

FORMULA 1 POWER UNIT FINANCIAL REGULATIONS

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Issue 1

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1. GENERAL PRINCIPLES

Scope

- 1.1 These Power Unit Financial Regulations come into force on 1 January 2023. They form part of the terms and conditions for the homologation of Power Units to be supplied to F1 Teams for participation in the Championship from 2026 onwards. Each Power Unit Manufacturer intending to homologate Power Units for supply to an F1 Team(s) for participation in the Championship from 2026 onwards agrees to be bound by, and undertakes to comply with, these Power Unit Financial Regulations from the start of its N-3 Full Year Reporting Period.

Objectives

- 1.2 These Power Unit Financial Regulations introduce a Power Unit Cost Cap that limits certain costs that may be incurred by or on behalf of a Power Unit Manufacturer in each Full Year Reporting Period, while leaving that Power Unit Manufacturer free to decide how to allocate resources within that Power Unit Cost Cap.

- 1.3 These Power Unit Financial Regulations are designed to help achieve the following objectives (the "**Objectives**"):

- (a) to promote the long-term competitive balance of the Championship in respect of Power Units;
- (b) to promote the long-term sporting fairness of the Championship in respect of Power Units; and
- (c) to ensure the long-term financial stability and sustainability of the Power Unit Manufacturers,

while preserving the unique technology and engineering challenge of Formula 1.

- 1.4 These Power Unit Financial Regulations will be interpreted and applied by the Cost Cap Administration, the Cost Cap Adjudication Panel and the ICA in a consistent manner that treats all Power Unit Manufacturers equally and that advances the Objectives.

- 1.5 The definitive version of these Power Unit Financial Regulations is the English version, which will be used should any dispute arise as to their interpretation. Defined words and phrases in these Power Unit Financial Regulations (denoted by initial capital letters) have the meaning indicated in Appendix 1 to these Power Unit Financial Regulations, unless otherwise defined in the body of these Power Unit Financial Regulations. Unless otherwise specified, references to "Articles" are to Articles of these Power Unit Financial Regulations, references to "may" shall mean in the sole discretion of such person or entity (as the context so requires), and any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and not as limiting the sense of the words preceding those terms.

- 1.6 If any part of these Power Unit Financial Regulations is found by a court or authority of competent jurisdiction to be illegal, invalid or unenforceable, that part will be deemed not to form part of these Power Unit Financial Regulations, and the legality, validity or enforceability of the remainder of these Power Unit Financial Regulations will not be affected.

- 1.7 The Cost Cap Administration shall periodically review these Power Unit Financial Regulations. These Power Unit Financial Regulations may be amended and/or supplemented by the FIA World Motor Sport Council from time to time.

Accountability

- 1.8 Each Power Unit Manufacturer must ensure that all Personnel are made aware:
- (a) of the Objectives, content and substance of these Power Unit Financial Regulations; and
 - (b) that the Power Unit Manufacturer is subject to these Power Unit Financial Regulations.
- 1.9 Each Power Unit Manufacturer must ensure that all relevant Personnel are appropriately informed and trained with respect to the ways in which their areas of responsibility may impact the Power Unit Manufacturer's compliance with these Power Unit Financial Regulations.
- 1.10 Each Power Unit Manufacturer must ensure that the FIA ethics and compliance policy in force from time to time with respect to these Power Unit Financial Regulations is clearly communicated to all Personnel.

2. POWER UNIT MANUFACTURER OBLIGATIONS

- 2.1 Each Power Unit Manufacturer must:
- (a) demonstrate its ongoing compliance with the Power Unit Cost Cap by submitting Reporting Documentation in respect of its Reporting Group to the Cost Cap Administration by the Reporting Deadline in respect of each Reporting Period and by providing any further information requested from time to time by the Cost Cap Administration;
 - (b) cooperate fully and in a timely manner with the Cost Cap Administration in the exercise of its regulatory function, including any investigation conducted by or on behalf of the Cost Cap Administration pursuant to these Power Unit Financial Regulations and/or with the Financial Regulations;
 - (c) provide any information and documentation requested by or on behalf of the Cost Cap Administration relevant to any actual, potential or suspected instance of non-compliance with these Power Unit Financial Regulations and/or with the Financial Regulations; and
 - (d) faithfully execute its obligations under these Power Unit Financial Regulations and act at all times in a spirit of Good Faith and cooperation.

Cap on Relevant Costs

- 2.2 A Power Unit Manufacturer must:
- (a) determine and report its Relevant Costs against the Power Unit Cost Cap in the Power Unit Manufacturer's Presentation Currency; and

- (b) not have Relevant Costs in excess of the Power Unit Cost Cap in the applicable Full Year Reporting Period.

The Power Unit Cost Cap

- 2.3 The amount of the "Power Unit Cost Cap" shall be as follows:
- (a) in the Full Year Reporting Periods ending on 31 December 2023, 31 December 2024 and 31 December 2025, US Dollars 95,000,000, adjusted for Indexation; and
- (b) in the Full Year Reporting Period ending on 31 December 2026 and in each subsequent Full Year Reporting Period, US Dollars 130,000,000, adjusted for Indexation.
- 2.4 Where a Power Unit Manufacturer has a Presentation Currency other than US Dollars, the Power Unit Cost Cap for that Power Unit Manufacturer shall be converted from US Dollars into that Power Unit Manufacturer's Presentation Currency at the Initial Applicable Rate. For illustrative purposes, the amount of the Power Unit Cost Cap in selected Presentation Currencies for the Full Year Reporting Period ending on 31 December 2023, as referred to in Article 2.3(a) (assuming Indexation of zero) is as follows:

US Dollars (‘000)	Pounds Sterling (‘000)	Euros (‘000)
95,000	76,459	90,210

Reporting Group

- 2.5 For the purposes of reporting Total Costs of the Reporting Group, a Power Unit Manufacturer's Reporting Group shall comprise the Power Unit Manufacturer together with, where the Power Unit Manufacturer has incurred less than 95% of the costs of the Power Unit Activities undertaken by or on behalf of the Power Unit Manufacturer in the Reporting Period, such additional entities within the Power Unit Manufacturer's Legal Group Structure as are determined in accordance with Article 2.6.
- 2.6 The additional entities to be included within the Reporting Group where a Power Unit Manufacturer has incurred less than 95% of the costs of the Power Unit Activities undertaken by or on behalf of that Power Unit Manufacturer in the Reporting Period shall be the entity (other than the Power Unit Manufacturer) within the Power Unit Manufacturer's Legal Group Structure that incurred the greatest amount of costs of the Power Unit Activities undertaken by or on behalf of the Power Unit Manufacturer in the Reporting Period, followed (to the extent required) by the entity within the Power Unit Manufacturer's Legal Group Structure that incurred the next greatest amount of such costs, and so on, until the entities included within the Reporting Group have incurred, in aggregate, 95% or more of the costs of the Power Unit Activities undertaken by or on behalf of the Power Unit Manufacturer in the Reporting Period.
- 2.7 In addition to those entities included in the Reporting Group pursuant to Articles 2.5 and 2.6, a Power Unit Manufacturer may elect to include additional entities in its Reporting Group

from within its Legal Group Structure which have incurred costs of Power Unit Activities undertaken on behalf of the Power Unit Manufacturer in the Reporting Period.

2.8 For the purposes of Articles 2.5 to 2.7 (inclusive), the calculation of the costs of Power Unit Activities undertaken by or on behalf of the Power Unit Manufacturer in the Reporting Period:

- (a) shall not include Finance Costs and costs Directly Attributable to Marketing Activities;
- (b) shall be made having adjusted out any amounts in connection with Power Unit Activities recharged from one member of the Power Unit Manufacturer's Legal Group Structure to another.

2.9 In the calculation of Relevant Costs, the costs of any Power Unit Activities incurred by entities within the Power Unit Manufacturer's Legal Group Structure but outside its Reporting Group, other than Finance Costs and costs Directly Attributable to Marketing Activities undertaken by any such entity, must either be:

- (a) recharged at Fair Value to a Reporting Group Entity and thereby included within Total Costs of the Reporting Group; or
- (b) included in Relevant Costs at Fair Value by way of an Adjustment to Total Costs of the Reporting Group, as a Related Party Transaction pursuant to Article 4.1(a)(i).

2.10 The Power Unit Manufacturer should seek clarification from the Cost Cap Administration if it is uncertain whether an entity should be included in its Reporting Group.

3. EXCLUSIONS

3.1 In calculating Relevant Costs, the following costs and amounts within Total Costs of the Reporting Group must be excluded ("**Excluded Costs**"):

- (a) All costs Directly Attributable to Marketing Activities;
- (b) With respect to Heritage Asset Activities:
 - (i) all costs Directly Attributable to Heritage Asset Activities; and
 - (ii) if the Power Unit Manufacturer can prove to the satisfaction of the Cost Cap Administration that an identifiable portion of the Consideration provided to any Heritage Asset Personnel relates to Heritage Asset Activities, that portion of those costs, together with the associated employer's social security contributions;
- (c) All Finance Costs;
- (d) All Corporate Income Tax;
- (e) With respect to Non-Power Unit Activities:
 - (i) all costs Directly Attributable to Non-Power Unit Activities; and

- (ii) if the Power Unit Manufacturer can prove to the satisfaction of the Cost Cap Administration that an identifiable portion of the following costs relates to Non-Power Unit Activities, that portion of those costs:
 - (A) Consideration provided to, and associated employer's social security contributions incurred in respect of, any Personnel engaged in both Power Unit Activities and Non-Power Unit Activities;
 - (B) electricity, gas and water costs incurred in the course of both Power Unit Activities and Non-Power Unit Activities;
 - (C) lease costs in respect of plant and equipment used in the course of both Power Unit Activities and Non-Power Unit Activities; and
 - (D) costs of parts and consumables, and outsourced services, incurred for the maintenance of an item of plant or equipment used in the course of both Power Unit Activities and Non-Power Unit Activities;
- (f) All costs Directly Attributable to Human Resources Activities, Finance Activities or Legal Activities;
- (g) All Property Costs;
- (h) All Employee Bonus Costs, subject to a maximum amount in any Full Year Reporting Period of the lower of:
 - (i) 20% of the Total Fixed Employee Remuneration; and
 - (ii) US Dollars 7,500,000, adjusted for Indexation;
 plus the amount of any employer's social security contributions in respect of the amount of such Employee Bonus Costs excluded pursuant to this Article 3.1(h);
- (i) All registration and administration fees payable to the FIA by a Power Unit Manufacturer in relation to the registration and homologation of its Power Units in respect of the Championship taking place in the applicable Reporting Period;
- (j) All Financial Penalties in respect of any breach of these Power Unit Financial Regulations;
- (k) All amounts of depreciation, amortisation, impairment loss, and amounts as a result of revaluation or disposal of tangible assets and intangible assets;
- (l) All foreign exchange gains and losses recognised in profit or loss, whether arising from settlement and/or re-measurement of monetary items denominated in a foreign currency, or otherwise;
- (m) Where a Reporting Group Entity is required by applicable laws to pay employer's social security contributions, the amount by which such mandatory contributions exceed 13.8% of the Total Employee Remuneration;

- (n) All Health And Safety Costs;
- (o) With respect to Customer Team Power Unit Activities:
 - (i) All costs Directly Attributable to Customer Team Power Unit Activities; and
 - (ii) If a Power Unit Manufacturer can prove to the satisfaction of the Cost Cap Administration that an identifiable portion of the following costs relates to Customer Team Power Unit Activities, that portion of those costs:
 - (A) Consideration provided to, and associated employer's social security contributions incurred in respect of, any Personnel engaged in Power Unit Activities;
 - (B) electricity, gas and water costs incurred in the course of Power Unit Activities;
 - (C) lease costs in respect of plant and equipment used in the course of Power Unit Activities; and
 - (D) costs of parts and consumables, and outsourced services, incurred for the maintenance of an item of plant or equipment used in the course of Power Unit Activities;
- (p) With respect to Current Generation Power Unit Activities and in respect of the Full Year Reporting Periods ending on 31 December 2023, 31 December 2024 and 31 December 2025 only:
 - (i) All costs Directly Attributable to Current Generation Power Unit Activities; and
 - (ii) If a Power Unit Manufacturer can prove to the satisfaction of the Cost Cap Administration that an identifiable portion of the following costs relates to Current Generation Power Unit Activities, that portion of those costs:
 - (A) Consideration provided to, and associated employer's social security contributions incurred in respect of, any Personnel engaged in Power Unit Activities;
 - (B) electricity, gas and water costs incurred in the course of Power Unit Activities;
 - (C) lease costs in respect of plant and equipment used in the course of Power Unit Activities; and
 - (D) costs of parts and consumables, and outsourced services, incurred for the maintenance of an item of plant or equipment used in the course of Power Unit Activities;
- (q) All Employee Termination Benefits (together with associated employer's social security contributions), incurred in the Full Year Reporting Periods ending on 31 December 2023, 31 December 2024 and 31 December 2025; and

- (r) All costs of Consideration other than Employee Termination Benefits (together with associated employer's social security contributions) provided to a Reassigned Employee prior to the date on which they became a Reassigned Employee, subject to a maximum aggregate amount of US Dollars 3,000,000, adjusted for Indexation.

3.2 If a cost within Total Costs of the Reporting Group is Directly Attributable to any combination of the following activities:

- (a) Marketing Activities;
- (b) Heritage Asset Activities;
- (c) Non-Power Unit Activities;
- (d) Human Resources Activities;
- (e) Finance Activities;
- (f) Legal Activities;
- (g) Customer Team Power Unit Activities; and
- (h) Current Generation Power Unit Activities,

such cost shall be an Excluded Cost.

3.3 For the purposes of this Article 3, where a Power Unit Manufacturer has a Presentation Currency other than US Dollars, amounts expressed in US Dollars shall be converted into that Power Unit Manufacturer's Presentation Currency at the Initial Applicable Rate.

4. ADJUSTMENTS

4.1 Unless stated otherwise in this Article 4, in calculating Relevant Costs, the following adjustments to Total Costs of the Reporting Group must be made:

- (a) Related Party Transactions, Exchange Transactions and F1 Team Transactions:

Any Related Party Transaction, Exchange Transaction or F1 Team Transaction in connection with a Power Unit Activity must be included in Relevant Costs at not less than Fair Value.

- (b) Offsetting of income and costs:

If a Reporting Group Entity has offset any income or gains within its Total Costs, or any costs or losses within its revenue, the Power Unit Manufacturer must make an upward adjustment in the calculation of Relevant Costs to gross up these amounts, unless:

- (i) such offsetting is permitted under its applicable accounting standards, with the exception of any income from a government incentive scheme in respect of certain research and development costs included within Total Costs that has been offset against such costs in which case the Power Unit Manufacturer

must make an upward adjustment in the calculation of Relevant Costs to gross up these amounts; or

- (ii) finance income has been offset against Finance Costs, provided that any exclusion made pursuant to Article 3.1(c) is made net of finance income; or
- (iii) tax credits in respect of Corporate Income Tax have been offset against tax charges in respect of Corporate Income Tax, provided that any exclusion made pursuant to Article 3.1(d) is made net of tax credits in respect of Corporate Income Tax.

(c) Research and Development costs:

- (i) All costs in respect of Research and Development for Power Unit Activities must be included in Relevant Costs in the Reporting Period in which they are incurred.
- (ii) If a Reporting Group Entity has deferred recognition of any costs in respect of Research and Development for Power Unit Activities to a subsequent Reporting Period, an adjustment must be made in the calculation of Relevant Costs to ensure such costs are recognised within the Reporting Period in which they are incurred.

(d) Capitalisation of Power Units:

If a Reporting Group Entity has capitalised any costs in respect of a Power Unit during the Reporting Period, an adjustment must be made in the calculation of Relevant Costs to ensure such costs are recognised within the Reporting Period in which they are incurred.

(e) Capital Expenditure:

- (i) The amount (if any) by which the Capital Expenditure Amount for the Full Year Reporting Period exceeds the Capital Expenditure Limit must be included in the calculation of Relevant Costs.
- (ii) If the costs incurred as part of a Related Party Transaction, Exchange Transaction or F1 Team Transaction meet the definition of paragraphs (a) or (b) of the definition of Capital Expenditure, such costs must be included in Capital Expenditure at not less than Fair Value.

(f) Inventories:

- (i) If the accounting treatment of Inventories within Total Costs of the Reporting Group varies from the following requirements, the Power Unit Manufacturer must make an adjustment in the calculation of Relevant Costs to reflect these requirements:
 - (A) the cost of an item of Used Inventories must be recognised in full as an expense in the Full Year Reporting Period in which it was first used in respect of the Power Unit Manufacturer's Power Units, provided

that where such use occurs prior to 1 January of its N-3 Full Year Reporting Period and the item is re-used during the N-3 Full Year Reporting Period, the cost of that item of Used Inventories must be recognised in full as an expense in the N-3 Full Year Reporting Period;

- (B) the cost of an item of Unused Inventories must not be recognised in the Reporting Period; and
 - (C) the cost of an item of Redundant Inventories (which has not been recognised in a previous Full Year Reporting Period pursuant to any other provision of this Article 4.1(f)(i)) must be recognised in full as an expense in the Reporting Period. Where practicable, the identification of Redundant Inventories must be carried out on an item-by-item basis. Otherwise, groups of similar items may be considered together.
- (ii) The cost of an item of Inventories must comprise:
- (A) all costs of purchase, determined on the same basis as that used by the Power Unit Manufacturer in its Audited Annual Financial Statements in respect of the previous Full Year Reporting Period;
 - (B) costs of conversion (including fixed production overheads allocated on a basis that is appropriate to the nature of the product and method of production and on the basis of the entity's normal level of activity, and applied consistently from one Reporting Period to another); and
 - (C) other costs incurred in bringing the item of Inventories to its present location and condition.
- (iii) In the event that an item of Redundant Inventories:
- (A) has not been used; and
 - (B) is not of a technical specification that is specific to the Power Units supplied to either the Nominated Team or any one Customer Team of the Power Unit Manufacturer; and
 - (C) its cost has been recognised in full as an expense in the Reporting Period pursuant to paragraph (i)(C) of this Article,
- the aggregate cost of all such items must be allocated on an equal pro-rata basis across the Nominated Team and each Customer Team of the Power Unit Manufacturer. The Power Unit Manufacturer must then make a downward adjustment in the calculation of Relevant Costs for the Reporting Period equal to the aggregate amount allocated to the Customer Teams.
- (iv) In the event that an item of Redundant Inventories written off in a previous Reporting Period pursuant to paragraph (i)(C) of this Article is used in a subsequent Reporting Period, the Power Unit Manufacturer must make an adjustment in the calculation of Relevant Costs for that subsequent Reporting

Period to add an amount equal to that written off in the previous Reporting Period.

(g) Unrecorded costs or losses:

If costs or losses incurred by a Reporting Group Entity are not recognised within its Total Costs, which under the applicable accounting standards should have been recognised within profit or loss during the Reporting Period, an adjustment must be made in the calculation of Relevant Costs to ensure such costs are recognised within Relevant Costs for the Reporting Period.

(h) Foreign exchange transaction costs:

(i) Subject to Article 4.1(h)(ii), if a Reporting Group Entity incurs a cost for a transaction in a currency other than the Power Unit Manufacturer's Presentation Currency, the Power Unit Manufacturer may choose to make an adjustment in the calculation of Relevant Costs to reflect the difference between such cost retranslated into the Power Unit Manufacturer's Presentation Currency using the Applicable Rate, and the value at which those costs were recorded on initial recognition within Total Costs of the Reporting Group.

(ii) If a Power Unit Manufacturer chooses to make such an adjustment, it must be made for all costs within Total Costs of the Reporting Group that have been transacted in all currencies other than the Power Unit Manufacturer's Presentation Currency, unless any such costs have otherwise been excluded from Total Costs of the Reporting Group pursuant to Article 3.

(i) Eligible External Manufacturing Costs:

If a Power Unit Manufacturer has recognised Eligible External Manufacturing Costs within Total Costs of the Reporting Group, it must make a downward adjustment in the calculation of Relevant Costs equal to 35% of any Eligible External Manufacturing Costs recognised, subject to a maximum amount of:

(i) US Dollars 20,000,000 in respect of each of the Full Year Reporting Periods ending on 31 December 2023, 31 December 2024 and 31 December 2025, adjusted for Indexation; and

(ii) US Dollars 30,000,000, adjusted for Indexation, in respect of the Full Year Reporting Period ending on 31 December 2026 and in respect of each subsequent Full Year Reporting Period.

(j) Election to defer:

(i) In respect of each of the Full Year Reporting Periods ending on 31 December 2023 and 31 December 2024, a Power Unit Manufacturer may choose to make an upward adjustment in the calculation of Relevant Costs up to a maximum amount of US Dollars 15,000,000, adjusted for Indexation.

(ii) If a Power Unit Manufacturer makes an adjustment pursuant to Article 4.1(j)(i) within its Full Year Reporting Documentation that is submitted to Cost Cap Administration:

(A) it cannot retrospectively be reversed; and

(B) the Power Unit Manufacturer must make an equal and opposite downward adjustment in the calculation of Relevant Costs for the subsequent Full Year Reporting Period.

(k) New Power Unit Manufacturers:

A Power Unit Manufacturer that, as at the end of the applicable Reporting Period meets the definition of a New Power Unit Manufacturer, must make a downward adjustment in the calculation of Relevant Costs for the following amounts:

(i) in respect of both its N-3 Full Year Reporting Period and N-2 Full Year Reporting Period, US Dollars 10,000,000, multiplied by the Adjustment Factor for that New Power Unit Manufacturer and adjusted for Indexation; and

(ii) in respect of its N-1 Full Year Reporting Period, US Dollars 5,000,000, multiplied by the Adjustment Factor for that New Power Unit Manufacturer and adjusted for Indexation.

(l) Employee Termination Benefits:

In the event that an individual in respect of whom the exclusion at Article 3.1(q) has been applied is re-engaged (either as an employee or otherwise), to undertake any Power Unit Activities at any time during either:

(i) the same Full Year Reporting Period; or

(ii) one of the subsequent two Full Year Reporting Periods,

the amount of the Employee Termination Benefits and associated employer's social security contributions so excluded must be included in Relevant Costs in the Reporting Period in which the individual is re-engaged.

4.2 In calculating Relevant Costs, the order in which costs must be excluded pursuant to Article 3.1, and adjustments must be made pursuant to Article 4.1, shall be determined by the Cost Cap Administration and set out in the Reporting Documentation.

4.3 For the purposes of this Article 4, where a Power Unit Manufacturer has a Presentation Currency other than US Dollars, amounts expressed in US Dollars shall be converted into that Power Unit Manufacturer's Presentation Currency at the Initial Applicable Rate.

5. REPORTING REQUIREMENTS

Full Year Reporting Documentation

5.1 By the Full Year Reporting Deadline, a Power Unit Manufacturer must submit the following to the Cost Cap Administration (the "**Full Year Reporting Documentation**"):

- (a) the Reporting Group Documentation;
- (b) the Full Year Financial Reporting Documentation;
- (c) the Declarations; and
- (d) an assessment report provided by the same Independent Audit Firm that signs the Power Unit Manufacturer's Audited Annual Financial Statements, in the format prescribed by the Cost Cap Administration from time to time via a Determination, in respect of the completeness and accuracy of the Full Year Reporting Documentation submitted by the Power Unit Manufacturer.

Interim Reporting Documentation

5.2 By the Interim Reporting Deadline, a Power Unit Manufacturer must submit the following to the Cost Cap Administration (the "**Interim Reporting Documentation**"):

- (a) the Reporting Group Documentation;
- (b) the Interim Financial Reporting Documentation; and
- (c) the Declarations.

Approval of a Power Unit Manufacturer's Registration Form

5.3 If a Power Unit Manufacturer's Registration Form in respect of its Inaugural Season is not approved by FIA until after 1 January of its N-3 Full Year Reporting Period, but by no later than 31 December of its N-3 Full Year Reporting Period, the Cost Cap Administration will grant the Power Unit Manufacturer an extension to its Interim Reporting Deadline in respect of its N-3 Interim Reporting Period. Enhanced review procedures will be performed by the Cost Cap Administration concerning the Power Unit Manufacturer's compliance with these Power Unit Financial Regulations in respect of its N-3 Full Year Reporting Period.

5.4 If a Power Unit Manufacturer's Registration Form in respect of its Inaugural Season is not approved by FIA until after 31 December of its N-3 Full Year Reporting Period, but by no later than 31 December of its N-2 Full Year Reporting Period, the Cost Cap Administration will grant the Power Unit Manufacturer an extension to its Full Year Reporting Deadline in respect of its N-3 Full Year Reporting Period, and an extension to its Interim Reporting Deadline in respect of its N-2 Interim Reporting Period, and the Power Unit Manufacturer is not required to comply with Article 5.2 in respect of its N-3 Interim Reporting Period. Enhanced review procedures will be performed by the Cost Cap Administration concerning the Power Unit Manufacturer's compliance within these Power Unit Financial Regulations in respect of its N-3 Full Year Reporting Period and its N-2 Full Year Reporting Period.

5.5 If a Power Unit Manufacturer's Registration Form in respect of its Inaugural Season is not approved by FIA until after 31 December of its N-2 Full Year Reporting Period, the Cost Cap Administration will grant the Power Unit Manufacturer an extension to its Full Year Reporting Deadline in respect of both its N-3 Full Year Reporting Period and its N-2 Full Year Reporting

Period, an extension to its Interim Reporting Deadline in respect of its N-1 Interim Reporting Period, and the Power Unit Manufacturer is not required to comply with Article 5.2 in respect of either its N-3 Interim Reporting Period or its N-2 Interim Reporting Period. Enhanced review procedures will be put in place by the Cost Cap Administration concerning the Power Unit Manufacturer's compliance with these Power Unit Financial Regulations in respect of its N-3 Full Year Reporting Period, its N-2 Full Year Reporting Period and its N-1 Full Year Reporting Period.

6. COST CAP ADMINISTRATION

- 6.1 The Cost Cap Administration is responsible for administering these Power Unit Financial Regulations, including exercising the powers and carrying out the functions set out in this Article 6.
- 6.2 The Cost Cap Administration will monitor compliance with these Power Unit Financial Regulations, investigate instances of suspected non-compliance, and take appropriate enforcement action in respect of any breaches of these Power Unit Financial Regulations.
- 6.3 The Cost Cap Administration will have appropriate procedures in place to maintain the confidentiality of any Confidential Information provided to it by a Power Unit Manufacturer.
- 6.4 All correspondence between the Power Unit Manufacturers and the Cost Cap Administration, the Independent Audit Firm appointed by the Cost Cap Administration, the Cost Cap Adjudication Panel and/or the ICA shall be in one of the two FIA official languages (English and French). The Power Unit Manufacturer may be required to provide a certified translation of any Reporting Documentation into English at its own expense.
- 6.5 The Cost Cap Administration may issue guidance notes from time to time to assist the Power Unit Manufacturers in complying with these Power Unit Financial Regulations. Such guidance notes shall be advisory only and shall not constitute Power Unit Financial Regulations.

Clarification of the Power Unit Financial Regulations

- 6.6 The CFO of a Power Unit Manufacturer may submit a written request to the Cost Cap Administration in order to clarify the operation or interpretation of these Power Unit Financial Regulations. The Cost Cap Administration will respond in writing to any such request and will make available to the CFOs of all other Power Unit Manufacturers a summary of the written request along with the response, omitting any Confidential Information. Such clarifications shall be advisory only and shall not constitute Power Unit Financial Regulations.

Review of Reporting Documentation

- 6.7 The Cost Cap Administration will review the Reporting Documentation submitted by a Power Unit Manufacturer to assess whether that Power Unit Manufacturer has complied with these Power Unit Financial Regulations.
- 6.8 The Cost Cap Administration may engage an Independent Audit Firm to assist in reviewing a Power Unit Manufacturer's Reporting Documentation and to undertake a comparative financial analysis of the Reporting Documentation in order to help identify potential anomalies.

- 6.9 Each Power Unit Manufacturer shall provide such additional information, documentation or clarification in relation to its compliance with these Power Unit Financial Regulations as the Cost Cap Administration may require from time to time.
- 6.10 Once the Reporting Documentation has been reviewed, the Cost Cap Administration shall conclude either:
- (a) that a Power Unit Manufacturer has complied with these Power Unit Financial Regulations, in which case the Cost Cap Administration shall issue a compliance certificate to the applicable Power Unit Manufacturer; or
 - (b) that a Power Unit Manufacturer has not complied with these Power Unit Financial Regulations, in which case the Cost Cap Administration shall either:
 - (i) enter into an ABA pursuant to the terms of Article 6.28 below with the Power Unit Manufacturer concerned; or
 - (ii) refer the case to the Cost Cap Adjudication Panel for a hearing.
- 6.11 There shall be no right of appeal against any decision by the Cost Cap Administration to issue a compliance certificate to a Power Unit Manufacturer.

Regulatory function

- 6.12 The Cost Cap Administration may during a Reporting Period require a Power Unit Manufacturer to provide information and/or documentation for the sole purpose of enabling the Cost Cap Administration to perform its regulatory function as contemplated by these Power Unit Financial Regulations, including:
- (a) reviewing the controls being applied by that Power Unit Manufacturer to ensure that Power Unit Manufacturer's compliance with these Power Unit Financial Regulations;
 - (b) reviewing any Related Party Transaction, Exchange Transaction or F1 Team Transaction;
 - (c) assisting in identifying any part of these Power Unit Financial Regulations which may require clarification by the issuance of guidance; and
 - (d) mitigating the risk of a Power Unit Manufacturer submitting incomplete, inaccurate or misleading Reporting Documentation.
- 6.13 In relation to any request pursuant to Article 6.12, a Power Unit Manufacturer must, and must procure that the other members of the Power Unit Manufacturer's Legal Group Structure shall, facilitate access to such of its premises, individuals, information and documentation as may be reasonably requested by the Cost Cap Administration.
- 6.14 Following any request pursuant to Article 6.12, the Cost Cap Administration may issue feedback to the relevant Power Unit Manufacturer in order to assist that Power Unit Manufacturer in complying with these Power Unit Financial Regulations. Such feedback shall be advisory only and shall not constitute Power Unit Financial Regulations.

Investigations

- 6.15 The Cost Cap Administration may conduct investigations into a Power Unit Manufacturer's compliance with these Power Unit Financial Regulations, assisted, if it chooses, by an Independent Audit Firm. The time limitation on the prosecution of infringements by the Cost Cap Administration is five years. This five-year time period shall run from the date of the Full Year Reporting Deadline for the Full Year Reporting Period in which the infringement is alleged to have occurred. The Cost Cap Administration shall notify the Power Unit Manufacturer in writing in the event that a formal investigation is to be conducted.
- 6.16 Upon completion of an investigation, any decision by the Cost Cap Administration as to whether or not to take further action in accordance with these Power Unit Financial Regulations will be at the sole discretion of the Cost Cap Administration taking into consideration the substance of the information disclosed and the merits of each case.
- 6.17 The Cost Cap Administration may grant partial or total immunity to any natural person who discloses facts that are likely to constitute an infringement referred to in Article 8 of these Power Unit Financial Regulations, and/or who provides evidence allowing such facts to be prosecuted and penalised. The degree of immunity granted to this person by the Cost Cap Administration depends on the following factors:
- (a) whether or not the Cost Cap Administration already had the information;
 - (b) the extent of the person's cooperation;
 - (c) the importance of the case;
 - (d) the importance of the offence in question and the conduct of the accused; and
 - (e) past conduct of this person.
- 6.18 Immunity, whether partial or total, where granted, is always granted in writing. This document is signed by the Cost Cap Administration and by the person benefiting from the immunity. It specifies the type of immunity granted and sets out the sanctions that the FIA will not take against the person benefiting from the immunity. The immunity granted by the Cost Cap Administration, whether partial or total, is subject to the following conditions (the "**Immunity Conditions**"):
- (a) cooperating with the Cost Cap Administration, telling the whole truth, refraining from destroying, falsifying or concealing useful information or evidence, and at all times acting in Good Faith; and
 - (b) providing the Cost Cap Administration with genuine, total and permanent cooperation throughout the entire investigation, which involves in particular:
 - (i) giving and repeating their testimony in accordance with any request and in any form required by the Cost Cap Administration; and
 - (ii) remaining at the disposal of the Cost Cap Administration to reply swiftly to any questions it may have.

These Immunity Conditions are repeated in the document granting immunity. The person benefiting from the immunity may, depending on the circumstances, be permitted to testify in a manner which safeguards their anonymity.

- 6.19 The immunity granted by the Cost Cap Administration is irrevocable, provided that it is not subsequently demonstrated, that the person benefiting from the immunity has not complied with the Immunity Conditions.
- 6.20 In the event that the person benefiting from the immunity does not comply with the Immunity Conditions, the Cost Cap Administration may ask the Cost Cap Adjudication Panel or, in the event of an appeal of the Cost Cap Adjudication Panel's decision, the ICA to revoke the immunity by written decision, with no possibility of appeal by the person concerned, who then would become liable to incur the sanctions permitted under the International Sporting Code.
- 6.21 The Cost Cap Administration and all persons taking part in an investigation are bound by an obligation of confidentiality vis-à-vis persons or organisations not concerned with the investigation. Nevertheless, the Cost Cap Administration may at any time make public its decision to conduct an investigation and the outcome thereof, provided at all times it maintains the confidentiality of any Confidential Information provided to it in connection with such investigation.
- 6.22 In relation to any investigation, a Power Unit Manufacturer must, and must procure that the other members of the Power Unit Manufacturer's Legal Group Structure shall:
- (a) cooperate fully with any such investigation and must procure that all Personnel cooperate fully with the investigation, as may be required;
 - (b) grant access to the information and records of that Power Unit Manufacturer and/or of any member of the Power Unit Manufacturer's Legal Group Structure to any of the Cost Cap Administration, the Independent Audit Firm appointed by the Cost Cap Administration, the Cost Cap Adjudication Panel and/or the ICA;
 - (c) make electronic devices of that Power Unit Manufacturer and/or of any member of the Power Unit Manufacturer's Legal Group Structure available for inspection and download to any of the Cost Cap Administration, the Independent Audit Firm appointed by the Cost Cap Administration, the Cost Cap Adjudication Panel and/or the ICA; and
 - (d) facilitate access to such of its premises, individuals, information, and documentation as may be required.
- 6.23 Each Power Unit Manufacturer must retain and preserve its accounting books and records in a manner that shall enable the Cost Cap Administration, the Independent Audit Firm appointed by the Cost Cap Administration, the Cost Cap Adjudication Panel and/or the ICA, on inspection pursuant to Article 6.22, to understand to its satisfaction, the content of the Full Year Financial Reporting Documentation submitted by that Power Unit Manufacturer in respect of the previous five Full Year Reporting Periods.

Complaints procedure

- 6.24 If a Power Unit Manufacturer (a "**Complainant Manufacturer**") believes that another Power Unit Manufacturer has not complied with these Power Unit Financial Regulations, it may submit a report to the Cost Cap Administration as set out in Article 6.25.
- 6.25 Upon receipt of a written report from a Complainant Manufacturer, the Cost Cap Administration shall conduct an investigation into the reported non-compliance, subject to the following mandatory conditions being met:
- (a) the report identifies the non-complying Power Unit Manufacturer and clearly summarises the relevant non-compliance in each case. If a Complainant Manufacturer wishes to report non-compliance in respect of more than one Power Unit Manufacturer, the Complainant Manufacturer must submit a separate report in respect of each Power Unit Manufacturer to the Cost Cap Administration;
 - (b) the report clearly specifies the relevant provision(s) of these Power Unit Financial Regulations which have not been complied with;
 - (c) the report is made in Good Faith and the signatories to the relevant report have reasonable grounds to believe that the information reported is true, accurate and duly supported by evidence;
 - (d) the report includes sufficient valid evidence in support of each reported instance of non-compliance;
 - (e) the report must be submitted in the period between 1 January and 30 April (inclusive) immediately following the Full Year Reporting Period in which the non-compliance is reported to have occurred; and
 - (f) the report shall be signed by the CEO and CFO of the Complainant Manufacturer.
- 6.26 The Cost Cap Administration may, in its sole discretion, decline to conduct an investigation if one or more of the mandatory conditions listed at Article 6.25 have not been met. The Cost Cap Administration shall inform the Complainant Manufacturer in writing of any such decision not to investigate. There shall be no right of appeal against any such decision not to investigate under this complaints procedure.
- 6.27 Upon completion of an investigation of a complaint reported pursuant to Article 6.24, the Cost Cap Administration shall prepare a recommendation report, which shall be submitted to the Cost Cap Adjudication Panel for consideration. The Cost Cap Administration shall inform the Complainant Manufacturer in writing of the submission of the report to the Cost Cap Adjudication Panel. The Cost Cap Adjudication Panel shall conduct a hearing and reach a decision in accordance with the provisions of Article 7.3.

Accepted Breach Agreement

- 6.28 If the Cost Cap Administration determines that a Power Unit Manufacturer has committed a Procedural Breach or a Minor Overspend Breach, the Cost Cap Administration may enter into an accepted breach agreement (an "**ABA**") with the relevant Power Unit Manufacturer. There

shall be no right of appeal in respect of any decision by the Cost Cap Administration as to whether to enter into an ABA or not.

6.29 An ABA may:

- (a) set out certain obligations or conditions to be fulfilled or satisfied by the relevant Power Unit Manufacturer, either within a specified timeframe or on an ongoing basis; and/or
- (b) provide for enhanced monitoring procedures to be put in place in respect of the Power Unit Manufacturer; and/or
- (c) impose any Financial Penalty or Minor Sporting Penalties that would be available to the Cost Cap Adjudication Panel pursuant to Article 9 in respect of the relevant type of breach, save that the Cost Cap Administration shall not be entitled to impose the Minor Sporting Penalty specified in Articles 9.1(b)(ii), 9.1(b)(iii) and 9.1(b)(v); and/or
- (d) set out details of the costs to be borne by the Power Unit Manufacturer, calculated by reference to the reasonable costs incurred by the Cost Cap Administration in connection with any investigations into that Power Unit Manufacturer's compliance with these Power Unit Financial Regulations and/or the preparation of an ABA.

6.30 The Cost Cap Administration shall oversee the implementation of, and monitor compliance with, the terms of any ABA. If the relevant Power Unit Manufacturer fails to comply with any of the terms of the ABA, the Cost Cap Administration shall refer that Power Unit Manufacturer to the Cost Cap Adjudication Panel. Such non-compliance shall be treated as a Procedural Breach.

6.31 In order for the Cost Cap Administration to enter into an ABA, the relevant Power Unit Manufacturer must:

- (a) acknowledge that it has breached these Power Unit Financial Regulations;
- (b) accept, observe and satisfy the sanction(s) and/or enhanced monitoring procedures levied;
- (c) agree to bear the costs detailed in the ABA, as referred to in Article 6.29(d); and
- (d) waive its right to challenge the ABA.

6.32 The Cost Cap Administration will publish a summary of the terms of the ABA, detailing the breach, any sanctions, and any enhanced monitoring procedures, omitting any Confidential Information.

7. COST CAP ADJUDICATION PANEL

- 7.1 The Cost Cap Adjudication Panel will comprise a panel of independent judges who will hear and determine cases of alleged breach of these Power Unit Financial Regulations that are referred to it by the Cost Cap Administration, in accordance with these Power Unit Financial Regulations. Decisions of the Cost Cap Adjudication Panel may be appealed to the ICA. The Cost Cap Adjudication Panel and, ultimately, the ICA have final authority in determining whether or not a Power Unit Manufacturer has complied with these Power Unit Financial Regulations.
- 7.2 The Cost Cap Administration will refer a case to the Cost Cap Adjudication Panel in the following circumstances:
- (a) the Cost Cap Administration determines the Power Unit Manufacturer has committed a Procedural Breach and/or a Minor Overspend Breach and an ABA has not been entered into or is not deemed appropriate; or
 - (b) the Cost Cap Administration determines the Power Unit Manufacturer has committed a Non-Submission Breach or a Material Overspend Breach; or
 - (c) a Power Unit Manufacturer has entered into an ABA but has failed to comply with the terms of such ABA; or
 - (d) following an investigation by the Cost Cap Administration of a complaint reported by a Complainant Manufacturer pursuant to Article 6.24 of these Power Unit Financial Regulations.
- 7.3 Following a referral from the Cost Cap Administration the Cost Cap Adjudication Panel shall conduct a hearing and reach a decision.
- 7.4 The Cost Cap Adjudication Panel shall comprise a minimum of six judges and a maximum of twelve judges (the “**Judges**”) elected by the FIA General Assembly in accordance with the FIA Statutes.
- 7.5 Every two years the Judges shall elect amongst themselves a President (the “**President of the Cost Cap Adjudication Panel**”) and a Vice-President of the Cost Cap Adjudication Panel.
- 7.6 In case of impediment, the President of the Cost Cap Adjudication Panel shall be replaced by the Vice-President.
- 7.7 Each Judge’s mandate shall take effect on 1 January following their election. They shall each serve a four-year mandate, which shall be capable of renewal twice, subject to the transitory provisions specified in the FIA Statutes.
- 7.8 If a seat becomes vacant for whatever reason and should the number of serving Judges fall below six, the General Assembly shall elect a replacement for the remainder of the mandate.
- 7.9 For each case, the judging panel shall comprise at least three Judges. The members of the relevant judging panel shall be appointed by the President of the Cost Cap Adjudication Panel.
- 7.10 Members of the relevant judging panel must have no conflict of interest (as defined in the FIA Code of Ethics) with the matter in question. In cases of doubt, the President of the Cost Cap Adjudication Panel (or, if he or she are themselves concerned, the Vice-President) shall

determine whether or not a Judge has a conflict of interest but will not be required to explain their decision.

- 7.11 If a member of the relevant judging panel is unable, unwilling or unfit to hear the matter (whether because of a conflict of interest, as described in Article 7.10, or otherwise) the President of the Cost Cap Adjudication Panel shall appoint a replacement member to the judging panel.

Hearings before the Cost Cap Adjudication Panel

- 7.12 In respect of each hearing, one of the members of the judging panel will be appointed by the President of the Cost Cap Adjudication Panel to act as the President of the judging panel (the "**President of the Hearing**"). The President of the Hearing will be responsible for the conduct of the proceedings, verifying the regularity of the proceedings, ensuring that the rights of the Parties are respected (including their right to confidentiality at the hearing), keeping order during the hearing, and arranging for the drafting of the decision, (which shall be authenticated by his/her signature) as well as his/her notification to the FIA and the Respondent and its publication.
- 7.13 Those present at each hearing may include (together the "**Parties**" and each a "**Party**"):
- (a) the parties to the proceedings, namely the FIA (as the body responsible for enforcement of these Power Unit Financial Regulations) and the relevant Power Unit Manufacturer (as the "**Respondent**");
 - (b) the representatives of the FIA and the Respondent;
 - (c) any Witnesses, as permitted under Articles 7.15 and 7.18; and
 - (d) any third party observer(s), as permitted under Article 7.17.
- 7.14 The Cost Cap Adjudication Panel may at any time make public its decision to conduct the hearing, and may publish the final decision of the judging panel resolving the proceedings in accordance with Article 7.27, but otherwise the proceedings will be confidential and no Party may disclose any facts or other information (including Confidential Information) relating to the proceedings either before, during or after the proceedings.
- 7.15 The FIA and the Respondent may submit written evidence from their respective Witness(es) to the President of the Hearing within the prescribed timeframes. If the President of the Hearing considers the evidence to be relevant, he may invite such Witness(es) to attend the hearing in order to answer any questions from the President of the Hearing, and/or the judging panel, and/or the FIA and/or the Respondent. Any Witness invited to attend shall not be authorised to present evidence on any issue which has not been addressed in their written evidence, unless (exceptionally) permission is granted by the President of the Hearing. Requests for the hearing of Witnesses may be refused by the President of the Hearing if he or she, in their sole discretion, considers them to be frivolous, vexatious, excessive and/or unnecessary.
- 7.16 The President of the Hearing will also invite the FIA and the Respondent to set out their respective arguments, where appropriate without the Witnesses being present.

- 7.17 Third parties may only attend the hearing with the permission of the President of the Hearing, which he may grant or deny in his sole discretion. If permission is granted, the third party shall attend the hearing in an observer capacity only. The third party shall not be permitted to make submissions, to present evidence, or to question Witnesses.
- 7.18 The President of the Hearing may decide, if he considers that fairness to the FIA or the Respondent requires it, or that it would assist the judging panel, to hear from any other Witness, in addition to the FIA, the Respondent and each of their Witnesses.
- 7.19 After they have made their statements, the President of the Hearing may direct any Witness to remain in the courtroom and not to speak to any other Witness.
- 7.20 The President of the Hearing will then invite each of the FIA and the Respondent to make their closing statements.
- 7.21 The President of the Hearing may permit a Party to attend via videoconference or other means of communication.
- 7.22 At any point during the hearing, the judging panel may decide, after hearing the Parties but before making a final decision:
- (a) to request further information; or
 - (b) to postpone proceedings to a later hearing, in particular in order to hear Witnesses.
- 7.23 After the Respondent has had the last word, the hearing will be declared closed and no further submissions or evidence shall be permitted, unless requested by the judging panel after a hearing has been re-opened.
- 7.24 After the close of the hearing, the President of the Hearing will announce the likely time and date when the decision will be pronounced.
- 7.25 The judging panel may decide to re-open the hearing at any point in its deliberation, for instance if it becomes aware of any new fact. In this case, each of the FIA and the Respondent shall be informed by a new notification for the further hearing.

Decision

- 7.26 Following a hearing, the judging panel shall make its decision, which shall:
- (a) be reached unanimously or else by a majority vote with each member of the judging panel having one vote and in the event of a deadlock the President of the Hearing having a further casting vote;
 - (b) be in writing in the English language;
 - (c) state the reasons for its decision;
 - (d) be notified to each of the FIA and the Respondent;
 - (e) in the event that a Power Unit Manufacturer is found to have been in breach of these Power Unit Financial Regulations, contain details of:

- (i) any sanction (which shall be determined in accordance with Article 9); and
 - (ii) the costs to be borne by the Power Unit Manufacturer, which shall be calculated by reference to the reasonable costs incurred by the Cost Cap Administration and the Cost Cap Adjudication Panel in connection with any investigation and/or adjudication. In the event that the reasonable costs incurred by the Cost Cap Administration are disputed, the judging panel shall determine them; and
- (f) in the event that a Power Unit Manufacturer is found to have complied with these Power Unit Financial Regulations, contain instructions to the Cost Cap Administration to issue a compliance certificate.
- 7.27 The Cost Cap Adjudication Panel will publish the decision of the judging panel and the grounds upon which they are based, save for any Confidential Information.
- 7.28 If, within three months of the date of notification of a decision by the Cost Cap Adjudication Panel, any important new evidence is discovered which was unknown during the case before the Cost Cap Adjudication Panel and which could call into question, or cause the Cost Cap Adjudication Panel to modify, its decision, the Cost Cap Adjudication Panel may, within three months from the date of it being notified of such important new evidence, choose to re-examine its decision, following a process that respects both the rights of the Parties and the terms of these Power Unit Financial Regulations.

Appeals

- 7.29 The ICA is the independent judicial body of that name, established under the FIA Statutes and the FIA Judicial and Disciplinary Rules to act as the final appeal court for international motor sport.
- 7.30 An appeal of a decision by the Cost Cap Adjudication Panel can be made by either the Power Unit Manufacturer in question, the FIA or those individuals listed in Article 9.8(b) of these Power Unit Financial Regulations who are the subject of a decision by the Cost Cap Adjudication Panel, and shall be heard by the ICA in accordance with the FIA Judicial and Disciplinary Rules.

8. CATEGORIES OF BREACH

Procedural Breach

- 8.1 A "**Procedural Breach**" arises when a Power Unit Manufacturer breaches a procedural aspect of these Power Unit Financial Regulations (including any Determination), except that a Non-Submission Breach, as defined in Article 8.7, does not constitute a Procedural Breach.
- 8.2 Examples of Procedural Breaches include:
- (a) making a Late Submission;
 - (b) failing to submit Interim Reporting Documentation by the Interim Reporting Deadline;

- (c) failing to cooperate with or respond to a written request for information, documentation or clarification from the Cost Cap Administration within the timeframe imposed by the Cost Cap Administration;
- (d) delaying, impeding or frustrating the exercise by the Cost Cap Administration of its regulatory function, including an investigation conducted under the Power Unit Financial Regulations, or any attempt to do so;
- (e) submitting Reporting Documentation that is inaccurate, incomplete or misleading;
- (f) failing to comply with the terms of an ABA;
- (g) failing to comply with the requirements of Articles 1.8, 1.9 or 1.10;
- (h) failing to submit information or documentation required by any Determination by the applicable deadline included in that Determination; or
- (i) failing to submit a Power Unit Used Inventory Incremental List in the format prescribed and by the applicable deadline set by the Cost Cap Administration from time to time via a Determination.

8.3 In the event the Cost Cap Adjudication Panel determines that a Power Unit Manufacturer has committed a Procedural Breach, the Cost Cap Adjudication Panel shall impose a Financial Penalty, unless:

- (a) the Cost Cap Adjudication Panel determines that sufficient mitigating factors exist to justify taking no further action; or
- (b) the Cost Cap Adjudication Panel determines that a sufficient aggravating factor(s) exist, in which case it shall impose a Minor Sporting Penalty in addition to the Financial Penalty, or in lieu of the Financial Penalty.

Late and Non-Submission of Full Year Reporting Documentation

8.4 In the event that a Power Unit Manufacturer does not submit the Full Year Reporting Documentation by the Full Year Reporting Deadline (a "**Late Submission**"), the Cost Cap Administration shall issue a late submission notice ("**Late Submission Notice**") to the Power Unit Manufacturer (the "**Late Submitting Manufacturer**").

8.5 Each Late Submitting Manufacturer shall, within 48 hours of receipt of the Late Submission Notice, provide the Cost Cap Administration with a written explanation of the reasons for its Late Submission.

8.6 The Cost Cap Administration may grant the Late Submitting Manufacturer an extension to the Full Year Reporting Deadline provided that it is satisfied with the written explanation pursuant to Article 8.5 (the "**Extended Reporting Deadline**").

8.7 In the event that a Late Submitting Manufacturer:

- (a) does not provide a written response to a Late Submission Notice within the specified time;

- (b) provides a written response to a Late Submission Notice within the specified time but such response is deemed unsatisfactory by the Cost Cap Administration; or
- (c) does not submit the Full Year Reporting Documentation by the Extended Reporting Deadline,

the Late Submitting Manufacturer shall have committed a Non-Submission Breach and shall be immediately referred to the Cost Cap Adjudication Panel.

8.8 A Power Unit Manufacturer that submits a Subset Cost Cap Reporting Template as part of its Full Year Reporting Documentation when such Power Unit Manufacturer has failed to meet the applicable deadlines in order to use Subset Accounts stipulated by the Cost Cap Administration via a Determination shall have committed a Non-Submission Breach.

8.9 In the event the Cost Cap Adjudication Panel determines that a Power Unit Manufacturer has committed a Non-Submission Breach, the Cost Cap Adjudication Panel shall impose a Constructors' Championship points deduction in accordance with Article 9.1(c)(i) and additionally may impose a Financial Penalty and/or any other Material Sporting Penalties.

Minor Overspend Breach

8.10 A "**Minor Overspend Breach**" arises when:

- (a) a Power Unit Manufacturer submits its Full Year Reporting Documentation and Relevant Costs reported therein exceed the Power Unit Cost Cap by less than 5%; or
- (b) following the review of a Power Unit Manufacturer's Full Year Reporting Documentation (including, where applicable, the conclusion of any investigation undertaken by the Cost Cap Administration and/or the Independent Audit Firm appointed by the Cost Cap Administration), the Power Unit Manufacturer's Relevant Costs have been determined to exceed the Power Unit Cost Cap by less than 5%.

8.11 In the event the Cost Cap Adjudication Panel determines that a Power Unit Manufacturer has committed a Minor Overspend Breach, the Cost Cap Adjudication Panel may impose a Financial Penalty and/or any Minor Sporting Penalties.

Material Overspend Breach

8.12 A "**Material Overspend Breach**" arises when:

- (a) a Power Unit Manufacturer submits its Full Year Reporting Documentation and Relevant Costs reported therein exceed the Power Unit Cost Cap by 5% or more; or
- (b) following the review of a Power Unit Manufacturer's Full Year Reporting Documentation (including, where applicable, the conclusion of any investigation undertaken by the Cost Cap Administration and/or the Independent Audit Firm appointed by the Cost Cap Administration), the Power Unit Manufacturer's Relevant Costs have been determined to exceed the Power Unit Cost Cap by 5% or more.

8.13 In the event the Cost Cap Adjudication Panel determines that a Power Unit Manufacturer has committed a Material Overspend Breach, the Cost Cap Adjudication Panel shall impose a

Constructors' Championship points deduction in accordance with Article 9.1(c)(i) and additionally may impose a Financial Penalty and/or any other Material Sporting Penalties.

Aggravating or mitigating factors

8.14 In determining the sanctions appropriate for a particular case, the Cost Cap Adjudication Panel shall take into account any aggravating or mitigating factors.

8.15 Examples of aggravating factors include:

- (a) any element of bad faith, dishonesty, wilful concealment or fraud;
- (b) multiple breaches of these Power Unit Financial Regulations in the Reporting Period in question;
- (c) breaches of these Power Unit Financial Regulations in respect of a previous Reporting Period;
- (d) quantum of breach of the Power Unit Cost Cap; and
- (e) failure to co-operate with the Cost Cap Administration and/or Independent Audit Firm appointed by the Cost Cap Administration.

8.16 Examples of mitigating factors include:

- (a) voluntary disclosure of a breach to the Cost Cap Administration;
- (b) track record of compliance with these Power Unit Financial Regulations in previous Reporting Periods;
- (c) unforeseen Force Majeure Events; and
- (d) full and unfettered co-operation with the Cost Cap Administration and/or the Independent Audit Firm appointed by the Cost Cap Administration.

9. SANCTIONS FOR BREACH

Sanctions

9.1 The following sanctions may be imposed for breach of these Power Unit Financial Regulations as set out in Article 8:

- (a) A "**Financial Penalty**", meaning a fine in an amount to be determined on a case by case basis.
- (b) A "**Minor Sporting Penalty**", meaning one or more of the following:
 - (i) public reprimand;
 - (ii) deduction of Driver's Championship and/or Constructors' Championship points awarded to the Nominated Team of the relevant Power Unit

Manufacturer for the Championship that took place within the Reporting Period of the breach;

- (iii) deduction of Drivers' Championship and/or Constructors' Championship points awarded to the Nominated Team and to all Customer Teams of the relevant Power Unit Manufacturer for the Championship that took place within the Reporting Period of the breach;
- (iv) limitations on the ability to conduct Power Unit Test Bench testing or other Testing in respect of Power Units to be homologated for supply to F1 Teams in respect of the Championships taking place from 2026 onwards; and/or
- (v) reduction of the Power Unit Cost Cap,

provided that the penalty specified in Article 9.1(b)(v) shall only be applied with respect to the Full Year Reporting Period immediately following the date of the imposition of the sanction (and subsequent Full Year Reporting Periods, where applicable); and

provided that the penalties specified in Articles 9.1(b)(ii) and 9.1(b)(iii) cannot be applied prior to 1 January 2026.

(c) A "**Material Sporting Penalty**", meaning one or more of the following:

- (i) deduction of Drivers' Championship and/or Constructors' Championship points awarded to the Nominated Team of the relevant Power Unit Manufacturer for the Championship that took place within the Reporting Period of the breach;
- (ii) deduction of Drivers' Championship and/or Constructors' Championship points awarded to the Nominated Team and to all Customer Teams of the relevant Power Unit Manufacturer for the Championship that took place within the Reporting Period of the breach;
- (iii) limitations on the ability to conduct Power Unit Test Bench testing or other Testing in respect of Power Units to be homologated for supply to F1 Teams in respect of the Championships taking place from 2026 onwards;
- (iv) limitations on the ability to make future upgrades to the specification of the Power Unit that is currently homologated for supply to F1 Teams;
- (v) divesting of right for its Power Units to be homologated for supply to F1 Teams in respect of any Championship seasons from 2026 onwards; or
- (vi) reduction of the Power Unit Cost Cap,

provided that the penalty specified in Article 9.1(c)(vi) shall only be applied with respect to the Full Year Reporting Period immediately following the date of the imposition of the sanction (and subsequent Full Year Reporting Periods, where applicable); and

provided that the penalties specified in Articles 9.1(c)(i), 9.1(c)(ii) and 9.1(c)(iv) cannot be applied prior to 1 January 2026.

Enhanced monitoring and suspended sanctions

- 9.2 In addition to any of the sanctions listed in Article 9.1, the Cost Cap Adjudication Panel has the power to impose enhanced monitoring in respect of a Power Unit Manufacturer.
- 9.3 At its sole discretion, the Cost Cap Adjudication Panel may suspend the application of any imposed sanction in whole or in part.
- 9.4 For the avoidance of doubt, in the event of an appeal of any decision, the application of all imposed sanctions shall be suspended until final decision is made by the ICA.

Payment of a Financial Penalty

- 9.5 Payment of all fines under these Power Unit Financial Regulations shall be made within 30 days of the date of the relevant decision. In the event an appeal is made, payment shall be suspended until the outcome of the appeal is determined.
- 9.6 Subject to Article 9.5, any delay in the payment of all fines under these Power Unit Financial Regulations automatically divests the Power Unit Manufacturer concerned of the right for its Power Units to be homologated for supply to F1 Teams in respect of any Championship seasons from 2026 onwards that commence after the relevant due date referred to in Article 9.5, until that payment has been made.
- 9.7 Without prejudice to Article 9.6, interest shall be payable by the Power Unit Manufacturer to the FIA in respect of any fines not paid by the due date, accruing daily on the principal amount outstanding from the due date until the date of actual payment, at a rate of 2% above the US Federal Reserve System federal funds rate on the relevant due date.

Individual responsibility

- 9.8 In the event that:
- (a) a Power Unit Manufacturer's Full Year Reporting Documentation is incomplete, inaccurate or misleading in any material respect; and
 - (b) the Cost Cap Adjudication Panel determines that that Power Unit Manufacturer's CEO, CFO and/or CTO was aware, or ought reasonably to have been aware, of the same,
- the Cost Cap Adjudication Panel may impose any of the sanctions permitted under the International Sporting Code on the individual(s) concerned, with the exclusion of fines.

APPENDIX 1

DEFINITIONS AND INTERPRETATION

In these Power Unit Financial Regulations, the following words and expressions have the meanings set out opposite them:

"2026 Power Unit Sporting Regulations" means the FIA Formula One 2026 Power Unit Sporting Regulations, as amended from time to time.

"2026 Power Unit Technical Regulations" means the FIA Formula One 2026 Power Unit Technical Regulations, as amended from time to time.

"ABA" means an accepted breach agreement entered into between the Cost Cap Administration and the relevant Power Unit Manufacturer, as set out in Article 6.28.

"Adjustments" means the adjustments to Total Costs of the Reporting Group set out in Article 4.

"Adjustment Factor" means, in respect of a New Power Unit Manufacturer, the percentage amount relevant to the Power Unit Financial Regulations, calculated pursuant to section 5.2 of Appendix 5 of the 2026 Power Unit Technical Regulations. The amount shall be communicated by the FIA within the report to be issued pursuant to section 5.4 of Appendix 5 of the 2026 Power Unit Technical Regulations. If a Power Unit Manufacturer's status as a New Power Unit Manufacturer is amended or revoked pursuant to section 5.3 of Appendix 5 of the 2026 Power Unit Technical Regulations during the Reporting Period, the amended status shall take immediate effect.

"Alternative Fuel and Oil" means fuel and oil from a supplier other than the supplier that has been specified by the Power Unit Manufacturer to be used with the Power Units that it supplied to the Customer Team.

"Applicable Rate" means:

- (a) the Initial Applicable Rate; or
- (b) the average of the daily exchange rates published by the US Federal Reserve System (which are available at <https://www.federalreserve.gov/releases/h10/>) as at such date, +/- 60 days, as the Cost Cap Administration, in its absolute discretion, decides and communicates to the Power Unit Manufacturers via a Determination no later than 31 October of the Full Year Reporting Period preceding the Full Year Reporting Period in which the Applicable Rate is to take effect.

"Associate" means, with respect to an entity, any other entity over which that entity holds Significant Influence, but not Control or Joint Control.

"Audited Annual Financial Statements" means annual financial statements prepared in accordance with International Financial Reporting Standards or national accounting standards (as applicable), which have been audited by an Independent Audit Firm. Audited Annual Financial Statements must include:

- (a) a statement of financial position (balance sheet) at the end of the period;

- (b) a statement of financial performance for the period (income statement/profit and loss account);
- (c) if applicable, a statement of other comprehensive income for the period;
- (d) a statement of changes in equity for the period; and
- (e) notes, comprising a summary of significant accounting policies and other explanatory notes.

"**Buildings**" means any building classified as such in the Audited Annual Financial Statements of each Reporting Group Entity and any of the following assets integrated into such building:

- (a) walls, floors, ceilings, doors, gates, shutters, windows and stairs;
- (b) mains services and systems for electricity, gas and water;
- (c) waste disposal systems;
- (d) sewerage and drainage systems;
- (e) shafts or other structures in which lifts are installed; and
- (f) fire safety systems, lighting systems and air conditioning systems.

"**Capital Expenditure**" means the higher of zero and an amount equal to:

- (a) all costs incurred and recognised in the Audited Annual Financial Statements of each Reporting Group Entity in the Full Year Reporting Period or a previous Full Year Reporting Period as tangible assets and/or as intangible assets, which either:
 - (i) have become available for use during the Full Year Reporting Period, except any such costs in respect of:
 - (A) land, Buildings and leasehold improvements;
 - (B) a tangible asset or an intangible asset for which the depreciation/amortisation is Directly Attributable to Marketing Activities, Heritage Asset Activities, Non-Power Unit Activities, Human Resources Activities, Legal Activities, Finance Activities, Customer Team Power Unit Activities or Current Generation Power Unit Activities;
 - (C) Research and Development costs recognised as intangible assets;
 - (D) goodwill arising from a business combination;
 - (E) amounts capitalised in respect of a Power Unit; and
 - (F) Transitional Capital Expenditure;

or

- (ii) became available for use during any of the three preceding Full Year Reporting Periods, that were originally excluded from Capital Expenditure under paragraph (a)(i)(B) of this definition, but no longer satisfy this exclusion in the Full Year Reporting Period;

plus

- (b) all costs incurred and recognised in the annual financial statements of entities within the Power Unit Manufacturer's Legal Group Structure but outside its Reporting Group in the Full Year Reporting Period or a previous Full Year Reporting Period as tangible assets and/or intangible assets relating to Power Unit Activities which have become available for use during the Full Year Reporting Period, excluding any such costs:

- (i) set out in paragraphs (a)(i)(A) to (F) (inclusive) of this definition; and
- (ii) incurred and recognised in the annual financial statements of an entity that is within the Reporting Group of another Power Unit Manufacturer;

plus

- (c) the Fair Value of any tangible assets and/or intangible assets relating to Power Unit Activities that became available for use prior to the start of the relevant Full Year Reporting Period and are held by an entity within the Power Unit Manufacturer's Legal Group Structure in the relevant Full Year Reporting Period where that entity was not in the Legal Group Structure of the Power Unit Manufacturer in the previous Full Year Reporting Period, excluding any such costs set out in paragraphs (a)(i)(A) to (F) (inclusive) of this definition;

less

- (d) Eligible Test Bench Capital Expenditure, provided that once a Power Unit Manufacturer has made any deduction in a Full Year Reporting Period in respect of an Eligible Test Bench Asset, that Power Unit Manufacturer may not make any deductions in respect of the same Eligible Test Bench Asset in any subsequent Full Year Reporting Period;

less, for the Full Year Reporting Period ending on 31 December 2023 only:

- (e) an amount equal to the aggregate of:
 - (i) in respect of any Related Party Transaction or F1 Team Transaction pursuant to which a Relevant Asset is disposed of, the lower of:
 - (A) the sale proceeds attributable to the disposal of each Relevant Asset; and
 - (B) the Fair Value of each Relevant Asset as at the date of the disposal, as determined by an independent valuation specialist to the satisfaction of the Cost Cap Administration; and

- (ii) in respect of any other transaction pursuant to which a Relevant Asset is disposed of, the sale proceeds attributable to the disposal of each Relevant Asset,

in each case provided that the Relevant Asset was recorded as a disposal during the Full Year Reporting Period within the Audited Annual Financial Statements of the relevant Reporting Group Entity and was not part of a sale and leaseback arrangement.

"Capital Expenditure Amount" means:

- (a) in respect of a Power Unit Manufacturer's N-3 Full Year Reporting Period, the Capital Expenditure for that Full Year Reporting Period;
- (b) in respect of a Power Unit Manufacturer's N-2 Full Year Reporting Period, the aggregate amount of Capital Expenditure for that Full Year Reporting Period and the preceding Full Year Reporting Period, less the amount of the Adjustment, (if any), made pursuant to Article 4.1(e) in respect of the preceding Full Year Reporting Period; or
- (c) in respect of a Power Unit Manufacturer's N-1 Full Year Reporting Period and each Full Year Reporting Period thereafter, the aggregate amount of Capital Expenditure for the relevant Full Year Reporting Period and the preceding two Full Year Reporting Periods, less the cumulative amount of the Adjustments, (if any), made pursuant to Article 4.1(e) in respect of the preceding two Full Year Reporting Periods.

"Capital Expenditure Limit" means:

- (a) for a Power Unit Manufacturer that, as at the end of the applicable Reporting Period, meets the definition of an Incumbent Power Unit Manufacturer:
 - (i) in respect of its N-3 Full Year Reporting Period, its N-2 Full Year Reporting Period and its N-1 Full Year Reporting Period, US Dollars 30,000,000, adjusted for Indexation; and
 - (ii) in respect of the Full Year Reporting Period within which its Inaugural Season commences and each subsequent Full Year Reporting Period, US Dollars 30,000,000, adjusted for Indexation,and
- (b) for a Power Unit Manufacturer that, as at the end of the applicable Reporting Period, meets the definition of a New Power Unit Manufacturer:
 - (i) in respect of its N-3 Full Year Reporting Period, its N-2 Full Year Reporting Period and its N-1 Full Year Reporting Period, the sum of:
 - (A) US Dollars 30,000,000, adjusted for Indexation; plus
 - (B) US Dollars 15,000,000, multiplied by the Adjustment Factor for that New Power Unit Manufacturer and adjusted for Indexation; and

- (ii) in respect of the Full Year Reporting Period within which its Inaugural Season commences and each subsequent Full Year Reporting Period, US Dollars 30,000,000, adjusted for Indexation;

provided that where a Power Unit Manufacturer has a Presentation Currency other than US Dollars, the Capital Expenditure Limit for that Power Unit Manufacturer in the relevant Full Year Reporting Period shall be converted from US Dollars into that Power Unit Manufacturer's Presentation Currency at the Initial Applicable Rate. For illustrative purposes, the amount of the Capital Expenditure Limit in selected Presentation Currencies for the Full Year Reporting Periods referred to in paragraph (a)(i) of this definition (assuming Indexation of zero) are as follows:

US Dollars (‘000)	Pounds Sterling (‘000)	Euros (‘000)
30,000	24,145	28,487

"**CEO**" means the individual designated as chief executive officer for each Power Unit Manufacturer under the conditions of the Power Unit Manufacturer's Registration Form to the FIA.

"**CFO**" means the individual designated as chief financial officer for each Power Unit Manufacturer under the conditions of the Power Unit Manufacturer's Registration Form to the FIA.

"**CTO**" means the individual designated as chief technical officer for each Power Unit Manufacturer under the conditions of the Power Unit Manufacturer's Registration Form to the FIA.

"**Championship**" means the FIA Formula One World Championship, which includes both the Constructors' Championship and the Drivers' Championship.

"**Competition**" has the meaning set out in the Sporting Regulations in force during the applicable Reporting Period and "**Competitions**" shall be construed accordingly.

"**Complainant Manufacturer**" means a Power Unit Manufacturer that submits a report of non-compliance with these Power Unit Financial Regulations as set out under Article 6.24.

"**Confidential Information**" means all confidential information relating to a member of a Power Unit Manufacturer's Legal Group Structure (whether written, oral or in any other format), including any information that would be regarded as confidential by a reasonable business person relating to the business, affairs, customers, clients, suppliers, plans, operations, processes, know-how, financial data, commercially sensitive information, designs, trade secrets or software of the Power Unit Manufacturer and/or of any member of the Power Unit Manufacturer's Legal Group Structure.

"**Consideration**" comprises:

- (a) in the context of an employee:
 - (i) short-term employee benefits (including basic salaries and bonuses);
 - (ii) post-employment benefits;
 - (iii) other long-term employee benefits;

- (iv) termination benefits; and
 - (v) any other consideration in exchange for any other service provided (whether written or unwritten); and
- (b) in the context of a person who is not an employee:
- (i) fees;
 - (ii) performance or other contractual payments, including payments in connection with the use of image rights;
 - (iii) termination payments; and
 - (iv) any other consideration in exchange for any other service provided (whether written or unwritten).

"**Control**" means the power to conduct the affairs of an entity and to direct its financial and operating policies which affect returns by means of shareholding, or voting power, or by constitutional documents (statutes) or agreement, or otherwise. "**Controlling**" and "**Controlled**" shall be construed accordingly.

"**Corporate Income Tax**" means any domestic and/or foreign taxes which are based on taxable profits, including unrecoverable withholding taxes on corporate income.

"**Cost Cap Adjudication Panel**" means the independent decision-making panel comprised in accordance with Article 7.

"**Cost Cap Administration**" means the staff designated by the FIA from time to time to administer and monitor the operation of these Power Unit Financial Regulations.

"**Cost Cap Reporting Template**" means the reporting template, in the format prescribed by the Cost Cap Administration from time to time via a Determination, which shall:

- (a) include Total Costs of the Reporting Group;
- (b) include, in respect of the Full Year Reporting Documentation, a reconciliation of the costs reported in the Cost Cap Reporting Template to the costs recorded in the Audited Annual Financial Statements in respect of each Reporting Group Entity;
- (c) calculate Relevant Costs for the applicable Reporting Period;
- (d) contain an appropriate level of disclosure to enable the Cost Cap Administration to assess compliance with these Power Unit Financial Regulations; and
- (e) include details of relevant Related Party Transactions, Exchange Transactions and F1 Team Transactions.

"**Current Cars**" means cars which were designed and built in order to comply with the Technical Regulations either in force during the applicable Reporting Period or in force during the Championship season immediately preceding or following the applicable Reporting Period.

"Current Generation Power Unit Activities" means Power Unit Activities that are in respect of:

- (a) the development, manufacture, assembly, Testing, supply and servicing of Power Units homologated for supply to F1 Teams in respect of the Championships taking place in 2023, 2024 and 2025; and
- (b) The provision of track support services relating to the operation of Power Units by any F1 Team in respect of the Championships taking place in 2023, 2024 and 2025.

"Customer Team" means, in relation to a Power Unit Manufacturer, an F1 Team to which it supplies Power Units for the relevant Championship season other than its Nominated Team.

"Customer Team Power Unit Activities" means Power Unit Activities that are in respect of:

- (a) the manufacture and servicing of Power Units supplied to a Customer Team;
- (b) the provision of the services listed in Table 2 in Appendix 3 of the 2026 Power Unit Technical Regulations to a Customer Team; or
- (c) the development, testing and validation of an Alternative Fuel and Oil for use with the Power Unit in F1 Cars of the Customer Team, in all cases respecting the requirements of section 4.2.2 of Appendix 1 of the 2026 Power Unit Sporting Regulations,

in each case in respect of the Championships taking place from 2026 onwards.

"Declarations" means declarations, in the format prescribed by the Cost Cap Administration from time to time via a Determination:

- (a) signed by each of the CEO, CFO and CTO of the Power Unit Manufacturer, and, in respect of the Full Year Reporting Documentation only, signed by an authorised signatory for and on behalf of the Power Unit Manufacturer, each confirming that:
 - (i) the Reporting Documentation with which the Declarations are supplied is complete, accurate, not misleading and in compliance with these Power Unit Financial Regulations; and
 - (ii) the Power Unit Manufacturer has complied with the requirements of Articles 1.8, 1.9 and 1.10;
- (b) in respect of the Full Year Reporting Documentation only, signed by or on behalf of the Power Unit Manufacturer's Ultimate Controlling Party confirming that the Reporting Group Documentation with which the Declarations are supplied is complete, accurate, not misleading and in compliance with these Power Unit Financial Regulations.

"Demonstration Event" has the meaning set out in the Sporting Regulations in force during the applicable Reporting Period.

"Determination" means an official written communication issued by the Cost Cap Administration to all of the Power Unit Manufacturers which is expressed to be a determination and which shall be binding on the Power Unit Manufacturers.

"Development" means the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.

"Directly Attributable" means, in relation to a particular activity, if:

- (a) the cost would have been avoided if that particular activity was not undertaken; and
- (b) the cost is separately identifiable without apportionment.

"Eligible External Manufacturing Costs" means the following types of costs that remain within Total Costs of the Reporting Group other than any Excluded Costs and having made the Adjustments other than the adjustment pursuant to Article 4.1(i):

- (a) costs incurred with an entity outside the Legal Group Structure of the Power Unit Manufacturer for the manufacture and supply of Power Unit systems, components, assemblies, sub-assemblies and prototypes; and
- (b) costs incurred with an entity outside the Legal Group Structure of the Power Unit Manufacturer for any research, development and design services that are wholly and exclusively in respect of Power Unit systems, components, assemblies, sub-assemblies and prototypes manufactured and supplied by that entity to that Power Unit Manufacturer.

"Eligible Test Bench Asset" means a group of Eligible Test Bench Elements set out in column 1 of Appendix 2.

"Eligible Test Bench Element" means an item or sub-group of items set out in column 2 of Appendix 2.

"Eligible Test Bench Capital Expenditure" means costs that:

- (a) fall within limb (a), limb (b) or limb (c) of the definition of Capital Expenditure; and
- (b) are in respect of assets for which a Power Unit Manufacturer has sought pre-approval from Cost Cap Administration prior to being brought into use by or on behalf of that Power Unit Manufacturer, and which Cost Cap Administration has confirmed in writing to be Eligible Test Bench Elements in respect of that Power Unit Manufacturer. Such approval will only be provided in respect of a single set/unit of any given Eligible Test Bench Element that is required to operate the relevant Eligible Test Bench Asset, and will only be provided up to the quantity allowance set out in column 3 of Appendix 2 for any given type of Eligible Test Bench Asset; and
- (c) are in respect of assets that have become available for use during one of the Power Unit Manufacturer's N-1 Full Year Reporting Period, N-2 Full Year Reporting Period or N-3 Full Year Reporting Period.

"Employee Bonus Costs" means those amounts payable pursuant to a Formal Bonus Scheme, to the extent such amounts are determined solely by reference to the Power Unit Manufacturer's Nominated Team's and/or Customer Teams' and/or those F1 Teams' F1 Drivers' classification in the Championship or by reference to those F1 Teams' and/or those F1 Teams' F1 Drivers' points, podiums

or race wins in respect of the Championship, or any combination of the foregoing, in the Reporting Period.

"Employee Medical Benefits" means any medical benefits made available to all employees of all Reporting Group Entities, or to a specifically identified sub-category of employees of all Reporting Group Entities, in each case on a substantially equal basis and excluding any private medical insurance.

"Employee Termination Benefits" means the costs of all employee benefits in connection with terminating the engagement of a Reporting Group Entity's employee as a result of either:

- (a) termination of an employee's engagement prior to the automatic expiry date of such engagement; or
- (b) an employee's decision to accept an offer of benefits in exchange for the termination of engagement.

"Engineering Trailer" means a branded temporary standalone structure, and any irremovable fixtures, fittings and equipment integrated into such structure that is brought into the paddock and constructed by a Power Unit Manufacturer to provide a working environment for engineering purposes during a Competition or Testing of Current Cars. For the avoidance of doubt this does not include any structures, fixtures, fittings or equipment that are constructed or installed into any permanent or existing paddock buildings, such as the pit garages.

"Exchange Transaction" means a transaction between a Reporting Group Entity and a third party that results in one of the parties acquiring assets or services or satisfying liabilities by surrendering other assets or services or incurring other obligations.

"Excluded Costs" means those costs that must be excluded from Total Costs of the Reporting Group pursuant to the exclusions set out in Article 3.

"Extended Reporting Deadline" has the meaning set out in Article 8.6.

"F1 Car Components" has the meaning set out in the Technical Regulations in force during the applicable Reporting Period.

"F1 Cars" means Current Cars, Previous Cars, Historic Cars and any cars intended for future participation in the Championship.

"F1 Driver" means any person:

- (a) engaged by an F1 Team whose primary role is as a driver engaged in the racing of F1 Cars in the Championship for or on behalf of the F1 Team during the Reporting Period; and
- (b) who has driven in a race for the F1 Team in the Championship during the Reporting Period.

"F1 Team" means a legal entity that holds an FIA Super Licence to participate in the Championship (being referred to in the Sporting Regulations as the "competitor", or the "constructor").

"F1 Team Transaction" means a transaction between a Reporting Group Entity in respect of a Power Unit Manufacturer and a member of the Legal Group Structure of an F1 Team.

"Fair Value" means the price that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

"Family Member" means in respect of an individual:

- (i) a spouse, domestic partner or civil partner of that individual;
- (ii) any other person with whom that individual lives as partner in an enduring family relationship;
- (iii) children or step-children of that individual or of any person falling within paragraph (i) of this definition;
- (iv) any children or step-children of a person falling within paragraph (ii) of this definition who live with that individual and have not attained the age of 18;
- (v) siblings of that individual;
- (vi) parents of that individual; and
- (vii) dependants of that individual or of any person falling within paragraph (i) of this definition;

"FIA" means the Fédération Internationale de l'Automobile.

"FIA Code of Ethics" means the FIA Code of Ethics adopted by the FIA General Assembly, as amended from time to time.

"FIA General Assembly" means the supreme decision-making body of the FIA.

"FIA Judicial and Disciplinary Rules" means the FIA Judicial and Disciplinary Rules adopted by the FIA General Assembly, as amended from time to time.

"FIA Statutes" means the official statutes of the FIA adopted by the FIA General Assembly, as amended from time to time.

"FIA Super Licence" has the meaning set out in the International Sporting Code.

"FIA World Motor Sport Council" means the World Motor Sport Council as constituted under the FIA Statutes.

"Finance Activities" are the undertaking of payroll administration, processing of payments to/from third parties, financial record keeping, accounting and taxation matters, and preparation of financial statements and internal financial analysis.

"Finance Costs" mean:

- (a) interest on bank overdrafts and loans;

- (b) interest on convertible loan notes;
- (c) any related charges arising from these borrowings such as transaction fees, account maintenance fees or fees charged for late payment;
- (d) interest on and any related charges arising from any other form of borrowing of funds; and
- (e) interest on lease liabilities.

"**Financial Penalty**" has the meaning set out in Article 9.1(a) and "**Financial Penalties**" shall be construed accordingly.

"**Financial Regulations**" means the FIA Formula One Financial Regulations, as amended from time to time.

"**Flyaway Event**" means a Competition or Testing of Current Cars held in any country outside the European Union or United Kingdom.

"**Force Majeure Event**" means any circumstances beyond the reasonable control of a Power Unit Manufacturer affecting its compliance with these Power Unit Financial Regulations, including terrorist action or the threat thereof, civil commotion, disruption due to general or local elections, invasion, war, threat of or preparation for war, fire, explosion, storm, flood, earthquake, or any other such natural physical disaster, epidemic and any legislation, regulation or ruling of any government, court or other such competent authority.

"**Formal Bonus Scheme**" means an employee bonus scheme that either:

- (a) has been formally communicated in writing (including, for these purposes, by email) to the relevant employee(s); or
- (b) has been formally approved by the board of directors of the Power Unit Manufacturer and is supported by a board resolution,

in either case prior to the first Competition of the Championship to which the Reporting Period relates.

"**Full Car Dynamometer**" has the meaning set out in the 2026 Power Unit Sporting Regulations.

"**Full Year Reporting Deadline**" means the deadline for submission of the Full Year Reporting Documentation, which is 19.00 CET on 31 March, or if such day is not a business day on the next business day, in respect of the Full Year Reporting Period ending on 31 December in the previous calendar year, unless any later time or date is otherwise communicated to the Power Unit Manufacturers by the Cost Cap Administration via a Determination.

"**Full Year Financial Reporting Documentation**" means either:

- (a) if the Power Unit Manufacturer submitted a Cost Cap Reporting Template within its Interim Financial Reporting Documentation in the Reporting Period, the following documents:
 - (i) the Audited Annual Financial Statements in respect of each Reporting Group Entity for the Full Year Reporting Period; and

- (ii) a completed Cost Cap Reporting Template; or
- (b) if the Power Unit Manufacturer submitted a Subset Cost Cap Reporting Template within its Interim Financial Reporting Documentation in the Reporting Period, either:
 - (i) the documents set out in paragraph (a) of this definition; or
 - (ii) the following documents:
 - (A) the Audited Annual Financial Statements for each individual Reporting Group Entity for the Full Year Reporting Period;
 - (B) the Subset Accounts; and
 - (C) a completed Subset Cost Cap Reporting Template.

"Full Year Reporting Documentation" has the meaning set out in Article 5.1.

"Full Year Reporting Period" means a 12-month financial reporting period commencing on 1 January and ending on 31 December.

"Good Faith" means with due diligence and in a spirit of honesty, sincerity and integrity.

"Health And Safety Costs" means:

- (a) costs of personal protective equipment worn by Personnel who are engaged by a Reporting Group Entity in the undertaking of Power Unit Activities;
- (b) Consideration provided to Personnel who are engaged by a Reporting Group Entity or costs of outsourced services incurred, that are Directly Attributable to guaranteeing the physical protection of Personnel in attendance at a Competition or on-track testing;
- (c) Consideration provided to Personnel who are engaged by a Reporting Group Entity or costs of outsourced services incurred, that are Directly Attributable to monitoring and ensuring compliance with applicable health and safety legislation; and
- (d) costs Directly Attributable to the provision of training or accreditation to Personnel in respect of compliance with applicable health and safety legislation.

"Heritage Asset Activities" means:

- (a) activities for the preservation, management and maintenance of Power Units homologated for use in respect of Previous Cars and Historic Cars; and
- (b) track support services relating to the operation of Power Units during Testing Of Previous Cars and Testing Of Historic Cars.

"Heritage Asset Personnel" means any Personnel spending 90% or more of their total working hours in the applicable Reporting Period undertaking Heritage Asset Activities.

"**Historic Cars**" means cars which were designed and built in order to comply with the Technical Regulations in force within any Championship season preceding those referred to within the definition of Previous Cars.

"**Human Resources Activities**" means the undertaking of recruitment of Personnel, Personnel communications, Employee Medical Benefits, and grievance, disciplinary or termination procedures relating to Personnel.

"**ICA**" means the FIA International Court of Appeal.

"**Immunity Conditions**" has the meaning set out in Article 6.18.

"**Inaugural Season**" means, in relation to a Power Unit Manufacturer, the first Championship season, from 2026 onwards, in respect of which its Power Units are homologated for supply to F1 Teams.

"**Incumbent Power Unit Manufacturer**" means a Power Unit Manufacturer that is not a New Power Unit Manufacturer

"**Independent Audit Firm**" means an independent audit firm acting in compliance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and who have been approved by the Cost Cap Administration.

"**Indexation**" means:

- (a) in respect of the Full Year Reporting Period ending on 31 December 2023, the average annual inflation rate for the G7 countries for the year to 31 March 2023 as published on the International Monetary Fund website; and
- (b) in respect of the Full Year Reporting Period ending on 31 December 2024 and each subsequent Full Year Reporting Period, the compound rate obtained by applying the average annual inflation rate for the G7 countries for the year to 31 March of the applicable Reporting Period as published on the International Monetary Fund website to the Indexation rate of the preceding Full Year Reporting Period, as communicated by the Cost Cap Administration via a Determination.

The average annual inflation rate for the G7 countries is published on the International Monetary Fund website at <https://www.imf.org/external/datamapper/PCPIPCH@WEO/MAE>. If such rate ceases to exist, the Cost Cap Administration will use an alternative rate which it deems to be reasonably comparable.

"**Initial Applicable Rate**" means:

- (a) in respect of the exchange rate between US Dollars and each of Pounds Sterling and Euros, the following rates:

US Dollars / Pounds Sterling	US Dollars / Euros
1.2425	1.0531

- (b) in respect of all other currencies, the average of the daily exchange rates published by the US Federal Reserve System over the period 31 May 2022 +/- 60 days.

"Interim Financial Reporting Documentation" means:

- (a) a completed Cost Cap Reporting Template; or
- (b) if the Power Unit Manufacturer has submitted a notice in writing to the Cost Cap Administration of its intention to use Subset Accounts as part of its Full Year Financial Reporting Documentation by the deadline communicated by the Cost Cap Administration via a Determination, a completed Subset Cost Cap Reporting Template.

"Interim Reporting Deadline" means the deadline for submission of the Interim Reporting Documentation, which is 19.00 CET on 30 June, or if such day is not a business day on the next business day, in respect of the Interim Reporting Period ending on 30 April in the same calendar year, unless any later time or date is otherwise communicated to the Power Unit Manufacturers by the Cost Cap Administration via a Determination.

"Interim Reporting Documentation" has the meaning set out in Article 5.2.

"Interim Reporting Period" means a four-month financial reporting period commencing on 1 January and ending on 30 April in any given year.

"International Sporting Code" means the FIA International Sporting Code, as amended from time to time.

"Inventories" means only those assets which are:

- (a) finished goods purchased or produced, and held for use in respect of the Power Unit Manufacturer's Power Units;
- (b) in the process of production for such use under paragraph (a) of this definition; and
- (c) in the form of materials or supplies to be consumed in the process of production for such use under paragraph (a) of this definition.

"Joint Control" means the contractually agreed sharing of Control of an arrangement, which exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing Control. **"Jointly Controlling"** and **"Jointly Controlled"** shall be construed accordingly.

"Joint Venture" means a joint arrangement whereby the parties that have Joint Control of the arrangement have rights to the net assets of the arrangement.

"Judges" has the meaning set out in Article 7.4.

"Key Management Personnel" means those persons having authority over and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

"**Late Submission**" has the meaning set out in Article 8.4.

"**Late Submission Notice**" has the meaning set out in Article 8.4.

"**Late Submitting Manufacturer**" has the meaning set out in Article 8.4.

"**Legal Activities**" means the provision of legal advice and guidance, legal document preparation and drafting, ensuring compliance with applicable laws, legal contract management, litigation management and representation in respect of legal matters.

"**Legal Group Structure**" means:

- (a) the Power Unit Manufacturer;
- (b) any direct or indirect Controlling or Jointly Controlling entity of the Power Unit Manufacturer (up to and including the Ultimate Controlling Party);
- (c) any Subsidiary, Associate or Joint Venture of the Power Unit Manufacturer or any entity pursuant to paragraph (b) of this definition; and
- (d) any party that has Significant Influence over the Power Unit Manufacturer.

"**Marketing Activities**" means:

- (a) the creation, development and deployment of Marketing Outputs;
- (b) the identification, negotiation, agreement and servicing of sponsorship agreements;
- (c) the negotiation and agreement with F1 Team(s) for the Power Unit Manufacturer's logo or associated branding to be displayed on F1 Cars and / or plant and equipment assets of an F1 Team; and
- (d) carrying out Promotional Events, Demonstration Events or other demonstration events organised by the Commercial Rights Holder.

"**Marketing Outputs**" means branded Power Unit Manufacturer clothing, branded Power Unit Manufacturer merchandise, website, customer relationship management database, public relations external communications, promotional events, the paddock motorhome, Engineering Trailer, Power Unit Manufacturer Building at a Flyaway Event and any other outputs as may be determined and communicated as such by the Cost Cap Administration via a Determination from time to time.

"**Material Overspend Breach**" has the meaning set out in Article 8.12.

"**Material Sporting Penalty**" has the meaning set out in Article 9.1(c) and "**Material Sporting Penalties**" shall be construed accordingly.

"**Minor Overspend Breach**" has the meaning set out in Article 8.10.

"**Minor Sporting Penalty**" has the meaning set out in Article 9.1(b) and "**Minor Sporting Penalties**" shall be construed accordingly.

"N-1 Full Year Reporting Period" means, in relation to a Power Unit Manufacturer, the Full Year Reporting Period ending on 31 December immediately prior to its Inaugural Season.

"N-2 Full Year Reporting Period" means, in relation to a Power Unit Manufacturer, the Full Year Reporting Period immediately preceding its N-1 Full Year Reporting Period.

"N-3 Full Year Reporting Period" means, in relation to a Power Unit Manufacturer, the Full Year Reporting Period immediately preceding its N-2 Full Year Reporting Period.

"New Power Unit Manufacturer" means a Power Unit Manufacturer that is identified as either a 'New PU Manufacturer' or a 'partial New PU Manufacturer' pursuant to section 5 of Appendix 5 of the 2026 Power Unit Technical Regulations.

"Non-Submission Breach" has the meaning set out in Article 8.7 or 8.8, as applicable.

"Non-Power Unit Activities" means activities that are not Power Unit Activities.

"Nominated Team" means, in relation to a Power Unit Manufacturer, the F1 Team to which its homologated Power Units are supplied and that is stated as the '*Nominated Competitor*' within that Power Unit Manufacturer's communication to FIA pursuant to section 1.2.1 of Appendix 5 of the 2026 Power Unit Technical Regulations for the relevant Championship season.

"Objectives" has the meaning set out in Article 1.3.

"Parent" means an entity that Controls one or more other entities (known as Subsidiaries). Together a Parent and its Subsidiaries are a **"Group"**.

"Parties" (and in its singular form **"Party"**) has the meaning set out in Article 7.13.

"Personnel" means any individual engaged in the undertaking of Power Unit Activities by an entity in the Legal Group Structure of the Power Unit Manufacturer.

"Power Train Dynamometer" has the meaning set out in the 2026 Power Unit Sporting Regulations.

"Power Unit" has the meaning set out in either the Technical Regulations in force during the applicable Reporting Period or any Technical Regulations approved by the FIA World Motor Sport Council to come into force in a subsequent Reporting Period. The abbreviation **"PU"** has the same meaning.

"Power Unit Activities" means:

- (a) all activities undertaken by or on behalf of the Power Unit Manufacturer relating to:
 - (i) the research, development and design of Power Units;
 - (ii) the manufacture, assembly, Testing, supply and servicing of Power Units;
 - (iii) the provision of track support services relating to the operation of Power Units by any F1 Team, as set out in Appendix 3 of the Technical Regulations; and
 - (iv) the purchase and/or manufacture of F1 Car Components used for the Sole Purpose Of Testing Power Units For Performance And Reliability on either a Power Unit Dynamometer or a Power Train Dynamometer;

- (b) all activities undertaken by or on behalf of the Power Unit Manufacturer relating to the marketing of Power Units;
- (c) the planning, directing, management, control and/or execution of the activities defined as Power Unit Activities within paragraphs (a) and (b) of this definition; and
- (d) the management, directing, control and use of the assets used to undertake the activities defined as Power Unit Activities within paragraphs (a) and (b) of this definition.

"**Power Unit Cost Cap**" has the meaning set out in Article 2.3.

"**Power Unit Financial Regulations**" means these FIA Formula One Power Unit Financial Regulations, as amended from time to time.

"**Power Unit Manufacturer**" means a legal entity that submits a Registration Form to the FIA in order to be eligible to homologate Power Units for supply to F1 Teams in respect of the 2026 Championship season onwards.

"**Power Unit Manufacturer Building**" means a structure with roof and walls in the paddock made available by the organiser of a Flyaway Event to a Power Unit Manufacturer for the primary purpose of facilitating Marketing Activities. For the avoidance of doubt this does not include the pit garages.

"**Power Unit Dynamometer**" has the meaning set out in the 2026 Power Unit Sporting Regulations.

"**Power Unit Test Bench**" has the meaning set out in the 2026 Power Unit Sporting Regulations.

"**Power Unit Used Inventory Incremental List**" means a list maintained by a Power Unit Manufacturer to trace and record used Power Unit components, in accordance with the format prescribed by the Cost Cap Administration from time to time via a Determination.

"**Presentation Currency**" means, in relation to a Reporting Group Entity, the currency in which the Audited Annual Financial Statements of that entity are presented, and "**Presentation Currencies**" shall be construed accordingly.

"**President of the Hearing**" has the meaning set out in Article 7.12.

"**President of the Cost Cap Adjudication Panel**" has the meaning set out in Article 7.5.

"**Previous Cars**" means cars which were designed and built in order to comply with the Technical Regulations in force in any of the three Championship seasons falling immediately prior to the Championship season preceding the applicable Reporting Period.

"**Procedural Breach**" has the meaning set out in Article 8.1.

"**Promotional Event**" has the meaning set out in the Sporting Regulations in force during the applicable Reporting Period.

"**Property Costs**" means:

- (a) any property rent, property lease costs, business rates and property taxes;
- (b) property insurance costs;

- (c) security costs in respect of external access to the property;
- (d) costs of landscaping external areas within the property perimeter; and
- (e) costs of cleaning and waste disposal services provided in respect of the property.

"Reassigned Employee" means an employee of a Reporting Group Entity whose engagement was terminated, or whose role was formally and wholly reassigned to Non-Power Unit Activities, in each case on or prior to 30 June 2023.

"Redundant Inventories" means Inventories held at the end of the Reporting Period but not held for future use in respect of the Power Unit Manufacturer's Power Units, as:

- (i) they are damaged or destroyed;
- (ii) they are obsolete; or
- (iii) the Power Unit Manufacturer determines they will not be used in the future.

"Registration Form" means a Power Unit Manufacturer's registration form submitted to the FIA as part of the terms and conditions for that Power Unit Manufacturer to supply duly homologated Power Units to F1 Teams for participation in the Championship for the 2026 to 2030 seasons (inclusive), in accordance with the International Sporting Code.

"Related Party" means, with respect to a Reporting Group Entity:

- (a) a person who:
 - (i) has Control or Joint Control of that Reporting Group Entity;
 - (ii) has Significant Influence over that Reporting Group Entity; or
 - (iii) is a member of the Key Management Personnel of that Reporting Group Entity or of a Parent of that Reporting Group Entity;
- (b) a Family Member of any person listed in paragraph (a) of this definition;
- (c) an entity to which any of the following paragraphs apply:
 - (i) both it and the Reporting Group Entity are members of the same Group;
 - (ii) it or the Reporting Group Entity is an Associate or Joint Venture of the other (or an Associate or Joint Venture of a member of a Group of which the other is a member);
 - (iii) it and the Reporting Group Entity are Joint Ventures of the same third party;
 - (iv) it or the Reporting Group Entity is a Joint Venture of a third party and the other is an Associate of the third party;
 - (v) the entity is a post-employment defined benefit plan for the benefit of the employees of the Reporting Group Entity;

- (vi) the entity is Controlled or Jointly Controlled by a person falling within paragraphs (a) or (b) of this definition;
- (vii) a person falling within paragraph (a)(i) of this definition, or a family member of such a person, has Significant Influence over the entity or is a member of the Key Management Personnel of the entity (or of a Parent of the entity); and/or
- (viii) the entity, or any member of a Group of which it is a part, provides Key Management Personnel services to a Reporting Group Entity or to the Parent of a Reporting Group Entity.

"Related Party Transaction" means, with respect to a Reporting Group Entity:

- (a) a transfer of resources, services or obligations between that Reporting Group Entity and a Related Party, regardless of whether a price has been charged; or
- (b) any transaction between that Reporting Group Entity and a third party where:
 - (i) a commercial relationship exists between that third party and a Related Party; and
 - (ii) the transaction is entered into on terms that are different to those that the third party would have agreed if the commercial relationship referred to in paragraph (b)(i) of this definition had not existed.

"Relevant Asset" means each tangible asset held on the fixed asset register as at 31 December 2022 within the underlying books and records of each Reporting Group Entity that:

- (a) is plant and equipment or IT hardware, other than Eligible Test Bench Elements; and
- (b) the costs in respect of which would have been treated as Capital Expenditure had that asset become available for use on or after 1 January 2023.

"Relevant Costs" means the Total Costs of the Reporting Group less any Excluded Costs, and subject to any applicable Adjustments.

"Reporting Deadline(s)" means the Interim Reporting Deadline and/or the Full Year Reporting Deadline, as the context so requires.

"Reporting Documentation" means the Interim Reporting Documentation and/or the Full Year Reporting Documentation, as the context so requires.

"Reporting Group" means the Power Unit Manufacturer and, if applicable, those entities within the Legal Group Structure of the Power Unit Manufacturer determined to be included in the Reporting Group of the Power Unit Manufacturer in accordance with Articles 2.5 to 2.10 (inclusive). Each entity within the Reporting Group shall be a **"Reporting Group Entity"**.

"Reporting Group Documentation" means documentation, in the format prescribed by the Cost Cap Administration from time to time via a Determination, containing:

- (a) details of each Reporting Group Entity for the applicable Reporting Period; and

- (b) confirmation that the exclusion from the Power Unit Manufacturer's Reporting Group of all other entities in the Power Unit Manufacturer's Legal Group Structure is in accordance with Articles 2.5 to 2.10 (inclusive).

"Reporting Period" means the Interim Reporting Period and/or the Full Year Reporting Period, as the context so requires.

"Research" means any original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

"Respondent" has the meaning set out in Article 7.13(a).

"Significant Influence" means the power to participate in the financial and operating policy decisions of the entity, but not in Control or Joint Control of that entity. Significant Influence may be gained by means of shareholding, or voting power, or by constitutional documents (statutes), or by agreement, or otherwise.

"Sole Purpose Of Testing Power Units For Performance And Reliability" has the meaning set out in the 2026 Power Unit Sporting Regulations.

"Sporting Regulations" means the FIA Formula One Sporting Regulations, as amended from time to time.

"Subset Accounts" means, annual accounts for the Full Year Reporting Period for a clearly identifiable component of the Power Unit Manufacturer, the format of which shall be prescribed by the Cost Cap Administration via a Determination and which shall:

- (a) include Total Costs of the Power Unit Manufacturer less any costs Directly Attributable to Non-Power Unit Activities;
- (b) be prepared by reference to the same financial reporting framework and under the same accounting policies used by the Power Unit Manufacturer in its Audited Annual Financial Statements; and
- (c) comprise:
 - (i) an income statement with line items down to profit or loss before Finance Costs and Corporate Income Tax;
 - (ii) balance sheet line items for tangible assets, intangible assets, inventories and research and development costs; and
 - (iii) explanatory notes,which have been audited by the same Independent Audit Firm that signs the Power Unit Manufacturer's Audited Annual Financial Statements; and
- (d) be derived from best practice accounting separation and regulatory financial reporting requirements.

"Subset Cost Cap Reporting Template" means the reporting template, in the format prescribed by the Cost Cap Administration from time to time via a Determination, which shall:

- (a) include:
 - (i) Total Costs of the Power Unit Manufacturer less any costs Directly Attributable to Non-Power Unit Activities; and
 - (ii) if the Reporting Group includes entities other than the Power Unit Manufacturer, the Total Costs of each Reporting Group Entity (other than the Power Unit Manufacturer);
- (b) include, in respect of the Full Year Reporting Documentation, a reconciliation of the costs reported in the Subset Cost Cap Reporting Template to the costs recorded in:
 - (i) the Subset Accounts; and
 - (ii) if the Reporting Group includes entities other than the Power Unit Manufacturer, the Audited Annual Financial Statements in respect of each Reporting Group Entity (other than the Power Unit Manufacturer);
- (c) include, in respect of the Full Year Reporting Documentation, a reconciliation of the costs recorded in the Subset Accounts to the costs recorded in the Audited Annual Financial Statements of the Power Unit Manufacturer;
- (d) calculate Relevant Costs for the applicable Reporting Period;
- (e) contain an appropriate level of disclosure to enable the Cost Cap Administration to assess compliance with these Power Unit Financial Regulations;
- (f) include details of relevant Related Party Transactions, Exchange Transactions and F1 Team Transactions; and
- (g) prescribe reporting obligations no less onerous than those to which that Power Unit Manufacturer would have been subject had it reported using the Cost Cap Reporting Template.

"**Subsidiary**" means an entity that is Controlled by another entity (known as the Parent).

"**Technical Regulations**" means the FIA Formula One Technical Regulations, as amended from time to time.

"**Testing**" means all off-track testing, other than on a Full Car Dynamometer of either a Power Unit or Power Unit systems, components, assemblies, sub-assemblies or prototypes.

"**Testing Of Current Cars**" has the meaning set out in the Sporting Regulations in force during the applicable Reporting Period.

"**Testing Of Historic Cars**" has the meaning set out in the Sporting Regulations in force during the applicable Reporting Period.

"**Testing Of Previous Cars**" has the meaning set out in the Sporting Regulations in force during the applicable Reporting Period.

"Total Costs" means all costs and losses recognised within profit or loss of the underlying books and records.

"Total Costs of the Reporting Group" means the aggregate of Total Costs of each Reporting Group Entity, having adjusted (to the extent applicable) for any amounts recharged from one Reporting Group Entity to another Reporting Group Entity.

"Total Employee Remuneration" means the aggregate annual basic salaries and bonuses of all employees within Total Costs of the Reporting Group, excluding any such amounts falling within Articles 3.1(a), 3.1(b), 3.1(e), 3.1(f), 3.1(h), 3.1(n), 3.1(o), 3.1(p) and 3.2.

"Total Fixed Employee Remuneration" means the aggregate annual basic salaries of all employees within Total Costs of the Reporting Group, excluding any such amounts falling within Articles 3.1(a), 3.1(b), 3.1(e), 3.1(f), 3.1(n), 3.1(o), 3.1(p) and 3.2.

"Transitional Capital Expenditure" means all costs incurred and recognised in the Audited Annual Financial Statements of each Reporting Group Entity up to and including 31 December of the Power Unit Manufacturer's N-3 Full Year Reporting Period as tangible assets and/or as intangible assets:

- (a) that are Transitional Capital Expenditure Qualifying Assets;
- (b) that became available for use during the Power Unit Manufacturer's N-3 Full Year Reporting Period; and
- (c) in respect of which the Power Unit Manufacturer can provide evidence that the cost and technical specification of the individually identified assets was formally approved by the board of directors of the applicable Reporting Group Entity prior to 30 September of the year immediately preceding its N-3 Full Year Reporting Period, to the satisfaction of the Cost Cap Administration.

"Transitional Capital Expenditure Qualifying Assets" means those assets that meet the description set out in columns 1 to 2 of Appendix 3, up to a maximum quantity in respect of each individual asset as set out in column 3 of Appendix 3. If there is any doubt as to whether a tangible asset and/or an intangible asset is a Transitional Capital Expenditure Qualifying Asset, the Power Unit Manufacturer shall request a clarification from the Cost Cap Administration pursuant to Article 6.6.

"Ultimate Controlling Party" means, in respect of a Power Unit Manufacturer, the entity or individual which has ultimate Control, directly or indirectly, of that Power Unit Manufacturer.

"Used Inventories" means Inventories held at the end of the Reporting Period for future use in respect of the Power Unit Manufacturer's Power Units, that have been used in respect of the Power Unit Manufacturer's Power Units in the Reporting Period.

"Unused Inventories" means Inventories held at the end of the Reporting Period for future use in respect of the Power Unit Manufacturer's Power Units, excluding Used Inventories.

"Witness" means a fact witness and/or an expert witness and **"Witnesses"** shall be construed accordingly.

APPENDIX 2

ELIGIBLE TEST BENCHES

(column 1)	(column 2)	(column 3)
Eligible Test Bench Asset	Eligible Test Bench Element	quantity allowance
(1) Turbo	<p>(1a) Gas stand: turbo charger test stand, including 'machine bed' / baseplate, and/or test bench shipping container if containerised solution selected.</p> <p>(1b) Dyno support structure to junction with test subject (turbocharger) support structure.</p> <p>(1c) Compressor air inlet, compressor outlet and measurement section, excluding instrumentation.</p> <p>(1d) Dyno industrial plant heat exchanger / chillers or cooling towers and associated fan systems.</p> <p>(1e) Dyno electrical system including power supply, inverters, controllers, cabinets, transformers, UPS's, cabling up to junction with mains power supply.</p> <p>(1f) Dedicated dyno only compressors or compressed air supply.</p> <p>(1g) Hot gas generating unit and spent gas outlet.</p> <p>(1h) Dyno oil system up to connection with test subject.</p> <p>(1i) Dyno hydraulic system up to connection with test subject.</p> <p>(1j) Dyno extraction system up to connection with test subject.</p> <p>(1k) Dyno air inlet system for compressor air up to connection with compressor air inlet duct including any dyno ICE charge air cooling system representation.</p> <p>(1l) Dyno cell sound insulation including covering adjacent to internal surface of dyno cell.</p> <p>(1m) Dyno cell viewing transparencies and containment protection. Dyno cell viewing camera and recorder</p> <p>(1n) Dyno safety and fire suppression systems.</p> <p>(1o) Dyno cell ventilation and climatic control system.</p>	1

	<p>(1p) Dyno control system sensors, software and dyno data acquisition system software excluding any post processing or visualisation tools.</p> <p>(1q) FIA monitoring systems.</p>	
(2) Single-Cylinder Dynamometer	<p>(2a) Dyno 'machine bed' / baseplate, and/or dyno shipping container if containerised solution selected.</p> <p>(2b) Dyno support structure to junction with test subject (1 Cylinder engine) support structure.</p> <p>(2c) Dyno absorbers (up to two synchronous / asynchronous electromechanical absorbers / MGU-K's) and 'load cell' torque measurement apparatus.</p> <p>(2d) Power take-off coupling.</p> <p>(2e) Dyno power take-off splitter gearbox and support structure.</p> <p>(2f) Dyno water system, associated pumps, valves and pipework to junction with unit under test and dyno industrial plant heat exchangers / chillers or cooling towers.</p> <p>(2g) Dyno industrial plant heat exchanger / chillers or cooling towers and associated fan systems.</p> <p>(2h) Dyno electrical system including power supply, inverters, controllers, cabinets, transformers, UPS's and cabling up to junction with mains power supply.</p> <p>(2i) Dedicated dyno only compressors or compressed air supply.</p> <p>(2j) Dyno fuel system including storage tank up to connection with ICE fuel system.</p> <p>(2k) Dyno oil system up to connection with ICE.</p> <p>(2l) Dyno hydraulic system up to connection with ICE.</p> <p>(2m) Dyno extraction system up to connection with ICE exhaust.</p> <p>(2n) Dyno exhaust gas and emissions analyser, dyno cylinder pressure high and low pressure indicating system, including sensors, encoder and amplifiers.</p>	3

	<p>(2o) Dyno dynamically variable air inlet system for combustion air up to connection with ICE air inlet duct including dyno charge air temperature control system.</p> <p>(2p) Dyno cell sound insulation including covering adjacent to internal surface of dyno cell.</p> <p>(2q) Dyno cell viewing transparencies and containment protection. Dyno cell viewing camera and recorder.</p> <p>(2r) Dyno safety and fire suppression systems.</p> <p>(2s) Dyno cell ventilation and climatic control system.</p> <p>(2t) Dyno control system sensors, software and dyno high speed data acquisition system and software excluding any post processing or visualisation tools and excluding instrumentation.</p> <p>(2u) FIA monitoring systems.</p>	
(3) Power Unit Dynamometer	<p>(3a) to (3u) in each case, the same item or sub-group of items described above within (2a) to (2u) respectively.</p> <p>(3v) Oil consumption, oil aeration and oil viscosity measurement systems. Motion amplification camera system for non-contact vibration measurement.</p> <p>(3w) Dyno inverter system, MGU-K emulator, ERS battery emulator, cabling and ERS battery climatic chamber or housing.</p>	3
(4) Power Train Dynamometer	<p>(4a) to (4w) in each case, the same item or sub-group of items described above within (3a) to (3w) respectively.</p> <p>(4x) Blower systems for providing air to car mounted primary heat exchangers (up to 360km/hr, 25,500m³/hr).</p> <p>(4y) Additional support structure required for gearbox and drivetrain up to junction with gearbox and drivetrain adaptors.</p> <p>(4z) Exhaust tailpipe exit reduced ambient pressure emulation acting on local pressure around exit only.</p>	1
(5) Full Car Dynamometer	<p>(5a) to (5z) in each case, the same item or sub-group of items described above within (4a) to (4z) respectively.</p> <p>(5aa) Support structure for F1 car chassis and front suspension up to junction with mounting adaptors.</p>	1

	(5ab) Dyno absorbers (up to two further synchronous / asynchronous electromechanical absorbers / MGU-K's, in addition to the two already included within (5c)).	
(6) ERS Test Bench	<p>(6a) Dyno 'machine bed' / baseplate, and/or dyno shipping container if containerised solution selected.</p> <p>(6b) Dyno support structure to junction with test subject (MGU-K / CU-K / ES) support structure.</p> <p>(6c) Dyno absorber (synchronous / asynchronous electromechanical absorber / MGU-K) and 'load cell' torque measurement apparatus.</p> <p>(6d) Dyno cooling system, pumps, valves, pipework to junction unit under test.</p> <p>(6e) Dyno industrial plant heat exchangers and fan systems.</p> <p>(6f) Dyno electrical system including power supply, inverters, controllers, cabinets, transformers, UPSs, cabling up to junction with mains power supply, primary current and voltage sensors.</p> <p>(6g) Dyno DC-DC converter test system.</p> <p>(6h) Dedicated dyno only compressors or compressed air supply.</p> <p>(6i) Dyno control system sensors, software and dyno data acquisition system software excluding any post processing or visualisation tools and excluding instrumentation.</p> <p>(6j) Dyno cell viewing transparencies and containment protection.</p> <p>(6k) Dyno safety and fire suppression systems.</p> <p>(6l) Dyno cell ventilation and climatic control system.</p> <p>(6m) FIA monitoring systems.</p> <p>(6n) Power take-off coupling and dyno power take-off gearboxes.</p> <p>(6o) ERS battery emulator, MGU-K emulator and dyno inverter system for MGU-K control.</p> <p>(6p) ERS battery climatic chamber and control system.</p>	2

(7) ES Test Bench	(7a), (7b), (7d) to (7m), (7o) and (7p) in each case, the same item or sub-group of items described above within (6a) to (6p) respectively.	1
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APPENDIX 3

TRANSITIONAL CAPITAL EXPENDITURE QUALIFYING ASSETS

	(column 1)	(column 2)	(column 3)
No.	Equipment	Description	Qty
Turbocharger test rig equipment			
1	Turbo assembly balancing rig	A machine to balance the turbocharger in two orthogonal planes during the assembly process	1
2	Turbocharger high speed balancing rig	A facility to rotate turbo mainshaft and measure dynamic out of balance.	1
Component test rig equipment			
3	Hydraulics test bench	A minimal rig for signing off PU included hydraulic assemblies (e.g. throttles, wastegate) post build including test piece mounting, hydraulic power supply, servo valve control, actuator position measurement and mechanical test load	1
4	Component pressure test and impulse fatigue rigs	Rigs for proving out all pressurised PU included components (e.g. fuel rails)	6
5	ICE articulation / gimbal rig	A rig which articulates the ICE or test subject of similar mass and dimensions to assess oil system performance under acceleration.	1
6	Oil level sensor rig	A rig to enable static calibration of the oil level sensor at a range of oil levels and oil temperatures	1
7	Oil pump test rigs	Rigs to test individually or in combination oil pressure pumps, oil scavenge pumps or oil deaerators	4
8	Centre of gravity gimbal rig	An instrumented gimbal rig to measure the centre of gravity of the ICE in orthogonal axes	1
9	Science grade infra-red camera	A single camera head for thermal imaging of PU and PU components	6
10	High speed camera	A high frame rate single camera head system for design information and reliability investigations	1
11	Gear test rig	A mechanical gear mesh test rig for strength, fatigue and friction testing of PU gears including associated measurement and control system	1
12	ICE cylinder block flow rig	A dedicated rig to measure PU cylinder block internal liquid flows including associated measurement and control system	1
13	Valve train test rig	A motoring rig for valve train system testing including high-speed vibrometer	1

	(column 1)	(column 2)	(column 3)
No.	Equipment	Description	Qty
14	Cylinder head flow bench	Flow bench for cylinder head testing including particle image velocimetry and laser induced fluorescence measurement	1
15	Water pump rig	A water pump pass-off, durability and performance assessment rig	1
16	Fuel injector test bench	A dedicated bench to test fuel system injectors for reliability, characterisation and spray pattern	1
Quality control equipment			
17	Coordinate measuring machines	Coordinate measurement machines for component inspection with a range of measurement of up to 2200mm in each of the principal axes	12
18	ICE build coordinate measuring machine	A large 3 Axis, robotic arm or optical coordinate measurement machine for inspection of the PU during the build process	1
19	CT scanner	A 3D Xray machine with the capability of checking & measuring internal parts of PU components	3
20	Endoscope camera	Endoscope for PU internal inspection	8
ERS facility equipment			
21	HIL rig	A PU included component electrical modular test rig, suitable for a single set of PU electrical hardware including associated software	2
22	Vibration test rig	A rig to apply F1 Car vibration levels to electrical assemblies with a payload up to 200Kg (including a climatic chamber, control unit, transformer, vibration amplifier and vibration source)	1
23	Cell conditioning and quality rig (self-discharge rig)	A rig and software to condition the ERS cells prior to build into modules and to quantify level of self-discharge	1
24	ERS cell testing rig	A rig and software to assess performance of ERS cells (outside of the ES)- including climatic chamber and extraction system.	2
25	ERS coolant pump rig	An ERS coolant pump pass-off, durability and performance assessment test rig	1
26	ERS environmental chamber	A test chamber for exposing the ERS to thermal or humidity shocks	1
27	ES storage	ES storage facility where such facility is not a Building. Including climate control, fire protection and monitoring system	4

	(column 1)	(column 2)	(column 3)
No.	Equipment	Description	Qty
28	ES transport case	Transport case for ES type assemblies of compatible size	40
29	Electrical pulse tester / generator	Tester to allow detail and accurate characterisation and measurement of ERS items from component to assembly	2
30	Inductive tester	Tester to allow detail and accurate characterisation and measurement of ERS items from component to assembly	2
31	Motor test meters	HV test meters to measure MGU-K winding condition and quality	7
32	3 axis or CNC resistance welding machine	Welding machine suitable for the production of ES cell blocks	2
33	Cell tab cutting and forming equipment	Workstation and required tooling for cell tab cutting or forming	4
34	ES discharge equipment	ES discharge equipment to reduce cell SOC to required levels for storage or transportation	1
35	Low speed spin rig	A low power and speed MGU-K test bench to allow motor calibration, sensor specification confirmation (rotor position / speed) and pre-production inverter functional testing	1
36	Nitrogen generator and distribution system	A nitrogen generator and distribution system as required for manufacturing processes and safety features	2
37	Magnetic rotor flux scanner	Machine to measure and characterise magnetic rotor performance and quality	1
38	Rotational speed sensor calibration rig	Rig to test and calibrate rpm sensors	1
Materials laboratory equipment			
39	Tensile test rig	A material sample tensile and compressive load testing machine up to 300kN	1
40	Rotating bend fatigue test machine	A fatigue sample test machine producing fatigue cycle through rotation with a bending load applied on samples up to 200mm in length	1
41	Axial fatigue test machine	An axial fatigue sample test machine including an environmental chamber	1
42	Heat treatment oven	Small oven of up to 0.5m ³ capacity with vacuum to allow heat treatment of material samples	1
43	Scanning electron microscope (SEM)	A general purpose SEM for material inspection	1
44	Coating thickness "Calo test" machine	A machine for Measurement of thin film and coating thicknesses using "ball craterer" and microscope	1

	(column 1)	(column 2)	(column 3)
No.	Equipment	Description	Qty
45	Coating adhesion and hardness test rig	A scratch test machine for coating adhesion and hardness testing	1
46	Oil gas chromatography (GC) unit	An Oil GC measurement machine	3
47	Oil wear analysis machine	Oil spectroscopy analyser for wear metal measurement.	2
48	Eddy current flaw detector	An eddy current inspection device for material or component inspection	1
49	Ultrasonic flaw detector	An ultrasonic scanning device for crack detection in material samples	2
Manufacturing equipment			
50	Dynamic balancing machine	Machine for measuring dynamic balance of rotating PU components of up to 50Kg rotating mass	2
51	Up to 5 axis milling machine	A milling machine (up to 5 axis) used for the manufacture of components with a range of movement of the tool in each of the X,Y and Z axes of less than 1300mm based on a right hand co-ordinate system	25
52	2 axis lathe	A 2 axis turret lathe with live turret tooling and a tailstock for producing cylindrical type components	3
53	3 axis lathe	A 3 axis turret lathe with live turret tooling and a second turning spindle for producing cylindrical type components	2
54	7 axis turn-mill	A 7 axis turn-mill machine for producing complex turn-milled components 2 turning spindles (C1 & C2 Axis, with moving C2 spindle (W Axis) 4 axis milling/turning head (X1, Y1, Z1 & B) 2 axis lower turning turret (X2, Z2) Additional travelling steady rest and/or additional "in machine travelling robot" (IMTR) for part loading/unloading	5
55	Wire electro-discharge machine (wiring)	A multi axis WEDM Machine for creating small and intricate details not possible through conventional machining with a work envelope up to 500mm x 500mm x 400mm in each of three orthogonal axes	1
56	Electro-discharge machine (drilling)	An EDM Machine for drilling small holes in positions and materials that are not possible through conventional machining	2

	(column 1)	(column 2)	(column 3)
No.	Equipment	Description	Qty
57	Honing machine	A 3 axis honing machine for producing accurate internal diameters on cylindrical components excluding honing heads	1
58	Crankshaft grinding machine	A multi axis crankshaft grinding machine for producing PU crankshaft mains and pins	2
59	Camshaft grinding machine	A multi axis camshaft grinding machine for producing PU camshaft journals and lobe profiles	1
60	TIG welding machine	A 3 phase powered mobile manual tungsten-inert gas welding set	1
61	Laser welding machine	Laser welding machine and associated equipment	1
62	Hot and cold wash plant	Any aqueous or detergent hot, cold and ice wash and parts cleaner machines for cleaning various types of PU components and tooling	15
63	Universal cylindrical grinding machine	A universal external and internal cylindrical grinding machine	3
64	Gear profile grinding machine	A machine for grinding of gear profiles for PU gears	1
65	Jig grinder	A general purpose jig grinding machine	1
66	Crankshaft polishing machine	A dedicated crankshaft polishing machine for producing super fine surface finishes on crankshaft journals	1
67	Manual surface grinding machine	A manually operated surface grinding machine for grinding engine components	1
68	Piston skirt turning machine	A 2 axis turret lathe with dedicated oval turning capabilities for producing piston skirt profiles	2
69	Piston pin bore machine	A 2 axis boring machine with dedicated oval milling capabilities for producing piston pin bore profiles	1
70	High velocity oxygen fuelled (HVOF) coating system	A HVOF coating system including gun, controller and powder feeder	1
71	Nitride furnace	A nitrogen fed furnace suitable for component coating	1
72	Coating spray booth	A 1m ³ internal volume spray booth suitable for coating application	2
73	Burnishing machine	A vibratory trough for polishing external features of components	1
74	Guillotine	A metal cutting guillotine suitable for material up to 10mm thickness x 2.5m cut	1

	(column 1)	(column 2)	(column 3)
No.	Equipment	Description	Qty
75	Sheet folder	A metal sheet folding machine suitable for up to 2.5m length fold	1
76	CNC bender	A CNC controlled pipe bender for up to 150mm outer diameter x 500mm pipe length	1
77	Crankshaft & camshaft inspection machine	A dedicated high accuracy inspection tool with fixtures and multiple contact sensors for measuring of crankshafts and camshafts	1
78	Optical inspection	A bench top optical gauging tool for inspecting external features of components with up to 500mm x 400mm measuring range	4
79	Surface roughness measurement and form tracing	A high accuracy surface roughness tester and form tracing machine for inspection of components	2
80	High powered optical microscope	High powered bench top microscope for visually inspecting PU components	8
81	MGU-K rotor bonding machine	Automated MGU-K magnet bonding machine for designs compatible with Formula One	1
82	MGU-K rotor grinding machine	A machine for accurate grinding of the external diameter of MGU-K rotors	1
83	Sleeve press	Indicated press for MGU-K rotor banding for designs compatible with Formula One	1
84	Sleeve winding machine	A precision winding machine for composite sleeves on mandrel for press fit or directly onto the MGU-K rotor	
85	MGU-K rotor magnetising equipment	A fixture and power supply for magnetising the MGU-K rotor	1
86	MGU-K stator production	Machinery, tool or fixture for production of MGU-K stator including winding, stripping or impregnation processes	3
87	Assembly press	Manual, pneumatic, hydraulic or servo general assembly press	12
88	Gantry crane	A gantry crane of up to 10m span	
89	ALM rapid prototype, machines	An additive manufacturing machine for the production of metallic or non-metallic components with a build volume of up to 600mm x 600mm x 1000mm in each of the three orthogonal axes	6
90	Laser part marking machine	A laser part marking machine for identification of components in various materials and sizes	4
91	General purpose oven or refrigerators	Small general purpose ovens or refrigerators for components where precise temperature control	6

	(column 1)	(column 2)	(column 3)
No.	Equipment	Description	Qty
		is required with maximum capacity up to 0.25m ³	
92	PU Assembly tooling	Automated nutrunner or fastener assembly tool with torque control and recording	40
IT equipment			
93	CFD supercomputer	<15,000 CPU core HPC cluster (or equivalent CPU/GPU hardware) with 512GB memory per node, 2Gbs interconnect including switches, 1.0PB cluster storage	1
94	Ethernet switches	24 port or similar local area network connection switch for IT devices	100