

**SECTION E: FINANCIAL REGULATIONS (POWER UNIT MANUFACTURERS)**

Version:	Issue 2
Status:	Released
Date:	16/10/2025
WMSC approval date:	16/10/2025

**CONVENTION:**

<b>Black Text:</b>	Text unchanged from FIA 2026 F1 Regulations – Section E [Financial Regulations – Power Unit Manufacturers] – Iss 1 – 25-07-31
<b>Pink Text:</b>	Changes to the regulations, approved by the WMSC on 16/10/2025.
<b>[Blue Text]:</b>	Proposed changes to the regulations, to be presented to the WMSC on xx/xx/2025
<b>[Red Text]:</b>	Information on applicable Governance and relevant Advisory Committee
<b>[Orange Text]:</b>	Reference information on relevant Guidance Document(s): non-binding and non-regulatory
<b>[Green Text]:</b>	Comments / explanations / indication of further work: non-binding and non-regulatory

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**ARTICLE E1: GENERAL PRINCIPLES****E1.1 Scope**

**E1.1.1** These Power Unit Financial Regulations will come into force on 1 January 2026 in respect of Reporting Periods commencing on or after that date. 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.

**E1.2 Objectives**

**E1.2.1** These Power Unit Financial Regulations define a Power Unit Cost Cap that limits certain costs that may be incurred by or on behalf of a Power Unit Manufacturer or any other entity within a Power Unit Manufacturer's Legal Group Structure 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.

**E1.2.2** 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.

**E1.2.3** 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.

**E1.2.4** 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.

**E1.2.5** 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.

**E1.2.6** 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.

**E1.3 Accountability**

**E1.3.1** 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.

**E1.3.2** 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.

**E1.3.3** 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.

**ARTICLE E2: POWER UNIT MANUFACTURER OBLIGATIONS****E2.1 Power Unit Manufacturer Obligations****E2.1.1** 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.

**E2.2 Cap on Relevant Costs****E2.2.1** 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.

**E2.3 The Power Unit Cost Cap****E2.3.1** The amount of the "**Power Unit Cost Cap**" shall be as follows:

- a. in each of a Power Unit Manufacturer's N-3 Full Year Reporting Period, N-2 Full Year Reporting Period and N-1 Full Year Reporting Period, US Dollars 148,500,000, adjusted for Indexation; and
- b. in the Full Year Reporting Period ending on 31 December in the year of a Power Unit Manufacturer's Inaugural Season and in each subsequent Full Year Reporting Period, US Dollars 190,000,000, adjusted for Indexation.

**E2.3.2** 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 pursuant to Article E2.3.1.b. in selected Presentation Currencies for the Full Year Reporting Period ending on 31 December 2026 is as follows:

US Dollars ('000)	Pounds Sterling ('000)	Euros ('000)	Japanese Yen ('000)
190,000	152,918	180,420	24,967,900

## E2.4 Reporting Group

**E2.4.1** 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 or any other entity within the Power Unit Manufacturer's Legal Group Structure in the Reporting Period, such additional entities within the Power Unit Manufacturer's Legal Group Structure as are determined in accordance with Article E2.4.2.

**E2.4.2** 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 or any other entity within that Power Unit Manufacturer's Legal Group Structure in the Reporting Period shall be the additional entities (other than the Power Unit Manufacturer) within the Power Unit Manufacturer's Legal Group Structure as selected by the Power Unit Manufacturer, 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 or any other entity within the Power Unit Manufacturer's Legal Group Structure in the Reporting Period.

**E2.4.3** In addition to those entities included in the Reporting Group pursuant to Articles E2.4.1 and E2.4.2, 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 or any other entity within the Power Unit Manufacturer's Legal Group Structure in the Reporting Period.

**E2.4.4** For the purposes of Articles **EError! Reference source not found.** to E2.4.3 (inclusive), the calculation of the costs of Power Unit Activities undertaken by or on behalf of the Power Unit Manufacturer or any other entity within the Power Unit Manufacturer's Legal Group Structure in the Reporting Period:

- shall not include Finance Costs and costs Directly Attributable to Marketing Activities;
- 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.

**E2.4.5** 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:

- 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 E4.1.1.a.

**E2.4.6** 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.

**ARTICLE E3: EXCLUSIONS****E3.1 Exclusions**

**E3.1.1** 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; and
    - C. costs of parts and consumables, and services, incurred for the maintenance and insurance of Property (and/or leased land and buildings) or 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 9,000,000, 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 E3.1.1.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:
  - i. depreciation, impairment loss and gain/loss on disposal of Property;
  - ii. depreciation of plant and equipment and amortisation of intangible assets that have been used in the Reporting Period only and exclusively to undertake Marketing Activities, catering services, Heritage Asset Activities, Non-Power Unit Activities, Human Resources Activities, Finance Activities and/or Legal Activities;
  - iii. depreciation of plant and equipment and amortisation of intangible assets, where the cost of that plant and equipment or intangible asset meets the definition of Sustainability Initiative Costs; and
  - iv. impairment less and gain/loss on disposal of plant and equipment and intangible assets that in their life to date as at the end of the Reporting Period have only and exclusively been used to undertake Marketing Activities, catering services, Heritage Asset Activities, Non-Power Unit Activities, Human Resources Activities, Finance Activities and/or Legal Activities;
- 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. All mandatory employer's social security contributions required by applicable laws to be paid by a Reporting Group Entity;
- 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; and
    - C. costs of parts and consumables, and services, incurred for the maintenance of Property (and/or leased land and buildings) or 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. All Employee Termination Benefits (together with associated employer's social security contributions), incurred in the Full Year Reporting Periods ending on 31 December 2024 and 31 December 2025;
- q. In connection with a Competition or Testing of Current Cars, all hotel costs, flight, rail travel, and road transportation costs between the airport/train station, hotel and the site where the Competition or Testing of Current Cars takes place incurred by Personnel;
- r. All costs Directly Attributable to entertainment provided for the benefit of all employees of all Reporting Group Entities on a substantially equal basis, subject to a maximum amount of US Dollars 1,200,000, adjusted for Indexation;
- s. All Sustainability Initiative Costs;
- t. All Power Unit Transportation Costs;
- u. All costs of Consideration provided to the individual (other than any individual in respect of whom all costs of Consideration are excluded pursuant to any other sub-Article of this Article E3) in respect of whom the highest aggregate amount of Consideration has been recognised in Total Costs of the Reporting Group during the Reporting Period (the "**Highest Paid Person**"), or to a Connected Party of the Highest Paid Person, in exchange for the Highest Paid Person providing services to or for the benefit of the Power Unit Manufacturer, together with associated employer's social security contributions and all travel and accommodation costs in respect of the Highest Paid Person;
- v. All costs of Consideration provided to employees in respect of maternity leave, paternity leave, shared parental leave or adoption leave (together with associated employer's social security contributions) in each case pursuant to a bona fide formal written policy that applies substantially equally to all employees of all Reporting Group Entities;
- w. All costs of Consideration (together with associated employer's social security contributions) that a Power Unit Manufacturer demonstrates to the reasonable satisfaction of the Cost Cap Administration have been provided to an employee that has been formally placed on indefinite sick leave or disability leave and is not expected to return to work, to the extent provided during the relevant employee's period of absence; and
- x. All costs Directly Attributable to the provision of catering services at the site of a Competition or Testing of Current Cars, and at the Power Unit Manufacturer's premises for guests and Personnel.

**E3.1.2** 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. Property Costs;
- h. Health And Safety Costs;
- i. Customer Team Power Unit Activities;
- j. Sustainability Initiative Costs; and
- k. provision of catering services at the site of a Competition or Testing of Current Cars, and at the Power Unit Manufacturer's premises for guests and Personnel,

such cost shall be an Excluded Cost.

**E3.1.3** For the purposes of this Article E3, 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.

**ARTICLE E4: ADJUSTMENTS****E4.1 Adjustments**

**E4.1.1** Unless stated otherwise in this Article E0, 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:
  - i. Any Related Party Transaction, Exchange Transaction or F1 Team Transaction in connection with a Power Unit Activity must be included in Relevant Costs at the higher of the contracted cost and the Fair Value.
- b. Offsetting of income and costs:
  - i. 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:
    - A. such offsetting is permitted under its applicable accounting standards, with the exception of:
      1. 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; and
      2. any gain on disposal of tangible and intangible assets, in which case the Power Unit Manufacturer must make an upward adjustment in the calculation of Relevant Costs to gross up these amounts;
    - or
    - B. it is finance income that has been offset against Finance Costs, provided that any exclusion made pursuant to Article E3.1.1.c. is made net of finance income; or
    - C. it is tax credits in respect of Corporate Income Tax that have been offset against tax charges in respect of Corporate Income Tax, provided that any exclusion made pursuant to Article E3.1.1.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:

- i. 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. 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 E4.1.1.e.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 only and exclusively:
  - 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, limited to the costs directly incurred in the manufacture and assembly of Inventories (including fixed production overheads in respect of the manufacture and assembly, 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).

In no instances shall the cost of an item of Inventories comprise any costs, including the allocation of fixed overheads, incurred in respect of the research, development, design, testing and/or validation of the item.

## iii. In the event that an item of Redundant Inventories:

- A. has previously been allocated to the UIP on a Power Unit Used Inventory Incremental List; and
- B. has not been used; and
- C. 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

D. its cost has been recognised in full as an expense in the Reporting Period pursuant to paragraph e.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 e.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.
- f. Unrecorded costs or losses:
  - i. 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.
- g. Foreign exchange transaction costs:
  - i. Subject to Article E4.1.1.g.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 E3.
- h. Eligible External Manufacturing Costs:
  - i. 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 10% of any Eligible External Manufacturing Costs recognised, subject to a maximum amount of the aggregate of US Dollars 7,000,000, adjusted for Indexation, plus 5% of the ADUO downward Adjustment allocated to the Full Year Reporting Period pursuant to Article E4.1.1.t.
- i. Unused Cost Cap Amount:

- i. The Power Unit Manufacturer may choose to make a downward adjustment in the calculation of Relevant Costs, equal to the Unused Cost Cap Amount, subject to a maximum amount of:
  - A. for the N-2 Full Year Reporting Period, US Dollars 18,000,000, adjusted for Indexation;
  - B. for the N-1 Full Year Reporting Period, US Dollars 20,400,000, adjusted for Indexation; and
  - C. for the Full Year Reporting Period ending on 31 December of a Power Unit Manufacturer's Inaugural Season and each subsequent Full Year Reporting Period, US Dollars 2,000,000, adjusted for Indexation.
- j. New Power Unit Manufacturers:
  - i. 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:
    - A. in respect of both its N-3 Full Year Reporting Period and N-2 Full Year Reporting Period, US Dollars 12,000,000, multiplied by the Adjustment Factor for that New Power Unit Manufacturer and adjusted for Indexation; and
    - B. in respect of its N-1 Full Year Reporting Period, US Dollars 6,000,000, multiplied by the Adjustment Factor for that New Power Unit Manufacturer and adjusted for Indexation.
- k. Employee Termination Benefits:
  - i. In the event that an individual in respect of whom the exclusion at Article E3.1.1.p. has been applied is re-engaged (either as an employee or otherwise), to undertake any Power Unit Activities at any time during either:
    - A. the same Full Year Reporting Period; or
    - B. 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.
- l. Fuel Supplier – fuel:
  - i. The cost of fuel purchased from a Fuel Supplier, together with the cost of transportation of that fuel to the Power Unit Manufacturer's factory, must be included in Relevant Costs at US Dollars 20<sup>(1)</sup> per litre in the Reporting Period in which it is consumed. The Power Unit

<sup>1</sup> The amount of US Dollars 20 per litre is intended to reflect, for Power Unit Financial Regulations purposes only, all costs of fuel production incurred by the Fuel Supplier, including fuel research and development costs. For the avoidance of doubt, the value of US Dollars 20 per litre applicable for Power Unit Financial Regulations purposes only is not intended to represent the Fair Value of the fuel and it is understood that any transaction between the Fuel Supplier and the Power Unit Manufacturer for the development and supply of fuel is expected to occur at arm's length, without being affected by the value set for Power Unit Financial Regulations.

Manufacturer must make an adjustment in the calculation of Relevant Costs to reflect this requirement.

- m. Fuel Supplier – Single-Cylinder Dynamometer:
  - i. If a Power Unit Manufacturer allocates one of its declared Single-Cylinder Dynamometers to its Fuel Supplier in accordance with the Operational Regulations, the costs incurred by the Fuel Supplier for use of that Single-Cylinder Dynamometer during the Reporting Period, whether recharged to the Power Unit Manufacturer or not, must be included in Relevant Costs in the applicable Reporting Period at not less than US Dollars 4,800,000.
- n. Non-Power Unit Activities pursuant to FIA TD045:
  - i. If during the Full Year Reporting Period ending on 31 December 2025 and any subsequent Full Year Reporting Period, conditions that led a Power Unit Manufacturer to consider that a given activity undertaken in the previous two Full Year Reporting Periods is a Non-Power Unit Activity pursuant to FIA technical directive TD045 cease to exist, all costs in respect of that activity that were excluded in the previous two Full Year Reporting Periods pursuant to Article E3.1.1.e. must be included in Relevant Costs in the Reporting Period.
- o. UoCT clawback:
  - i. If Power Units and/or Power Unit sub-assemblies were recorded on a Power Unit Used Inventory Incremental List in a previous Full Year Reporting Period as UoCT and costs in respect of those Power Units and/or Power Unit sub-assemblies were excluded in that previous Full Year Reporting Period pursuant to Article E3.1.1.o., and those Power Units and/or Power Unit sub-assemblies are then used in the Full Year Reporting Period for Power Unit Activities other than Customer Team Power Unit Activities, all costs in respect of those Power Units and/or Power Unit sub-assemblies that were excluded in a previous Full Year Reporting Period pursuant to Article E3.1.1.o. and were then used in the Full Year Reporting Period for Power Unit Activities other than Customer Team Power Unit Activities must be included in Relevant Costs.
- p. Measurement of costs of plant and equipment:
  - i. If a Reporting Group Entity chooses to adopt an approach for the measurement of costs of plant and equipment in its Audited Annual Financial Statements that deviates from the cost model as defined in IAS 16, then the Power Unit Manufacturer must make an adjustment for the difference between the costs and amounts recorded within Total Costs of the Reporting Group and the costs and amounts that would have been recorded within Total Costs of the Reporting Group had each Reporting Group Entity adopted the cost model as defined in IAS 16.
- q. Plant and equipment clawback:
  - i. If any entity in the Power Unit Manufacturer's Legal Group Structure recorded any accelerated depreciation, impairment loss, or loss on disposal in the Full Year Reporting Period that ended on 31 December 2025 in respect of an item of plant and equipment or intangible asset that is subsequently used from 1 January 2026 onwards to undertake Power Unit Activities, the Power Unit Manufacturer must make an upward adjustment in the calculation of Relevant Costs equal to the amount of accelerated depreciation,



impairment loss, or loss on disposal in the Reporting Period from 2026 onwards in which the item is first used subsequent to 1 January 2026 to undertake Power Unit Activities.

- r. Impairment clawback:
  - i. If an item of plant and equipment or intangible asset in respect of which an impairment loss or loss on disposal has been excluded pursuant to Article E3.1.1.k.iv. in a previous Reporting Period is subsequently used to undertake Power Unit Activities (other than Marketing Activities, catering services, Heritage Asset Activities, Human Resources Activities, Legal Activities, or Finance Activities), the amount so excluded must be included in Relevant Costs via an upward adjustment in the Reporting Period in which the asset is first used to undertake Power Unit Activities.
- s. Use of Standard Supply Power Unit Components:
  - i. Where a Reporting Group Entity undertakes activities to enable the supply of Standard Supply Power Unit Components for use by the Power Unit Manufacturer, that Power Unit Manufacturer must include in its Relevant Costs an amount reflecting the Fair Value of the goods and services in connection with the Standard Supply Power Unit Components that are used by the Power Unit Manufacturer.
- t. **Additional Development And Upgrade Opportunities (ADUO):**
  - i. In respect of each ADUO Period, the Power Unit Manufacturer must make a downward adjustment in the calculation of Relevant Costs, based on its ICE Performance Index for that ADUO Period, according to the amounts set out below, adjusted for Indexation according to the Reporting Period in which the ADUO Period sits:

<b>Power Unit Manufacturer's ICE Performance Index deficit vs the highest ICE Performance Index over an ADUO Period</b>	<b>&lt;2%</b>	<b>2%≤X&lt;4%</b>	<b>4%≤X&lt;6%</b>	<b>6%≤X&lt;8%</b>	<b>≥8%</b>
Downward adjustment (US Dollars)	0	3,000,000	4,650,000	6,350,000	8,000,000

The total amount of the downward adjustment in respect of each ADUO Period, according to the amounts set out above, must be allocated by the Power Unit Manufacturer in whatever proportion it so chooses, between the Full Year Reporting Period 'N' (i.e. the Full Year Reporting Period in which the ADUO Period sits) and the Full Year Reporting Period 'N+1' (i.e. the subsequent Full Year Reporting Period). This allocation must be declared by the Power Unit Manufacturer to the Cost Cap Administration in line with the requirements set out by the Cost Cap Administration from time to time via a Determination.

- u. Reliability allowance:
  - i. If a Power Unit Manufacturer's Nominated Team has used any Power Unit Element during all Competitions in the Reporting Period beyond the quantities set out in table 2 of Appendix E2 for the applicable Reporting Period, it must make a downward adjustment in the calculation of Relevant Costs.

The downward adjustment must be calculated in respect of each individual Power Unit Element, based on the quantities of that Power Unit Element used by the Power Unit Manufacturer's Nominated Team during all Competitions in the applicable Reporting Period and the corresponding adjustment values set out in the final column of table 2 of Appendix E2, adjusted for Indexation.

- E4.1.2** In calculating Relevant Costs, the order in which costs must be excluded pursuant to Article E3.1.1, and adjustments must be made pursuant to Article E4.1.1, shall be determined by the Cost Cap Administration and set out in the Reporting Documentation.
- E4.1.3** For the purposes of this Article E4, 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.

**ARTICLE E5: REPORTING REQUIREMENTS****E5.1 Full Year Reporting Documentation**

**E5.1.1** 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.

**E5.2 Interim Reporting Documentation**

**E5.2.1** 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.

**E5.3 Approval of a Power Unit Manufacturer's Registration Form**

**E5.3.1** 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.

**E5.3.2** 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 E5.2.1 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.

**E5.3.3** 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 E5.2.1 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.

**ARTICLE E6: COST CAP ADMINISTRATION****E6.1 General**

- E6.1.1** 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 E0.
- E6.1.2** 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.
- E6.1.3** 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.
- E6.1.4** 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.
- E6.1.5** 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.

**E6.2 Clarification of the Power Unit Financial Regulations**

- E6.2.1** 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.

**E6.3 Review of Reporting Documentation**

- E6.3.1** 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.
- E6.3.2** 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.
- E6.3.3** 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.
- E6.3.4** 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 **EError! Reference source not found.** below with the Power Unit Manufacturer concerned; or
  - ii. refer the case to the Cost Cap Adjudication Panel for a hearing.

**E6.3.5** 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.

#### **E6.4 Regulatory function**

**E6.4.1** 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.

**E6.4.2** In relation to any request pursuant to Article **EError! Reference source not found.**, 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.

**E6.4.3** Following any request pursuant to Article **EError! Reference source not found.**, 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.

#### **E6.5 Investigations**

**E6.5.1** 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.

- E6.5.2** 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.
- E6.5.3** 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 E8 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:
- whether or not the Cost Cap Administration already had the information;
  - the extent of the person's cooperation;
  - the importance of the case;
  - the importance of the offence in question and the conduct of the accused; and
  - past conduct of this person.
- E6.5.4** 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**"):
- 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
  - providing the Cost Cap Administration with genuine, total and permanent cooperation throughout the entire investigation, which involves in particular:
    - giving and repeating their testimony in accordance with any request and in any form required by the Cost Cap Administration; and
    - 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.
- E6.5.5** 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.
- E6.5.6** 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.

- E6.5.7** 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.
- E6.5.8** 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:
- cooperate fully with any such investigation and must procure that all Personnel cooperate fully with the investigation, as may be required;
  - 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;
  - 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
  - facilitate access to such of its premises, individuals, information, and documentation as may be required.
- E6.5.9** 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 E6.5.8, 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.
- E6.6 Complaints procedure**
- E6.6.1** 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 E6.6.2.
- E6.6.2** 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:
- 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;
  - 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.

**E6.6.3** 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 E6.6.2 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.

**E6.6.4** Upon completion of an investigation of a complaint reported pursuant to Article E6.6.1, 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 E7.1.3.

## **E6.7 Accepted Breach Agreement**

**E6.7.1** 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 propose sanctions for such breach, which should be based on the same factors, including aggravating and mitigating factors, that the Cost Cap Adjudication Panel would take into account under these Power Unit Financial Regulations for such breach pursuant to Article E8. If the Power Unit Manufacturer accepts the breach and the proposed sanctions the Cost Cap Administration may enter into an accepted breach agreement (an "**ABA**") with the Power Unit Manufacturer reflecting the acceptance. 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.

**E6.7.2** 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 E9 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 E9.1.1.b.ii., E9.1.1.b.iii. and E9.1.1.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.

**E6.7.3** 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.

**E6.7.4** 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 E6.7.2.d.; and
- d. waive its right to challenge the ABA.

**E6.7.5** 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.

**ARTICLE E7: COST CAP ADJUDICATION PANEL****E7.1 Cost Cap Adjudication Panel**

- E7.1.1** 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.
- E7.1.2** The Cost Cap Administration will refer a case to the Cost Cap Adjudication Panel in the following circumstances:
- 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
  - the Cost Cap Administration determines the Power Unit Manufacturer has committed a Non-Submission Breach or a Material Overspend Breach; or
  - a Power Unit Manufacturer has entered into an ABA but has failed to comply with the terms of such ABA; or
  - following an investigation by the Cost Cap Administration of a complaint reported by a Complainant Manufacturer pursuant to Article E6.6.1 of these Power Unit Financial Regulations.
- E7.1.3** Following a referral from the Cost Cap Administration the Cost Cap Adjudication Panel shall conduct a hearing and reach a decision.
- E7.1.4** 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 from among the candidates proposed by either:
- the FIA Sport Members entitled to vote (as per Articles 3.1 and 3.3 of the FIA Statutes); or
  - a group of not less than three Power Unit Manufacturers.
- E7.1.5** 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.
- E7.1.6** In case of impediment, the President of the Cost Cap Adjudication Panel shall be replaced by the Vice-President.
- E7.1.7** 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.
- E7.1.8** 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.
- E7.1.9** 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.

**E7.1.10** 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.

**E7.1.11** 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 E.7.1.10, or otherwise) the President of the Cost Cap Adjudication Panel shall appoint a replacement member to the judging panel.

## **E7.2 Hearings before the Cost Cap Adjudication Panel**

**E7.2.1** 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.

**E7.2.2** 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 E7.2.4 and E.7.2.7; and
- d. any third party observer(s), as permitted under Article E7.2.6.

**E7.2.3** The Cost Cap Adjudication Panel will make public its decision to conduct the hearing, and will publish the final decision of the judging panel resolving the proceedings in accordance with Article E7.3.2, but otherwise the proceedings before the Cost Cap Adjudication Panel 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.

**E7.2.4** 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.

**E7.2.5** 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.

**E7.2.6** 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.

- E7.2.7** 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.
- E7.2.8** 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.
- E7.2.9** The President of the Hearing will then invite each of the FIA and the Respondent to make their closing statements.
- E7.2.10** The President of the Hearing may permit a Party to attend via videoconference or other means of communication.
- E7.2.11** At any point during the hearing, the judging panel may decide, after hearing the Parties but before making a final decision:
- to request further information; or
  - to postpone proceedings to a later hearing, in particular in order to hear Witnesses.
- E7.2.12** 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.
- E7.2.13** After the close of the hearing, the President of the Hearing will announce the likely time and date when the decision will be pronounced.
- E7.2.14** 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.

### **E7.3 Decision**

- E7.3.1** Following a hearing, the judging panel shall make its decision, which shall:
- 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;
  - be in writing in the English language;
  - state the reasons for its decision;
  - be notified to each of the FIA and the Respondent;
  - in the event that a Power Unit Manufacturer is found to have been in breach of these Power Unit Financial Regulations, contain details of:
    - any sanction (which shall be determined in accordance with Article E9); and
    - 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.

**E7.3.2** 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.

**E7.3.3** 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.

#### **E7.4 Appeals**

**E7.4.1** 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.

**E7.4.2** 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 E9.4.1.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.

**ARTICLE E8: CATEGORIES OF BREACH****E8.1 Procedural Breach**

**E8.1.1** 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 E8.2.4, does not constitute a Procedural Breach.

**E8.1.2** 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 or misleading (e.g. by including inaccurate or misleading information or by omitting relevant information);
- f. failing to comply with the terms of an ABA;
- g. failing to comply with the requirements of Articles E1.3.1, E1.3.2 or E1.3.3;
- 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.

**E8.1.3** 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.

**E8.2 Late and Non-Submission of Full Year Reporting Documentation**

**E8.2.1** In the event that a Power Unit Manufacturer does not submit all of the Full Year Reporting Documentation, fully completed, 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**").



**E8.2.2** 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.

**E8.2.3** 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 E8.2.2 (the "**Extended Reporting Deadline**").

**E8.2.4** 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 all of the Full Year Reporting Documentation, fully completed, 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.

**E8.2.5** 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.

**E8.2.6** 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 E9.1.1.c.i. and additionally may impose a Financial Penalty and/or any other Material Sporting Penalties.

### **E8.3 Minor Overspend Breach**

**E8.3.1** 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%.

**E8.3.2** 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.

### **E8.4 Material Overspend Breach**

**E8.4.1** 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.

**E8.4.2** 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 E9.1.1.c.i. and additionally may impose a Financial Penalty and/or any other Material Sporting Penalties.

#### **E8.5 Aggravating or mitigating factors**

**E8.5.1** In determining the sanctions appropriate for a particular case, the Cost Cap Adjudication Panel shall take into account any aggravating or mitigating factors.

**E8.5.2** 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.

**E8.5.3** 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.

**ARTICLE E9: SANCTIONS FOR BREACH****E9.1 Sanctions**

**E9.1.1** The following sanctions may be imposed for breach of these Power Unit Financial Regulations as set out in Article E8:

- 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 E9.1.1.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 E9.1.1.b.ii. and E9.1.1.b.iii. cannot be applied prior to 1 January of the Power Unit Manufacturer's Inaugural Season.

- 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 E9.1.1.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 E9.1.1.c.i., E9.1.1.c.ii. and E9.1.1.c.iv. cannot be applied prior to 1 January of the Power Unit Manufacturer's Inaugural Season.

## **E9.2 Enhanced monitoring and suspended sanctions**

**E9.2.1** In addition to any of the sanctions listed in Article E0.1, the Cost Cap Adjudication Panel has the power to impose enhanced monitoring in respect of a Power Unit Manufacturer.

**E9.2.2** At its sole discretion, the Cost Cap Adjudication Panel may suspend the application of any imposed sanction in whole or in part.

**E9.2.3** 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.

## **E9.3 Payment of a Financial Penalty**

**E9.3.1** 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.

**E9.3.2** Subject to Article E9.3.1, 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 E9.3.1, until that payment has been made.

**E9.3.3** Without prejudice to Article E9.3.2, 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.

## **E9.4 Individual responsibility**

**E9.4.1** 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 E1: DEFINITIONS AND INTERPRETATION**

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

**"ABA"** means an accepted breach agreement entered into between the Cost Cap Administration and the relevant Power Unit Manufacturer, as set out in Article E6.7.1.

**"Adjusted Indexation Rate"** means the weighted average annual inflation rate for the year to 30 June of the Full Year Reporting Period, as derived from the country-specific annual inflation rates communicated by the Cost Cap Administration via a Determination.

**"Adjustments"** means the adjustments to Total Costs of the Reporting Group set out in Article E0.

**"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 C.8 of the Technical Regulations. The amount shall be communicated by the FIA within the report to be issued pursuant to section 5.4 of Appendix C.8 of the 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 C.8 of the Technical Regulations during the Reporting Period, the amended status shall take immediate effect.

**"ADUO Period"** has the meaning set out in Article 4 of Appendix C5 of the Technical Regulations in force during the applicable Reporting Period.

**"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.

**"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 E6.6.1.

**"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.

**"Connected Party"** means, in relation to the Highest Paid Person:

- a. any family member of the Highest Paid Person, where family member means:
  - i. a spouse, domestic partner or civil partner;
  - ii. any other person with whom the Highest Paid Person lives as partner in an enduring family relationship;
  - iii. children or step-children of the Highest Paid Person or of any person falling within paragraph a.i of this definition;
  - iv. any children or step-children of a person falling within paragraph a.ii. of this definition who live with the Highest Paid Person and have not attained the age of 18;
  - v. siblings;
  - vi. parents; and
  - vii. dependants of the Highest Paid Person or of any person falling within paragraph a.i. of this definition;
- b. any agent or representative acting on behalf of the Highest Paid Person;
- c. any body corporate in relation to which the Highest Paid Person or any of the categories of person identified within paragraphs a. and b. of this definition is:

- i. beneficially entitled to 20% or more of the entire issued share capital of that body corporate; or
- ii. entitled to exercise or control the exercise of more than 20% of the voting power at any general meeting of that body corporate; and
- d. any company, trust, partnership, or other body, organisation or mechanism established or operating directly or indirectly in whole or in part for the benefit of or in respect of the Highest Paid Person or any or all of the other categories of person referred to in this definition.

**"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).

**"Constructors' Championship"** means the FIA Formula One World Constructors' Championship.

**"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 E7.

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

**"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 C.4 of the 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 Article F5.3.3.2 of the Operational Regulations.

in each case in respect of the Championships taking place from the Power Unit Manufacturer's Inaugural Season 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 E1.3.1, E1.3.2 and E1.3.3;
- 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 E4.1.1.h.:

- 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.

**"Employee Bonus Costs"** means:

- a. in respect of each of the N-3 Full Year Reporting Period, the N-2 Full Year Reporting Period and the N-1 Full Year Reporting Period, those amounts payable pursuant to a Formal Bonus Scheme; and
- b. in respect of the Full Year Reporting Period ending on 31 December of a Power Unit Manufacturer's Inaugural Season and each subsequent Full Year Reporting Period, those amounts payable pursuant to a Formal Bonus Scheme, to the extent such amounts are:
  - i. determined solely by reference to the Power Unit Manufacturer's Nominated Team's and/or Customer Teams' final classification in the Constructors' Championship in the Full Year Reporting Period; and
  - ii. are paid in their entirety after the conclusion of the last Competition of the Championship taking place in the Full Year 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.

**"ERS Test Bench"** has the meaning set out in the Operational Regulations.

**"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 E0.

**"Extended Reporting Deadline"** has the meaning set out in Article EError! Reference source not found..

**"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 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:

- a. a spouse, domestic partner or civil partner of that individual;
- b. any other person with whom that individual lives as partner in an enduring family relationship;
- c. children or step-children of that individual or of any person falling within paragraph a. of this definition;
- d. any children or step-children of a person falling within paragraph b. of this definition who live with that individual and have not attained the age of 18;
- e. siblings of that individual;
- f. parents of that individual; and
- g. dependants of that individual or of any person falling within paragraph a. 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 Project"** means any F1 safety-related project or initiative, or any other F1 related FIA project, in each case as notified to the Power Unit Manufacturers by the Cost Cap Administration via a Determination.

**"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 E9.1.1.a. and **"Financial Penalties"** shall be construed accordingly.

**"Financial Regulations"** means the FIA Formula One Financial Regulations for F1 Teams, 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.

**"Fuel Supplier"** means:

- a. a Power Unit Manufacturer's fuel supplier or prospective fuel supplier, nominated in accordance with the Technical Regulations;
- b. any direct or indirect Controlling or Jointly Controlling entity of the entity pursuant to paragraph a. of this definition;
- c. any Subsidiary, Associate or Joint Venture of the entity pursuant to paragraph a. of this definition or of any entity pursuant to paragraph b. of this definition; and
- d. any party that has Significant Influence over the entity pursuant to paragraph a. of this definition.

**"Full Car Dynamometer"** has the meaning set out in the Operational Regulations.

**"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 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 Reporting Documentation"** has the meaning set out in Article E5.1.1.

**"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, and associated employer's social security contributions incurred in respect of, 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, and associated employer's social security contributions incurred in respect of, 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.

**"Highest Paid Person"** has the meaning set out in Article E3.1.1.u.

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

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

**"Hybrid Powered"** means a road vehicle that uses both an internal combustion engine and an electric motor for propulsion and for which the emissions do not exceed 70g CO<sub>2</sub>/km.

**"IAS 16"** means International Accounting Standard 16 'Property, Plant and Equipment'.

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

"**ICE Performance Index**" has the meaning set out in Article 4 of Appendix C5 of the Technical Regulations in force during the applicable Reporting Period.

"**Immunity Conditions**" has the meaning set out in Article E0.

"**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 2027:
  - i. the Indexation Rate; or
  - ii. the Adjusted Indexation Rate, if the Adjusted Indexation Rate exceeds the Indexation Rate by 2% or more;

and

- b. in respect of the Full Year Reporting Period ending on 31 December 2028 and each subsequent Full Year Reporting Period, the compound rate obtained by applying:
  - i. the Indexation Rate to the Indexation Rate of the preceding Full Year Reporting Periods starting with the Full Year Reporting Period ending on 31 December 2027; or
  - ii. the Adjusted Indexation Rate to the Indexation Rate of the preceding Full Year Reporting Periods starting with the Full Year Reporting Period ending on 31 December 2027, if the Adjusted Indexation Rate exceeds the Indexation Rate by 2% or more.

"**Indexation Rate**" means the weighted average annual inflation rate for the year to 31 December of the preceding Full Year Reporting Period, as derived from the country-specific annual inflation rates communicated by the Cost Cap Administration via a Determination.

"**Initial Applicable Rate**" means:

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

US Dollars / Pounds Sterling	US Dollars / Euros	Japanese Yen / US Dollars
1.2425	1.0531	131.41

- 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 E0.1.

**"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 homologated for use in respect of Current Cars;
- 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 E7.1.4.

**"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 E8.2.1.

**"Late Submission Notice"** has the meaning set out in Article E8.2.1.

**"Late Submitting Manufacturer"** has the meaning set out in Article E8.2.1.

**"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 and negotiation of sponsorship and licensing agreements;
- c. the undertaking of Marketing Services;
- d. 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
- e. 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.

**"Marketing Services"** means the provision to a counterparty of a sponsorship agreement of branding rights, display rights, hospitality rights, tickets, and other attendance rights at Competitions and track testing, replicas of helmets and trophies, Power Unit Manufacturer Personnel appearances, merchandising rights, media content, branded team gifts, memorabilia, replicas and show cars, provision of hospitality services to guests, fan engagement and loyalty programs and any other services 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 E8.4.1.

**"Material Sporting Penalty"** has the meaning set out in Article E9.1.1.c. and **"Material Sporting Penalties"** shall be construed accordingly.

**"Minor Overspend Breach"** has the meaning set out in Article E8.3.1.

**"Minor Sporting Penalty"** has the meaning set out in Article E9.1.1.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 C.8 of the Technical Regulations.

**"Non-Submission Breach"** has the meaning set out in Article E8.2.4 or E8.2.5, 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 C.8 of the Technical Regulations for the relevant Championship season.

**"Objectives"** has the meaning set out in Article E1.2.2.

**"Operational Regulations"** means the FIA F1 Regulations – Section F: Operational Regulations, as amended from time to time.

**"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 E7.2.2.

**"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 Operational 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 or any other entity within the Power Unit Manufacturer's Legal Group Structure 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 C.4 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 Single Cylinder Dynamometer, Power Unit Dynamometer, Power Train Dynamometer or ERS Test Bench, but excluding:
    - A. activities undertaken in order to participate in an FIA Project; and



- B. activities to enable the supply of, or participate in a tender process to supply, any Standard Supply Power Unit Component, as the sole supplier of that Standard Supply Power Unit Component appointed by the FIA;
- b. all activities undertaken by or on behalf of the Power Unit Manufacturer or any other entity within the Power Unit Manufacturer's Legal Group Structure 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 E2.3.1.

"**Power Unit Element**" means the constituent element of the Power Unit, as set out within the first column of the tables within Appendix E2.

"**Power Unit Financial Regulations**" means these FIA Formula One Financial Regulations for Power Unit Manufacturers, 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 Operational Regulations.

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

"**Power Unit Transportation Costs**" means costs that are Directly Attributable to the transportation of:

- a. Power Units and Power Unit systems, components, assemblies and sub-assemblies; and
- b. only in respect of limb i. below, F1 Car components provided to a Power Unit Manufacturer for the Sole Purpose Of Testing Power Units For Performance And Reliability on either a Power Unit Test Bench or a Power Train Test Bench,

in each case between a Power Unit Manufacturer's factory and either:

- i. its Nominated Team's factory; or
- ii. in respect of transportation to/from Competitions and Testing of Current Cars.

"**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 E7.2.1.

**"President of the Cost Cap Adjudication Panel"** has the meaning set out in Article E7.1.5.

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

**"Procedural Breach"** has the meaning set out in Article E8.1.1.

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

**"Property"** means any land, buildings and leasehold improvements classified as such in the Audited Annual Financial Statements of each Reporting Group Entity.

**"Property Costs"** means:

- a. any rent, lease costs, reinstatement costs, business rates and taxes in respect of land, buildings and leasehold improvements;
- 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.

**"Reassessed Relevant Costs"** means the Power Unit Manufacturer's Relevant Costs as recalculated by the Cost Cap Administration following the completion of its review of the Power Unit Manufacturer's Full Year Reporting Documentation.

**"Redundant Inventories"** means Inventories held at the end of the Reporting Period that:

- a. are damaged or destroyed;
- b. are obsolete; or
- c. the Power Unit Manufacturer determines will not be used in the future, other than in respect of Previous Cars or Historic Cars.

**"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 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 E2.4.1 to E2.4.6 (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 E2.4.1 to E2.4.6 (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 E7.2.2.a.

**"Single-Cylinder Dynamometer"** has the meaning set out in the Operational Regulations.

**"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 Operational Regulations.

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

**"Standard Supply Power Unit Component"** has the meaning set out in the Technical Regulations in force during the applicable Reporting Period.

**"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;
- 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).

**"Sustainability Initiative Costs"** means:

- a. Consideration provided to Personnel, and associated employer's social security contributions incurred in respect of Personnel engaged by a Reporting Group Entity or costs of outsourced services incurred, that are in either case Directly Attributable to defining and identifying ESG sustainability objectives and the strategy envisaged to achieve these objectives, and the monitoring, collation and production of reports to measure progress against carbon foot-print and emissions targets and overall ESG sustainability objectives and all travel and accommodation cost in respect to these Personnel;
- b. costs incurred with an external specialist to provide audit and assurance services for the purpose of obtaining environmental sustainability accreditations and/or certifications;

- c. feasibility study costs and costs to procure and install solar panels, wind turbines, geothermal/air source heat pumps, heat recovery units, hydrogen or biomethane fuelled fuel cells and any related monitoring equipment;
- d. costs to procure up to a maximum in aggregate across different Reporting Periods of 50 fully electric, hydrogen powered or Hybrid Powered road vehicles and to procure and install associated refuelling infrastructures at the Power Unit Manufacturer's premises;
- e. costs of IT software and IT licenses to monitor, collate, measure and report data in respect of carbon foot-print and emissions targets and overall environmental sustainability objectives;
- f. donations to charities or non-profit organisations engaged in the promotion, development and deployment of environmental sustainability projects;
- g. costs Directly Attributable to the purchase of carbon removal credits, carbon offset credits or green energy certificates, and costs Directly Attributable to the funding of external projects for greenhouse gases removal and/or mitigation;
- h. costs of bio-fuel, bio-gas and/or hydrogen purchased for use in the Power Unit Manufacturer's road vehicles and generators used during Competitions and Testing of Current Cars;
- i. costs Directly Attributable to the purchase of certificates related to sustainable aviation or sustainable marine fuel purchased to offset and reduce greenhouse gases emissions from air/sea travel by Personnel and air/sea-freight to Competitions or Testing of Current Cars; and
- j. costs Directly Attributable to optional logistics surcharges levied by the Commercial Rights Holder for the purpose of developing or utilising sustainable logistics solutions and separately identified as such within the logistics recharges made by the Commercial Rights Holder to the Power Unit Manufacturer; and
- k. costs of charges levied by the Commercial Rights Holder for the purpose of developing or utilising the event energy transition solution during Competitions and Testing of Current Cars and separately identified as such within the logistics recharges made by the Commercial Rights Holder to the Power Unit Manufacturer.

**"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 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 E3.1.1.a., E3.1.1.b., E3.1.1.e., E3.1.1.f., E3.1.1.g., E3.1.1.n., E3.1.1.o., E3.1.1.s., E3.1.1.u., E3.1.1.v., E3.1.1.w., E3.1.1.x. and E.1.2.

**"UIP"** has the meaning set out in FIA technical directive TD043, as amended from time to time.

**"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.

**"Unused Cost Cap Amount"** means the amount determined by the Cost Cap Administration at the completion of its review of a Power Unit Manufacturer's Reporting Documentation in respect of the preceding Full Year Reporting Period and communicated to that Power Unit Manufacturer no later than 30 November of the applicable Full Year Reporting Period, calculated as the difference between the Cost Cap of the preceding Full Year Reporting Period and that Power Unit Manufacturer's Reassessed Relevant Costs in respect of the preceding Full Year Reporting Period. The Unused Cost Cap Amount will be equal to zero in all cases where the Cost Cap Administration's review of the preceding Full Year Reporting Period is not completed by 30 November of the Full Year Reporting Period and in all cases where an investigation opened in relation to the preceding Full Year Reporting Period is not completed by 30 November of the Full Year 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 and Redundant Inventories.

**"UoCT"** has the meaning set out in FIA technical directive TD043, as amended from time to time.

**"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.

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

## APPENDIX E2: RELIABILITY ALLOWANCE

Table 1:

Power Unit Element	'forfait' value (US Dollars)
ICE	1,000,000
TC	150,000
MGU-K	175,000
ES	215,000
CE	215,000

Table 2:

	Power Unit Element quantities for the applicable Reporting Period					
Power Unit Element (5)	Inaugural Season 'N' (6)	'N+1'	'N+2'	'N+3' onwards	Downward adjustment per each applicable quantity of Power Unit Element (US Dollars)	
ICE	≤ 10 <sup>th</sup>	≤ 9 <sup>th</sup>	≤ 10 <sup>th</sup>	≤ 11 <sup>th</sup>	-	(1)
	11 <sup>th</sup> - 13 <sup>th</sup>	10 <sup>th</sup> - 13 <sup>th</sup>	11 <sup>th</sup> - 13 <sup>th</sup>	12 <sup>th</sup> - 14 <sup>th</sup>	300,000	(2)
	14 <sup>th</sup> - 16 <sup>th</sup>	14 <sup>th</sup> - 16 <sup>th</sup>	14 <sup>th</sup> - 16 <sup>th</sup>	15 <sup>th</sup> - 17 <sup>th</sup>	600,000	(3)
	≥ 17 <sup>th</sup>	≥ 17 <sup>th</sup>	≥ 17 <sup>th</sup>	≥ 18 <sup>th</sup>	900,000	(4)
TC	≤ 10 <sup>th</sup>	≤ 9 <sup>th</sup>	≤ 10 <sup>th</sup>	≤ 11 <sup>th</sup>	-	(1)
	11 <sup>th</sup> - 13 <sup>th</sup>	10 <sup>th</sup> - 13 <sup>th</sup>	11 <sup>th</sup> - 13 <sup>th</sup>	12 <sup>th</sup> - 14 <sup>th</sup>	45,000	(2)
	14 <sup>th</sup> - 16 <sup>th</sup>	14 <sup>th</sup> - 16 <sup>th</sup>	14 <sup>th</sup> - 16 <sup>th</sup>	15 <sup>th</sup> - 17 <sup>th</sup>	90,000	(3)
	≥ 17 <sup>th</sup>	≥ 17 <sup>th</sup>	≥ 17 <sup>th</sup>	≥ 18 <sup>th</sup>	135,000	(4)
MGU-K	≤ 8 <sup>th</sup>	≤ 7 <sup>th</sup>	≤ 8 <sup>th</sup>	≤ 9 <sup>th</sup>	-	(1)
	9 <sup>th</sup> - 11 <sup>th</sup>	8 <sup>th</sup> - 11 <sup>th</sup>	9 <sup>th</sup> - 11 <sup>th</sup>	10 <sup>th</sup> - 12 <sup>th</sup>	52,500	(2)
	12 <sup>th</sup> - 14 <sup>th</sup>	12 <sup>th</sup> - 14 <sup>th</sup>	12 <sup>th</sup> - 14 <sup>th</sup>	13 <sup>th</sup> - 15 <sup>th</sup>	105,000	(3)
	≥ 15 <sup>th</sup>	≥ 15 <sup>th</sup>	≥ 15 <sup>th</sup>	≥ 16 <sup>th</sup>	157,500	(4)
ES	≤ 8 <sup>th</sup>	≤ 7 <sup>th</sup>	≤ 8 <sup>th</sup>	≤ 9 <sup>th</sup>	-	(1)
	9 <sup>th</sup> - 11 <sup>th</sup>	8 <sup>th</sup> - 11 <sup>th</sup>	9 <sup>th</sup> - 11 <sup>th</sup>	10 <sup>th</sup> - 12 <sup>th</sup>	64,500	(2)
	12 <sup>th</sup> - 14 <sup>th</sup>	12 <sup>th</sup> - 14 <sup>th</sup>	12 <sup>th</sup> - 14 <sup>th</sup>	13 <sup>th</sup> - 15 <sup>th</sup>	129,000	(3)
	≥ 15 <sup>th</sup>	≥ 15 <sup>th</sup>	≥ 15 <sup>th</sup>	≥ 16 <sup>th</sup>	193,500	(4)
CE	≤ 8 <sup>th</sup>	≤ 7 <sup>th</sup>	≤ 8 <sup>th</sup>	≤ 9 <sup>th</sup>	-	(1)
	9 <sup>th</sup> - 11 <sup>th</sup>	8 <sup>th</sup> - 11 <sup>th</sup>	9 <sup>th</sup> - 11 <sup>th</sup>	10 <sup>th</sup> - 12 <sup>th</sup>	64,500	(2)
	12 <sup>th</sup> - 14 <sup>th</sup>	12 <sup>th</sup> - 14 <sup>th</sup>	12 <sup>th</sup> - 14 <sup>th</sup>	13 <sup>th</sup> - 15 <sup>th</sup>	129,000	(3)
	≥ 15 <sup>th</sup>	≥ 15 <sup>th</sup>	≥ 15 <sup>th</sup>	≥ 16 <sup>th</sup>	193,500	(4)

(1) No downward adjustment.

(2) Downward adjustment equates to 30% of 'forfait' value.

(3) Downward adjustment equates to 60% of 'forfait' value.

(4) Downward adjustment equates to 90% of 'forfait' value.

(5) Power Unit Element acronyms set out in this column have the meaning set out in the Technical Regulations in force during the applicable Reporting Period.

(6) i.e. the Full Year Reporting Period within with the Power Unit Manufacturer's Inaugural Season.