

Honda Racing Corporation Public Summary ABA / Article 6.32

An Accepted Breach Agreement (“**ABA**”) dated 7 October 2024 has been entered into by the Cost Cap Administration and Honda Racing Corporation (“**HRC**”) pursuant to Article 6.28 of the FIA Formula 1 Power Unit Financial Regulations (“**Power Unit Financial Regulations**”). The Power Unit Financial Regulations are issued by the FIA and 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.

The Cost Cap Administration recognised that:

- HRC has acted cooperatively and in a spirit of good faith throughout the review process and has sought to provide additional information and evidence when requested in a timely manner;
- 2023 is the first year of application of the Power Unit Financial Regulations, which are a complex set of rules that the Power Unit Manufacturers were required to adapt to;
- there is no accusation or evidence that HRC sought at any time to act in bad faith, dishonestly or in a fraudulent manner, nor that it wilfully concealed any information from the Cost Cap Administration;
- there is no evidence that HRC gained or sought to gain any advantage from the inaccurate exclusions or adjustments of certain costs; and
- notwithstanding the Cost Cap Administration’s determination of Procedural Breach, HRC’s Relevant Costs in respect of the 2023 Reporting Period were below the 2023 Cost Cap.

The Cost Cap Administration considered it appropriate, in these circumstances, to offer to HRC an ABA to resolve this matter on the terms set out below, given the limited nature of the Procedural Breach in issue, and HRC’s willingness to accept the breach and to cooperate with the Cost Cap Administration. That offer was accepted by HRC.

The ABA concerns:

- a Procedural Breach committed by HRC pursuant to Articles 8.1 and 8.2(e) of the Power Unit Financial Regulations due to its failure to file accurate Reporting Documentation in respect of the 2023 Reporting Period because the Reporting Documentation submitted by it included incorrect excluded and/or adjusted costs in the calculation of its Relevant Costs.

Summary of ABA terms and sanctions:

In accordance with the findings of the Cost Cap Administration, HRC has acknowledged that its Reporting Documentation in respect of the 2023 Reporting Period included the following incorrectly excluded and/or adjusted costs:

- costs pursuant to Article 3.1(p)(i) of the Power Unit Financial Regulations (concerning costs in respect of dyno maintenance); and
- understatement of Relevant Costs in respect of the provisions set forth by Article 4.1(f) of the Power Unit Financial Regulations (concerning costs of Inventories).

HRC has therefore accepted that it has breached Articles 8.1 and 8.2(e) of the Power Unit Financial Regulations due to its failure to file accurate Reporting Documentation in respect of the 2023 Reporting Period, by submitting Reporting Documentation that included incorrect, excluded and/or adjusted costs in the calculation of its Relevant Costs, as listed above.

On that basis, HRC has accepted the imposition of the following sanctions in full and final settlement of the Procedural Breach:

- HRC must pay a Financial Penalty of USD 600,000 to the FIA within 30 days of the date of execution of the ABA (Article 9.5 of the Power Unit Financial Regulations); and
- HRC 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 HRC with any terms of the ABA will result in a further Procedural Breach under Articles 6.30 and 8.2(f) of the Power Unit Financial Regulations and automatic referral to the Cost Cap Adjudication Panel.