

## **Formula One Hospitality and Event Services Limited**

### **Statement by the directors in performance of their statutory duties in accordance with section 172(1) of the Companies Act 2006 for the year ended 31 December 2021**

The company's directors consider, both individually and together, that they have acted in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its sole shareholder, Formula One Marketing Limited ("FOML"). They have also considered the company's other stakeholders and matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the financial year ended 31 December 2021.

#### ***Long term strategy and decision making***

The directors of the company recognise the importance of taking decisions for the long term and analysing the likely consequence of each key decision. In taking decisions the directors seek to apply and maintain the highest standards of business conduct, and given the company has a single shareholder, the directors are not at risk of acting unfairly between its members when making them.

The company is part of a Group (Delta Topco Limited and its subsidiaries, collectively referred to herein as "Formula 1" or the "Group") and with all companies within the Group wholly owned, long term strategy is determined at the Group level with decisions and activities then delegated to its individual companies. Whilst the main objectives of the company and certain strategic decisions will be set/taken at a Group level, consideration does still need to be given to the individual interests of the company. Given that in addition to being directors of the company, Mr Llowarch and Ms Woodward Hill are also members of the Group's executive management, being respectively its Chief Financial Officer and its Chief Legal Officer and Chief Administration Officer, they are able to consider any decisions to be taken both in the context of the interests of the wider Group and its detailed strategy, and in the interests of the company.

The Group's strategy which continues to be published and is available on the Group's corporate website (<https://corp.formula1.com>) sets out to deliver long-term value to both its ultimate owner Liberty Media Corporation ("Liberty"), and to other stakeholders including the company. The strategy also promotes the Group's other aims, which include to grow the sport and its fan base, and to ensure the FIA Formula One World Championship® ("the Championship")'s long-term sustainability, and continues to be built around six strategic priorities:

- Race: Increase competitiveness and unpredictability on track;
- Engage: Produce world-class spectacles for fans on and off track;
- Perform: Drive value for our stakeholders;
- Sustain: Deliver sustainable and efficient operations;
- Collaborate: Create win-win relationships with our partners; and,
- Empower: Build an engaged, high-performing organisation.

Whilst the coronavirus pandemic continued to cause operational and commercial disruption during 2021, the Group's broader long term strategy and ambitions remain unchanged.

The onset of the coronavirus pandemic in 2020 severely disrupted the company and the Group's operations and required significant changes to its business operations and decision making processes to operate effectively and manage risk in a challenging and rapidly evolving environment across the year. The Group immediately convened a committee constituted of members of its executive and senior management, including Mr Llowarch and Ms Woodward Hill, to take responsibility for overseeing the Group's planning, its operational strategy and the execution of its activities in response to the crisis, including any issues arising for the company, and that committee has subsequently continued to meet regularly throughout 2020, 2021 and into 2022. During 2021 frequent challenges continued to arise from the fast changing rules and restrictions in the different territories in which we operated, and we are prepared if we face any further issues into the 2022 Championship season, but the procedures adopted, and the oversight maintained throughout by executive and senior management, has allowed the Group to continue to navigate these challenges effectively.

Although the impact of the coronavirus pandemic on the Championship calendar was less severe in 2021 than in 2020 there was still significant disruption and restrictions to contend with. Of the 23 races originally scheduled for 2021 four were cancelled but, with the continued ability to operate with considerable strategic flexibility, the Group was able to secure agreements to schedule three races that were not on the original calendar therefore ensuring a 22 race calendar was delivered. Changes introduced in 2020 to reduce travelling personnel and equipment numbers and volumes, were continued, and the accelerated strategy to perform more TV production and other technical services over race weekends away from the track at the Group's offices in Biggin Hill in the UK was developed further. Travelling staff continued to be supported by a comprehensive and regular programme of virus testing throughout 2021, as were those required to be on site to provide services from Biggin Hill.

Following the successful completion of the 2021 season, the company and the Group's attention is now focused on plans for the 2022 Championship and its events. Current expectations are that it is possible that early season events may continue to face some disruption from the coronavirus pandemic, and some of the operational measures used through 2020 and 2021 may still be required. As noted, the Group's planning and response to the coronavirus pandemic continues to be overseen by the COVID-19 response committee, which is expected to continue to operate until such time as the business is able to return to more normal operation. The directors remain confident that the company and the Group, together with our other stakeholders, will continue to be able to adapt successfully to the ongoing challenges of the coronavirus pandemic, with the aim of completing a full Championship calendar and fully normalising the scope of commercial activities as, and when, conditions allow.

#### ***Maintaining a reputation for high standards of business conduct***

The Group seeks to maintain its high business standards, ensuring that wherever its subsidiaries are operating in the world, their business is conducted with integrity, and in compliance with the law and the Formula 1 Code of Conduct. The Code, which includes the Group's anti-bribery and corruption policy, continues to be adopted by each Formula 1 subsidiary, including the company, and applies to every officer and employee of the Group.

In addition to the requirements of its subsidiaries, officers and employees, the Group also expects third parties who perform services for Formula 1 to apply or adopt internal policies that are consistent with this Code. In that regard the Group's compliance team conduct Know Your Customer (KYC) checks and other due diligence work on any potential partners the company considers doing business with.

As the subsidiary of a US public company, Liberty, the company and the wider Group are also required to comply with additional requirements, including the Foreign Account Tax Compliance Act (FATCA) and certain aspects of the 2002 Sarbanes-Oxley Act ("SOX"). SOX requires the Group to establish and maintain robust internal control structures and procedures for financial reporting, to report on their effectiveness, and have that effectiveness tested and assessed annually by its external auditors. The conclusions of the work on SOX for the 2021 year are that the Group continues to operate a robust and effective control environment.

#### ***Engagement with key stakeholders***

In addition to the company's parent and other fellow subsidiary companies of Formula 1, the directors consider the company's key stakeholders to be the Championship's race promoters; the principal customers of the key premium hospitality offering Formula 1 Paddock Club™ ("Paddock Club") - the Championship's competing teams and sponsors; Paddock Club suppliers; Liberty; and the Group's external lenders.

The directors, together with the Group's other senior management, ensure continued close collaboration with the competing F1 Teams, who are significant customers of the company's Paddock Club offering. In addition to regular meetings of the F1 Commission, and other technical, sporting, commercial and financial consultation meetings between Formula 1's executive leadership and senior team management, the company liaises closely with the teams over their hospitality requirements and use of the Paddock Club, and those discussions continue throughout the year as meetings are usually held at nearly all Championship events to gather feedback in real time on the event in progress and to plan requirements for future events.

With the effects of the pandemic beginning to lessen, after staging only one limited capacity Paddock Club event in 2020 and none in the first half of 2021, the company was able to operate the Paddock Club at 11 events in the second half of the year, ensuring that all ran with appropriate protocols so as to be compliant with relevant local COVID-19 regulations in each territory. Event protocols enabled the safe running of hospitality operations and allowed guests to be welcomed back, with very significant attendances at events where no capacity restrictions were in place. The signing of the 2021 Concorde Agreement in August 2020, set out framework for the continued operation of the Championship through to, and including, the 2025 season, and secured the continued participation of the F1 Teams with whom the company has a significant ongoing relationship, given they are the principal customers of the Paddock Club.

In addition to the teams, the other key customers of the Paddock Club are the parties that acquire sponsorship rights from FOML, many of whom receive hospitality rights within their contracts, which are then serviced by the company. The company normally liaises closely with these sponsors to understand their aims and to support their activation programmes and, as with the F1 Teams, discussions continue throughout the year with meetings often held at Championship events to gather feedback and plan requirements for future events. Whilst in 2021 COVID-19 limited hospitality operations to 11 events, normal collaboration and event-based communications resumed and the company actively engaged in regular status meetings with all sponsors to ensure that it was communicating changes and their impact in a timely fashion.

In normal times, the company also maintains regular ongoing engagement throughout the year with the various promoters who stage the Championship's events, and at whose events the Paddock Club operates. The challenging circumstances during 2021 required significant commercial and operational flexibility from both the Group and the promoters, who worked very effectively together to allow the staging of the 11 Paddock Club events. The Group continued to undertake various engagement activities including an annual general meeting at the start of the year, twice yearly marketing and commercial workshops to discuss its strategy, operational plans, branding and event related collaboration opportunities with the promoters and an end of season meeting. The prevailing conditions in 2021 required the AGM and summer workshop to be held virtually, although the Group decided to postpone its end of season satisfaction questionnaire to assess progress made in the year. In addition to these Group activities, the company also liaises closely with each race promoter to identify, evaluate and make plans for meeting the logistical and operational challenges of the delivery of each Paddock Club. Every race circuit has its own unique challenges, and proactive dialogue helps limit the scope for operational difficulties over a race weekend.

Another key stakeholder in the company's Paddock Club operation is the long-term partner engaged by the company to deliver all aspects of the Paddock Club globally, DO&CO. The Group has a long-standing relationship with DO&CO going back over several decades, and on both sides executive management are closely involved in overseeing the relationship. Events are carefully planned in co-ordination with DO&CO's management team, and regular meetings and other dialogue continues throughout the year, with particularly close collaboration taking place over the race weekend at the venues on the Championship calendar where the Paddock Club operates. Periodic review meetings also take place away from the races and at the beginning and end of each season to strategically assess the success of the different elements of the Paddock Club and its offerings. During 2020 the company and DO&CO successfully concluded terms for a new contract running through to the end of the 2024 season.

The directors, together with the Group's other senior management, regularly discuss material strategic and operational matters with senior Liberty executives, some of whom sit on the boards of certain Group companies, including Delta Topco Limited, and this process continued throughout 2021. As a US listed company, Liberty has significant public reporting obligations, and given Formula 1 is a material subsidiary, the Group is required to fulfil significant reporting requirements to Liberty on a quarterly and annual basis. These include the requirement for the Group to be compliant with, and report to it on, certain SOX requirements as discussed above. The Group also continues to assist Liberty with investor relations activities, contributing to Liberty's quarterly earnings calls and annual investor day.

There are a number of trading relationships between the subsidiary companies of Formula 1, including sub-licensing arrangements, the receipt of intra-group services for which it pays fees, various intra-group loans and other trading balances. Formula 1's subsidiaries work together to pursue and deliver the Group's strategy and targets and ensure that any intra-group arrangements are in the interests of both parties. This often requires day to day management co-operation and operational liaison to ensure the terms of any trading arrangements and the terms of any agreements relating to intra-group loans and trading balances are followed and that any required support is provided. These activities continued as per normal during 2021.

The company, together with several other Group companies, is party to and guarantees the Group's external borrowing arrangements. The Group provides quarterly management reports and compliance certificates to external lenders, holds periodic update calls and liaises on a regular basis with the agent who oversees the facilities on behalf of lenders. The Group also meets on a regular basis with the rating agencies to update them on its progress and expectations for the future. During 2021 various discussions were held with the rating agencies to keep them informed of developments and to provide updates on the impact of the coronavirus pandemic on the business. A waiver from reporting against the Group's leverage covenant was secured in 2020 to run until 31 March 2022, as the Group proactively looked to manage and mitigate risks arising from COVID-19.

#### ***Other stakeholder considerations***

The directors recognise the importance of certain other stakeholders in the success of both the company and the Group as a whole, including the Group's employees, the Fédération Internationale de l'Automobile ("FIA") and the Championship's other key commercial partners, including its broadcasters. The Group's wider engagement with such stakeholders is discussed in the financial statements of the Group companies primarily responsible for overseeing the relevant relationships, and the section 172 (1) statements required of any of its subsidiaries are published on the Group's corporate website.

#### ***The community and the environment***

In 2021 Formula 1 continued development and progression of the We Race As One initiative ("WRAO"), which was announced during 2020 to raise awareness of the commitment made by many around the globe during the pandemic as well as raising awareness of wider societal issues. At the start of 2021 we made WRAO the official Environment, Social and Corporate Governance (ESG) platform for the Championship. This focuses specifically on three pillars: Sustainability, Diversity & Inclusion and Community.

The Championship's sustainability plan, published in 2019, targets a net-zero carbon footprint by 2030, with related initiatives addressing both the cars and on-track activity, and the other race operations, including logistics and travel, of both the Group and other stakeholders in the sport. In addition, the Group aims to ensure that by 2025 all Formula 1 races are sustainable spectacles as defined by the F1 Sustainability Strategy. Progress to date has seen a significant reduction in the amount of single-use plastic bottles and cutlery and food waste in the pit and paddock, with Formula 1 and all 10 F1 Teams substituting single-use plastic water bottles with re-useable or non-plastic alternatives for the 2021 season. This is also recognised in the multi-year partnership that was signed with BWT, as the Official Water Technology Partner of Formula 1, demonstrating the combined, and ongoing, commitment from both parties to combat the use of single use plastics within the sport's community and drive lasting positive change.

The directors fully subscribe to the aims of the plan, details of which are available from the Group's corporate website, and the company will pursue any required actions to contribute to its successful delivery.

Sustainable fuels have long been a key focus for Formula 1, and great strides were made in this area throughout 2021. Formula 1 is aiming to bring into future regulation a next generation power unit by 2026. The current F1 hybrid engine is the most efficient in the world with 52% thermal efficiency - no other light vehicle is above 40% - but the aim is for the new generation engine to run off a newly developed 100% sustainable fuel to help the sport achieve its goal of being Net Zero Carbon by 2030. As the next step towards this ambition, 2022 regulations will see cars required to use E10 fuel, a mixture of 90% fossil fuel and with a 10% ethanol content.

Formula 1 is actively engaged in discussions with fuel companies about creating the 100% sustainable fuel in the quantities needed, as well as then scaling up production for wider social use. By spearheading the development of 100% advanced sustainable drop-in fuels, the sport can play its part in making an enormous impact on the global transport sectors' greenhouse gas emissions. The major fuel suppliers and original equipment manufacturers ("OEMS") already in the sport, together with several potential new entrants, are all supportive of this ambition and the Group is in ongoing discussions with governments about the role the fuel developed could play in not just the automotive industry, but also shipping and aviation industries.

Building on the success of the Remote Broadcast Operations project introduced by Formula 1 in 2020, which has significantly reduced the amount of technical cargo and number of personnel taken to races, the Group has taken another step closer to its 2030 Net Zero Carbon ambition by achieving Albert Certification for the broadcast production of the FORMULA 1 PIRELLI BRITISH GRAND PRIX 2021. Albert Certification, which is industry-backed and awarded by the British Academy of Film and Television Arts ("BAFTA"), is given to productions that meet sustainable credentials, tackle the environmental impact of broadcasting, and inspire audiences to act on a more sustainable future.

Formula 1 announced last year that the Group, together with other stakeholders in the sport, would focus specifically on creating employment and education opportunities for underrepresented groups. Following on from this commitment, in 2021, Formula 1 launched the 'Formula 1 Engineering Scholarships' programme, which supports 10 students in their undergraduate and postgraduate engineering degrees at leading universities in the UK and Italy, with additional placements for two long term apprentices from underrepresented groups within the F1 organisation in 2021, and six interns from underrepresented groups in 2022.

Following the cancellation of the 2020 W Series, the series for female drivers was able to return to racing in 2021 and take up the opportunity to race as a support event at 6 Championship events, featuring a total of eight races. The events highlighted the exceptional talent on display in the series, and showed the Group's determination and commitment to building greater diversity across motorsport.

As part of the We Race As One initiative, community was also a key pillar of focus, and throughout the year Formula 1 worked with promoters to help assist and amplify numerous initiatives that benefit the local areas in the host countries that stage Championship events, and leave a positive, lasting impact. This included a number of regeneration projects, protecting surrounding flora and fauna, and making local events accessible to those in the local areas.

F1 in Schools continues to flourish as the world's leading school-age STEM education challenge, operating in 53 countries across the globe. As the sport continues its push towards a more diverse and inclusive industry, it was encouraging to see female representation increase to 40%, and BAME representation increase to 70%, at this year's Aramco F1 in Schools World Finals 2020/21.

Approved by the Board on 16 March 2022