (d) clear distinction of Board and chief executive (i.e., President) roles, (e) collective rather than individual decisions, (f) the future rather than the past or present, and (g) proactivity rather than reactivity.

Accordingly:

- The Board will cultivate a sense of group responsibility. The Board, not the staff, will be responsible for excellence in governing. The Board will be the initiator of policy, not merely a reactor to staff initiatives. The Board may use the expertise of individual members to enhance the ability of the Board as a body, rather than to substitute the individual judgments for the Board's values.
- The Board will direct, control and inspire Inovalon through the careful establishment of broad policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long-term impacts on Inovalon, not on the administrative or programmatic means of attaining those effects.
- The Board will allow no officer, individual or committee of the Board to hinder or be an excuse for not fulfilling its commitments.
- The Board should monitor and discuss the Board's process and performance at each meeting.

Chairman's Role

The Chairman assures the integrity of the Board's process and represents the Board to outside parties. It is the responsibility of the Chairman to ensure that the Board behaves consistently with its own rules and those legitimately imposed upon it from outside Inovalon. Meeting

discussion content will be only those issues which, according to Board policy, clearly belong to the Board to decide, not the President (as such). Deliberation will be fair, open, and thorough, but also timely, orderly, and kept to the point.

The authority of the Chairman consists in making decisions that fall within topics covered by Board policies on governance process and the Board-staff relationship, with the exception of (a) employment or termination of the President and (b) where the Board specifically delegates portions of this authority to others. The Chairman is authorized to use any reasonable interpretation of the provisions in these policies.

The Chairman is empowered to chair Board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing). Moreover, the Chairman may represent the Board to outside parties in announcing Board-stated positions and in stating chair decisions and interpretations within the area delegated him. The Chairman may delegate this authority, but remains accountable for its use.

Board Members' Code of Conduct

The Board commits itself to principled, ethical, businesslike, and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. Board members must have loyalty to Inovalon and its stockholders, unconflicted by loyalties to staff, other organizations, and any personal interest as a member of Inovalon. Accordingly, Board members must avoid conflict of interest with respect to their fiduciary responsibility.

When the Board is to decide upon an issue, about which a Board member has a conflict of interest, that Board member will absent herself or himself without comment from not only the vote, but also from the deliberation. Board members will not use their Board position to obtain compensated service in Inovalon of more than a *de minimis* amount for themselves, family members, or close associates.

If an actual or potential conflict of interest develops, the Director will report all facts regarding the matter to the Chair of the Nominating and Corporate Governance Committee (or, if the conflict of interest constitutes a "related person transaction," to the Chair of the Audit Committee). Any material conflict must be resolved or the Director should resign. If a Director has a personal interest in a matter before the Board, the Director must disclose the interest to the Board, excuse himself or herself from discussion, and abstain from voting, on the matter.

Board members (as such) may not attempt to exercise individual authority over the staff. Board members' interaction with the President or with staff must recognize the lack of authority vested in individuals except when explicitly Board authorized.

Except for participation in Board deliberation about whether reasonable interpretation of Board policy has been achieved by the President, Board members will not express individual judgments of performance of employees of the President.

Finally, Board members will at all times respect the confidentiality appropriate to issues of a sensitive nature.

Composition

The Board will at all times include a majority of independent Directors in compliance with NASDAQ Stock Market (“NASDAQ”) listing requirements. An “independent director” is a person who meets the definition of “independent director” under the applicable rules, regulations and listing requirements of NASDAQ, as amended from time to time, and does not have any other relationship with Inovalon that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out Director responsibilities.

Director Qualifications

The Nominating and Corporate Governance Committee works with the Board to determine periodically, as appropriate, the desired Board qualifications, expertise and characteristics, including such factors as business experience and diversity; and with respect to diversity, the Nominating and Corporate Governance Committee may consider such factors as differences in professional background, education, skill, and other individual qualities and attributes that contribute to the total mix of viewpoints and experience represented on the Board.

Selection of New Directors

The Board initially will not be classified. Our Certificate and Bylaws provide that when the shares of our Class B common stock represent less than 10% of the combined number of our outstanding shares of Class A common stock and Class B common stock, the Board will be classified into three classes of Directors, each of which will hold office for a three-year term. Each year, at the annual meeting, the Board will recommend a slate of Directors for election by the stockholders. In accordance with the Bylaws, the Board will also be responsible for filling vacancies or newly-created directorships on the Board that may occur between annual meetings of stockholders.

The Nominating and Corporate Governance Committee is responsible for identifying and screening candidates for Board membership, and recommending candidates to the entire Board for Board membership. The Nominating and Corporate Governance Committee does not solicit director nominations but will consider stockholder recommendations sent to the Chairman of the Nominating and Corporate Governance Committee c/o Inovalon Holdings, Inc., 4321 Collington Road, Bowie, Maryland 20716. Any such recommendation must include the candidate’s name, home and business contact information, detailed biographical data and qualifications and an explanation of the reasons why the stockholder believes this candidate is qualified for service on Inovalon’s Board. The stockholder must also provide such other information about the candidate that would be required by the Securities and Exchange Commission (“SEC”) rules to be included in a proxy statement. In addition, the stockholder must include the consent of the candidate and

describe any arrangements or undertakings between the stockholder and the candidate regarding the nomination. The stockholder must also submit proof of Inovalon stockholdings.

A stockholder that instead desires to nominate a person directly for election to the Board must meet the deadlines and other requirements set forth in Article I, Section (b) of the Bylaws and the rules and regulations of the SEC.

Succession Planning

Succession planning for the Chief Executive Officer (“CEO”) is considered at least annually by the independent Directors together with the CEO.

Term Limits

Term limits may result in the loss of long-serving Directors who over time have developed unique and valuable insights into Inovalon’s business and, therefore, can provide a significant contribution to the Board. Because each Director is periodically subject to election by Inovalon’s stockholders, the Board does not believe it is in the best interests of Inovalon to establish term limits.

Retirement Policy

No person shall be nominated by the Board to serve as a Director after he or she has passed his or her 75th birthday, unless the Nominating and Corporate Governance Committee has voted, on an annual basis, to waive or to continue to waive, the mandatory retirement age of such person as a Director.

Compensation

The form and amount of Director compensation will be determined by the Board based upon the recommendation of the Compensation Committee, in accordance with the policies and principles set forth in its charter and any NASDAQ or other applicable rules.

Stock Ownership Guidelines

Each non-employee Director is required, within the later of (i) five years from his or her initial election or appointment to the Board or (ii) five years from March 21, 2016, the effective date of the stock ownership guidelines, to own an amount of the Company’s Class A common stock (or shares convertible into Class A common stock, including the Company’s Class B common stock) having an aggregate value equal to at least five times the annual cash retainer component of the non-employee director’s compensation. Time-vested restricted stock and time-vested restricted stock units will be included when determining an individual’s stock ownership. Time-vested but unexercised stock options that are in-the-money will also be included when determining an individual’s stock ownership to the extent of their intrinsic value (*i.e.*, the difference between the strike price and the current market price of the Company’s Class A common stock, multiplied by the number of vested stock options). Unvested restricted stock or restricted stock units, unvested

options, and vested but unexercised options that are not in-the-money will not be counted toward meeting the stock ownership guidelines.

Director Orientation and Continuing Education

The Directors and Inovalon are committed to ensuring that all Directors receive orientation and continuing education.

Annual Self-Evaluation

The Nominating and Corporate Governance Committee will oversee a periodic self-evaluation by the Board, each committee, and each Board member. The Nominating and Corporate Governance Committee will be responsible for establishing the evaluation criteria and implementing the process for this evaluation, as well as considering other corporate governance principles that may, from time to time, merit consideration by the Board.

The Nominating and Corporate Governance Committee will utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and for current Directors seeking re-election in an effort to further the interests of Inovalon and its stockholders in a manner consistent with Inovalon's mission and core values.

Annual Review of Chief Executive Officer

The Compensation Committee, with input from the independent Directors, will conduct a review at least annually of the performance of the Chief Executive Officer. The Compensation Committee will establish the evaluation process and determine the specific criteria on which the performance of the Chief Executive Officer is evaluated in accordance with the charter and principles of the Compensation Committee.

Board Process

The Board is comprised of independent and non-independent Directors. The Board will meet at least four times each year. In between these in person meetings, it is expected that the Board may meet telephonically or otherwise as appropriate and as called by its Chairman. Meetings shall be designed to enable the Directors to regularly review corporate strategy and the operations and results of the business, and discharge their duties within a framework of prudent and effective controls relating to the assessment and management of risk.

Within the framework of its duties and responsibilities, including those prescribed by statute, regulations and the corporate charter, the Board may delegate certain authorities and powers to committees or individuals, including the President, but the Board shall always reserve the authority to deal with such matters, including:

- decisions on the long-term corporate objectives;

- decisions on the credit and investment policies of the Company;
- approval of the strategies necessary to achieve these objectives, bearing in mind the activities of competitors and potential competitors and the risks inherent in these strategies;
- approval of authorities and powers delegated to the President and to Board and management committees or senior management;
- ensuring that the executive management of the Company establishes and maintains appropriate systems to plan and control corporate operations and risks and to comply with relevant legislation and regulations, and provides regular and sufficient information to the Board to enable it to discharge its monitoring duties in relation to these matters;
- approval of the financial results announcements and reports and accounts;
- approval of corporate distributions;
- approval of the policy relating to charitable donations;
- ensuring the forward planning of the main executive appointments within the organization;
- approval of the appointment, dismissal, and remuneration of the Directors and of executives one level below the Board, including all members of the Executive or Management Committee; and
- approval and review of the corporate governance arrangements of the Company.

Stockholder-Director Communication

Any communication from a stockholder to the Board generally or a particular director should be addressed to the Corporate Secretary and delivered to Inovalon at its principal executive office. The stockholder communication should set forth (i) the name and address of the stockholder, as it appears on Inovalon's books, and if the stock is held by a nominee, the name and address of the beneficial owner of the stock, and (ii) the class and number of shares of Inovalon's stock that are owned of record by the record holder and beneficially by the beneficial owner.

The Corporate Secretary will, in consultation with appropriate Directors as necessary, generally screen communications from stockholders to identify communications that (i) are solicitations for products and services, (ii) relate to matters of a personal nature not relevant for Inovalon's stockholders to act on or for the Board to consider, or (iii) matters that are of a type that render them improper or irrelevant to the functioning of the Board or Inovalon.