

Formula One Marketing 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, Beta Holdings Limited. 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 auditor. 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 and sponsors; Liberty; and the Group's external lenders.

The company and the Group maintain regular ongoing engagement throughout the year with the various race promoters who stage the Championship's events and from whom the company obtains certain rights, some of which it exploits directly, such as circuit advertising and race title sponsorship rights, and others of which are sublicensed to its subsidiary Formula One Hospitality and Event Services Limited, including rights to operate the premium hospitality offering Formula 1 Paddock Club™ ("Paddock Club"). The ongoing challenging circumstances faced in 2021 as the pandemic continued required significant commercial and operational flexibility from both the Group and the promoters, who worked very effectively together to allow the staging of the record 22 races that ultimately made up the Championship, including the inaugural Saudi Arabian and Qatari Grand Prix, and the return of the Netherlands Grand Prix for the first time since 1985.

In addition to the detailed and regular liaison with all individual promoters, during 2021 the Group undertook various other engagement activities with promoters, including an annual general meeting at the start of the year and twice yearly marketing and commercial workshops to discuss its strategy, operational plans, branding and event related collaboration opportunities, and an end of season meeting. The AGM and summer workshop were held virtually given the ongoing impact of the coronavirus pandemic, although conditions led the Group to postpone its end of season promoter satisfaction questionnaire to assess progress made in the year. Participating in, and in addition to, these activities, the company liaises closely with each race promoter to identify, evaluate and make plans for meeting any logistical and operational challenges it faces in exploiting the rights it acquires. Every race circuit has its own unique challenges, and proactive dialogue helps limit the scope for operational difficulties over a race weekend.

With circuit rights' agreements typically running in parallel to the promoters' race agreements, the company is required to periodically renew each agreement, and with expiry dates not all coterminous, in any year a number of circuit rights' agreements will typically need to be renewed. During 2021 the company successfully renewed a number of these contracts on broadly similar terms to the expiring agreements, and new agreements were signed in relation to the new Formula 1 promoter contracts with Miami, which will join the calendar in 2022, and with Qatar, which is scheduled to join the race calendar in 2023. In addition, during 2021 the company entered into various new circuits rights' agreements for races that were added as replacement events on the revised 2021 calendar, in parallel to the race promotion agreements being agreed for those races. Given the risk that the 2022 season may continue to be disrupted by the coronavirus pandemic, the company will continue to monitor potential challenges and will move quickly to enter into new or varied agreements as required.

Other key stakeholders of the company are the sponsors who acquire for multi-year terms, from the company, a combination of rights including those related to the Championship's Global Partner programme, race title sponsorship, trackside advertising and event hospitality. In addition to any new contracts that require negotiation, the company is required to periodically renew existing sponsor agreements, and with expiry dates not all coterminous, in any year a number will come up for renewal.

The company and the Group's senior management liaise closely with sponsors to understand their aims and to support their activation programmes, with discussions continuing throughout the year and meetings often held at Championship events to gather feedback and plan requirements for future events. Matters discussed will often include the growth of the sport, results of the Group's research programme which addresses areas such as fan feedback, attitudes, perceptions and satisfaction, broadcast statistics, audience demographics and on-screen brand statistics. An annual general meeting takes place, together with other marketing and commercial workshops and feedback is actively sought from sponsors on their satisfaction with their F1 involvement. The Group has also continued to consult widely with both existing and potential new sponsors on its strategic direction, with particular focus in 2021 on F1's sustainability and diversity plans and initiatives.

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 provision of intra-group services, 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