APPROVED by the General Meeting of Members of the Horse Breeding Development Association, Minutes No. 4 dated 10 February 2019.

REGULATIONS ON MONITORING THE ACTIVITIES OF MEMBERS OF THE HORSE BREEDING DEVELOPMENT ASSOCIATION WITH REGARD TO THEIR COMPLIANCE WITH THE REQUIREMENTS OF THE ASSOCIATION'S STANDARDS AND RULES AND ITS MEMBERSHIP CONDITIONS

[The Russian original bears the Association's emblem, a round seal and a handwritten signature.]

Moscow, 2019

Contents

Section	Page in the Russian original
1. General Provisions	3
2. Scheduled Inspections	3
3. Unscheduled Inspections	5
4. Final Provisions	8

Unofficial translation for information only. Signatures and seals in the Russian original are not certified by this translation.
Russian original

1. General Provisions

1.1. These Regulations on Monitoring the Activities of Members of the Horse Breeding Development Association with Regard to Their Compliance with the Requirements of the Association's Standards and Rules and Its Membership Conditions (hereinafter, the Regulations) have been developed in accordance with Federal Law No. 315-ФЗ of 1 December 2007, 'On Self-Regulatory Organizations', the Charter of the Horse Breeding Development Association (hereinafter, ARK), and ARK's internal documents.

1.2. These Regulations prescribe the procedure for monitoring the activities of ARK members with regard to their compliance with ARK standards and rules and ARK membership conditions (hereinafter, monitoring).

1.3. ARK shall perform monitoring by conducting scheduled and unscheduled inspections (hereinafter also, inspections).

1.4. Inspections shall be conducted by ARK's Control Commission (hereinafter, the Control Commission).

1.5. Inspections may be conducted:
1) through a visit by Control Commission members to the ARK member being inspected, at that member's address or at the addresses of its branches, representative offices or facilities being inspected. In that event, the ARK member being inspected shall provide Control Commission members with unimpeded access to the facilities;
2) without a visit by Control Commission members to the ARK member being inspected.

1.6. In the course of inspections, the Chair, Deputy Chairs and members of the Control Commission may request and obtain from ARK officials and bodies and ARK members the information necessary for the Control Commission's activities.
A request may be sent by email or by another means ensuring its delivery within 5 (five) working days of dispatch.
ARK officials and bodies and ARK members shall provide the information specified in the request, including documents (or copies thereof) or other materials, within the periods and in accordance with the procedure stated in the request.

1.7. ARK and its employees and officials participating in inspections are responsible for ensuring that information obtained during inspections is neither disclosed nor disseminated.

1.8. ARK shall be liable to its members, in accordance with the procedure prescribed by the legislation of the Russian Federation and ARK's Charter, for unlawful actions of ARK employees when monitoring the activities of ARK members.

2. Scheduled Inspections

2.1. Scheduled inspections shall examine compliance with ARK standards and rules and ARK membership conditions (hereinafter, ARK requirements).

2.2. Scheduled inspections shall be conducted at least once every 3 (three) years and no more than 1 (one) time per year. A scheduled inspection of a newly admitted ARK member

shall be conducted no earlier than 1 (one) year after information concerning that member is entered in ARK's register of members.

2.3. A scheduled inspection shall be conducted in accordance with an inspection plan (hereinafter, the Inspection Plan) approved by ARK's Supervisory Council.
The Inspection Plan shall contain the following information:
1) the number, date and title of the document approving that Inspection Plan;
2) the names of ARK members whose activities are to be inspected in accordance with the schedule of scheduled inspections;
3) the dates of the scheduled inspection for each ARK member and the period of that member's activities to be inspected.
An ARK member shall be included in the Inspection Plan upon expiry of the interval for a scheduled inspection prescribed by clause 2.2 of these Regulations.
The duration of a scheduled inspection of an ARK member shall be set by ARK's Supervisory Council and may not exceed 30 (thirty) working days. ARK's Director may extend that duration by no more than 30 (thirty) working days.

2.4. The Inspection Plan shall be posted on ARK's official website on the Internet information and telecommunications network in accordance with ARK's Regulations on Information Disclosure, approved by ARK's Supervisory Council (hereinafter, the Information Disclosure Regulations).

2.5. A scheduled inspection shall be based on an order of ARK's Director to conduct it. The order shall state the name of the ARK member subject to the scheduled inspection, the inspection dates, the period of that member's activities to be inspected, and the surnames, first names, patronymics, where applicable, and positions of the Control Commission members participating in the inspection.

2.6. The ARK member shall be notified of a scheduled inspection at least 3 (three) working days before its starting date. The notice shall state the grounds and dates of the inspection and the period of the member's activities to be inspected. The notice, accompanied by a copy of ARK's Director's order for the inspection, shall be sent to the member's email address agreed with ARK or by another means ensuring delivery within the period specified in this clause.

2.7. During a scheduled inspection, the Control Commission shall analyse the ARK member's activities for the period under inspection on the basis of the information that member submitted to ARK in reports in accordance with ARK's Charter or other internal documents.
Other materials and information in ARK's possession at the start of the scheduled inspection or obtained during it, including additional information requested from the member, shall also be analysed.

2.8. A Scheduled Inspection Report shall be drawn up following a scheduled inspection and shall contain:
- the date and place of preparation of the Scheduled Inspection Report;
- a list of the Control Commission members who conducted the inspection, stating their surnames, first names, patronymics, where applicable, and positions in the Control Commission;

- the number and date of the document approving the Inspection Plan;
- the particulars of ARK's Director's order for the scheduled inspection;
- the name of the ARK member whose activities were inspected;
- the dates and place (address) of the scheduled inspection;
- the scheduled inspection results, containing conclusions as to whether the member violated ARK requirements;
- a list of documents used during the scheduled inspection.

2.9. The Scheduled Inspection Report shall be drawn up in two copies and signed on the date of its preparation by the Chair or Deputy Chair and the Control Commission members who conducted the inspection.
Documents used during the scheduled inspection and/or their electronic copies shall be appended to the Scheduled Inspection Report, or their location shall be stated.
The first copy of the Scheduled Inspection Report, together with appended documents and/or electronic copies, shall be retained by ARK for 5 (five) years from the date of its preparation.

2.10. No later than 5 (five) working days after it is signed, the second copy of the Scheduled Inspection Report shall be delivered against acknowledgment of receipt to the head of the ARK member inspected, or sent by registered post with acknowledgment of delivery. The Scheduled Inspection Report shall also be sent to the email address agreed with ARK or by another means ensuring delivery within 5 (five) working days of dispatch.

2.11. An ARK member who disagrees with conclusions in the Scheduled Inspection Report that it has violated ARK requirements may submit a reasoned objection to ARK within 15 (fifteen) working days after receiving the Report.

2.12. Within 25 (twenty-five) working days after a Scheduled Inspection Report concerning an inspection that revealed violations is signed, that Report and the ARK member's objections, if any, shall be submitted to ARK's Disciplinary Committee.

2.13. Information on the results of a scheduled inspection shall be posted on ARK's official website on the Internet information and telecommunications network in accordance with the procedure and time limits prescribed by the Information Disclosure Regulations.

3. Unscheduled Inspections

3.1. ARK's Supervisory Council shall decide to conduct an unscheduled inspection on the basis of:
- complaints or submissions from individuals, organizations, public authorities or local government bodies, and information published in the mass media, concerning an ARK member's violation of ARK requirements;
- the need to inspect an ARK member to verify that violations identified during previous inspections have been remedied;
- applications for payments from ARK's compensation fund.

3.2. An unscheduled inspection shall be conducted by the Control Commission pursuant to an order of ARK's Director within no more than 15 working days from receipt of

Unofficial translation for information only. Signatures and seals in the Russian original are not certified by this translation.
Russian original

the complaint or submission, or within the period specified in the ARK Supervisory Council decision referred to in clause 3.1 of these Regulations.
An unscheduled inspection concerning applications for payments from ARK's compensation fund shall be conducted by the Control Commission taking into account the procedure and time limits for considering such applications prescribed by ARK's Regulations on the Compensation Fund.

3.3. ARK's Director's order for an unscheduled inspection shall state the name of the ARK member subject to the inspection, the inspection dates, the period of that member's activities to be inspected, the surnames, first names, patronymics, where applicable, and positions of the Control Commission members participating in the inspection, and the list of matters to be examined.

3.4. The following circumstances constitute grounds for refusing to consider a complaint or submission received by ARK:
- it does not contain the applicant's particulars: surname, initials, organization name for a legal entity, the sender's signature and/or address or email address;
- it does not indicate facts concerning an ARK member's violation of ARK requirements;
- the text of the complaint or submission is illegible;
- the authority of the person signing the complaint or submission under a power of attorney cannot be verified;
- the complaint or submission states facts on which ARK has previously sent the applicant a substantive response, without setting out new facts, circumstances or arguments. In this case, the applicant shall be sent a response containing information on the results of the previous inspection concerning those facts;
- the ARK member has been expelled from or has withdrawn from ARK as of the date of receipt of the submission or complaint.

3.5. ARK's Director may decide to suspend an unscheduled inspection if administrative-offence proceedings or criminal proceedings are underway concerning the violations specified in the complaint or submission. The inspection shall be suspended until receipt of a decision that has entered into legal force imposing administrative or criminal liability or declining to impose liability.

3.6. The ARK member in respect of whom an unscheduled inspection has been ordered shall be sent a notice stating the grounds and period of the inspection and the deadlines for submitting to the Control Commission explanations regarding the violations specified in the complaint or submission and documents needed to resolve the matters on their merits. The notice, accompanied by a copy of ARK's Director's order for the inspection, shall be sent to the member's email address agreed with ARK or by another means ensuring delivery no later than 3 (three) working days before the inspection begins.

3.7. An unscheduled inspection shall examine only the facts stated in the complaint or submission, or the facts to be examined in an inspection ordered on other grounds.

3.8. An Unscheduled Inspection Report shall be drawn up following an unscheduled inspection and shall state:
- the date and place of preparation of the Unscheduled Inspection Report;
- a list of the Control Commission members who conducted the inspection, stating their surnames, first names, patronymics, where applicable, and positions in the Control Commission;
- the number and date of ARK's Director's order for the unscheduled inspection;
- the grounds for deciding to conduct the unscheduled inspection;
- the name of the ARK member whose activities were inspected;
- the dates and place (address) of the unscheduled inspection;
- the name of the applicant submitting the complaint or submission, or, for an individual, the surname, first name and patronymic, where applicable;
- the unscheduled inspection results, containing conclusions as to whether the member violated ARK requirements;
- a list of documents used during the scheduled inspection.

[Translator's note: the last item says 'scheduled inspection' in the Russian original, although this clause concerns an unscheduled inspection.]

3.9. The Unscheduled Inspection Report shall be drawn up in two copies and signed on the date of its preparation by the Chair or Deputy Chair and the Control Commission members who conducted the inspection.
Documents used during the unscheduled inspection and/or their electronic copies shall be appended to the Unscheduled Inspection Report, or their location shall be stated.
The first copy of the Unscheduled Inspection Report, together with appended documents and/or electronic copies, shall be retained by ARK for 5 (five) years from the date of its preparation.

3.10. No later than 3 (three) working days after it is signed, the second copy of the Unscheduled Inspection Report shall be delivered against acknowledgment of receipt to the head of the ARK member inspected, or sent by registered post with acknowledgment of delivery. The Unscheduled Inspection Report shall also be sent to the email address agreed with ARK or by another means ensuring delivery within 5 (five) working days of dispatch.

3.11. An ARK member who disagrees with conclusions in the Unscheduled Inspection Report that it has violated ARK requirements may submit a reasoned objection to ARK within 5 (five) working days after receiving the Report.

3.12. Within 15 (fifteen) working days after an Unscheduled Inspection Report concerning an inspection that revealed violations of ARK requirements is signed, that Report and the ARK member's objections, if any, shall be submitted to ARK's Disciplinary Committee.

3.13. ARK shall inform the applicant of decisions taken following consideration of the complaint or submission in accordance with the procedure prescribed by ARK's internal documents governing records management.

3.14. Information on the results of an unscheduled inspection shall be posted on ARK's official website on the Internet information and telecommunications network in accordance with the procedure and time limits prescribed by ARK's Information Disclosure Regulations.

4. Final Provisions

4.1. These Regulations shall enter into force on the date of their approval, but not before information concerning ARK is entered in the state register of self-regulatory organizations in accordance with the requirements of Federal Law No. 315-ФЗ of 1 December 2007, 'On Self-Regulatory Organizations'.

4.2. Amendments to these Regulations may be made by a decision of the Association's General Meeting of Members or ARK's Supervisory Council in accordance with the legislation of the Russian Federation and ARK's Charter.
Such amendments shall enter into force on the date of their approval, unless the amendments specify different effective dates, but not before information concerning ARK is entered in the state register of self-regulatory organizations in accordance with the requirements of Federal Law No. 315-ФЗ of 1 December 2007, 'On Self-Regulatory Organizations'.