

RBR Public Summary ABA / Article 6.32

An Accepted Breach Agreement (“**ABA**”) dated 26 October 2022 has been entered into by the Cost Cap Administration and Red Bull Racing F1 Team (“**RBR**”) pursuant to Article 6.28 of the FIA Formula 1 Financial Regulations (“**Financial Regulations**”). The Financial Regulations are issued by the FIA and form part of the terms and conditions of participation in the FIA Formula One World Championship.

The Cost Cap Administration recognised that RBR has acted cooperatively throughout the review process and has sought to provide additional information and evidence when requested in a timely manner, that this is the first year of the full application of the Financial Regulations which are a very complex set of rules that competitors were required to adapt to and that there is no accusation or evidence that RBR has sought at any time to act in bad faith, dishonestly or in a fraudulent manner, nor has it wilfully concealed any information from the Cost Cap Administration.

The Cost Cap Administration considered it appropriate, in these circumstances, to offer to RBR an ABA to resolve this matter on the terms set out below, given the limited nature of the Procedural Breach in issue and the fact that the Minor Overspend Breach falls at the lower end of the <5% minor overspend range, and RBR’s willingness to accept the breaches and to cooperate with the Cost Cap Administration. That offer was accepted by RBR.

The ABA concerns:

- RBR’s submitted Relevant Costs reported in its 2021 Full Year Reporting Documentation of £114,293,000;
- Subsequent to the findings of the Cost Cap Administration, a Procedural Breach committed by RBR pursuant to Article 8.2(e) of the Financial Regulations due to the submission of inaccurate Full Year Reporting Documentation in respect of the Full Year Reporting Period ending on 31 December 2021 because it inaccurately excluded and/or adjusted costs amounting to a total of £5,607,000 in its 2021 Full Year Reporting Documentation; and
- Consequently, a Minor Overspend Breach committed by RBR under Article 8.10(b) of the Financial Regulations because its Relevant Costs, as adjusted by the FIA, exceeded the 2021 Cost Cap of £118,036,000 by less than 5%, namely by £1,864,000 (i.e., 1.6%).

Summary of ABA terms and sanctions

In accordance with the findings of the Cost Cap Administration, RBR has acknowledged that the Reporting Documentation submitted by it included the following incorrectly excluded and/or adjusted costs:

1. Overstated excluded costs pursuant to Article 3.1(a) of the Financial Regulations (concerning catering services);
2. Costs pursuant to Article 3.1(w) of the Financial Regulations (concerning consideration and associated employer's social security contributions);
3. Costs pursuant to Article 3.1(h)(i) of the Financial Regulations (in respect of Non-F1 Activities), as those costs had already been offset within Total Costs of the Reporting Group;
4. Costs pursuant to Article 3.1(k) of the Financial Regulations (in respect of bonus and associated employer's social security contributions);
5. Understatement of Relevant Costs in respect of a gain on disposal of fixed assets by failing to make the necessary upwards adjustment;
6. Costs pursuant to Article 3.1(q) of the Financial Regulations (concerning apprenticeship levies);
7. Costs pursuant to Article 3.1(h)(ii)(i) of the Financial Regulations (concerning consideration and associated employer's social security contributions);
8. Understatement of Relevant Costs in respect of provisions set forth by Article 4.1(a)(i) of the Financial Regulations (concerning the cost of use of Power Units);
9. Costs pursuant to Article 3.1(h) (i) of the Financial Regulations (concerning consideration and associated employer's social security contributions);
10. Understatement of Relevant Costs in respect of provisions set forth by Article 4.1(f)(i)(B) of the Financial Regulations (concerning use of inventories);
11. Clerical error in respect of RBR's calculation of certain costs re-charged to it by Red Bull Power Trains Limited;
12. Certain travel costs pursuant to Article 3.1(r) of the Financial Regulations;
13. Costs of maintenance pursuant to Article 3.1(i) of the Financial Regulations.

and further that consequently its Relevant Costs for the 2021 Reporting Period exceeded the 2021 Cost Cap by £1,864,000 (1.6%). RBR has therefore accepted that it has breached: (i) Article 8.2(e) of the Financial Regulations due to its failure to file accurate Full Year Reporting Documentation in respect of the 2021 Full Year Reporting Period, and (ii) Article 8.10(b) of the Financial Regulations due to its failure to keep its Relevant Costs under the 2021 Cost Cap.

The FIA acknowledges that had RBR applied the correct treatment within its Full Year Reporting Documentation of RBR's Notional Tax Credit within its 2021 submission of a value of £1,431,348, it would have been considered by the Cost Cap Administration to be in compliance with Article 4.1(b) of the Regulations and therefore RBR's Relevant Costs for the 2021 Reporting Period would have in fact exceeded the 2021 Cost Cap by £432,652 (0.37%).

On that basis, RBR has accepted the imposition of the following sanctions:

- a) RBR must pay a Financial Penalty of USD 7,000,000 to the FIA within 30 days of the date of execution of the ABA (Article 9.5 of the Financial Regulations);
- b) RBR receives a Minor Sporting Penalty in the form of a limitation of RBR's ability to conduct aerodynamic Testing during a period of 12 months from the date of execution of the ABA through the application of a reduction of 10% of the Coefficient C used to calculate the individual Restricted Wind Tunnel Testing (RWTT) and Restricted Computational Fluid Dynamics (RCFD) limits applicable to each Team as set out in Article 6 of Appendix 7 to the FIA Formula 1 Sporting Regulations. For example, if the Coefficient C, based on RBR's championship position is 70%, the effective new value of C will be: $C_{NEW} = 70\% \times (1 - 0.10) = 63.0\%$; and
- c) RBR bears the costs incurred by the Cost Cap Administration in connection with the preparation of the ABA.

The decision of the Cost Cap Administration to enter into the ABA constitutes its final decision resolving this matter and is not subject to appeal. Non-compliance by RBR with any terms of the ABA will result in a further Procedural Breach under Articles 6.30 and 8.2(f) of the Financial Regulations and automatic referral to the Cost Cap Adjudication Panel.