

STATEMENT ON CORPORATE GOVERNANCE

Good corporate governance – acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis – is an essential requirement for the BMW Group embracing all areas of the business. Corporate culture within the BMW Group is founded on transparent reporting and communication, corporate governance in the interest of all stakeholders, trustful cooperation both of the Board of Management and the Supervisory Board as well as among employees, and compliance with applicable law. The Board of Management and Supervisory Board report in this statement on important aspects of corporate governance pursuant to §§ 289 f, § 315 d HGB and section 3.10 of the German Corporate Governance Code (GCGC).

Information on the Company's Governing Constitution

The designation BMW Group comprises Bayerische Motoren Werke Aktiengesellschaft (BMW AG) and its group entities. BMW AG is a stock corporation (Aktiengesellschaft) within the meaning of the German Stock Corporation Act (Aktiengesetz) and has its registered office in Munich, Germany. It has three representative bodies: the Annual General Meeting, the Supervisory Board and the Board of Management. The duties and powers of those bodies derive from the Stock Corporation Act and the Articles of Incorporation of BMW AG. Shareholders, as the owners of the business, exercise their rights at the Annual General Meeting. The Annual General Meeting decides in particular on the utilisation of unappropriated profit, the ratification of the acts of the members of the Board of Management and the Supervisory Board, the appointment of the external auditor, changes to the Articles of Incorporation and certain capital measures, and elects the shareholders' representatives to the Supervisory Board. The Board of Management is responsible for managing the Company and is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and can, for an important reason, revoke an appointment at any time. The Board of Management informs the Supervisory Board and reports to it regularly, promptly and comprehensively, in line with the principles of conscientious and faithful accountability and in accordance with the law and the reporting duties determined by the Supervisory Board. The Board of Management requires the approval of the Supervisory Board for certain major business proceedings. The Supervisory Board is not, however, authorised to undertake management measures itself.

The close interaction between Board of Management and Supervisory Board in the interests of the Company as described above is also known as a "two-tier board structure".

Declaration of the Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft regarding the recommendations of the “Government Commission on the German Corporate Governance Code” Pursuant to § 161 German Stock Corporation Act

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft (“BMW AG”) declare the following regarding the recommendations of the “Government Commission on the German Corporate Governance Code”:

1. Since the last Declaration was issued in December 2017, BMW AG has complied with all the recommendations published officially in the Federal Gazette on 24 April 2017 (Code version dated 7 February 2017) with the exception – as previously reported – of section 4.2.3 sentence 9 and section 4.2.5 sentences 5 and 6.
2. In future, BMW AG will comply with all the recommendations published officially in the Federal Gazette on 24 April 2017 (Code version dated 7 February 2017), with the exception of section 4.2.5 sentences 5 and 6.
3. It is recommended in section 4.2.3 sentence 9 of the Code that subsequent amendments to performance targets or comparison parameters for variable remuneration components relating to the Board of Management shall be excluded. As previously reported, this recommendation was deviated from on a one-time basis in order to implement the new compensation system with effect from the financial year 2018, rather than with effect from the financial year 2020. Accordingly, it was necessary to cancel the targets previously set for the variable remuneration components for the financial years 2018 and 2019 and replace them for the financial year 2018 onwards with targets based on the new compensation system. The recommendation will, however, be complied with again in the future.

4. It is recommended in section 4.2.5 sentences 5 and 6 of the Code that specified information pertaining to management board compensation be disclosed in a Compensation Report. These recommendations have not been and will not be complied with, due to uncertainties as to whether the additional disclosure of this information and the use of model tables would add to the desired transparency and understandability of the BMW Group’s Compensation Report in accordance with generally applicable financial reporting requirements (see section 4.2.5 sentence 3 of the Code).

Furthermore, in its draft revision of the Code dated 25 October 2018 (published on 6 November 2018), the Government Commission on the German Corporate Governance Code has now proposed to delete the aforementioned recommendation, as the planned amendment to the German Stock Corporation Act to implement the second EU Shareholder Rights Directive contains comprehensive and detailed requirements for compensation reports, thus obviating the need for recommendations in the Code. The corresponding amendments to the Code are due to be made in the course of the financial year 2019. Continuity of reporting is therefore a further argument for not using the model tables as a one-off solution in the BMW Group’s Compensation Report for the financial year 2018 prior to the new statutory reporting requirements coming into force.

Munich, December 2018

Bayerische Motoren Werke
Aktiengesellschaft

On behalf of the
Supervisory Board

Dr.-Ing. Dr.-Ing. E. h.
Norbert Reithofer
Chairman

On behalf of the
Board of Management

Harald Krüger
Chairman

MEMBERS OF THE BOARD OF MANAGEMENT

Harald Krüger (*1965)

Chairman

Mandates

— Deutsche Telekom AG (since 17 May 2018)

Milagros Caiña Carreiro-Andree (*1962)

Human Resources, Industrial Relations Director

Markus Duesmann (*1969)

Purchasing and Supplier Network
(until 24 July 2018)

Klaus Fröhlich (*1960)

Development

Mandates

— E.ON SE (since 9 May 2018)

— HERE International B.V. (until 28 February 2018)

Pieter Nota (*1964)

Sales and Brand BMW, Aftersales BMW Group

Dr. Nicolas Peter (*1962)

Finance

Mandates

— BMW Brilliance Automotive Ltd.
(Deputy Chairman)

Peter Schwarzenbauer (*1959)

MINI, Rolls-Royce, BMW Motorrad,
Customer Engagement and Digital Business
Innovation BMW Group

Mandates

— Scout24 AG

— Rolls-Royce Motor Cars Limited (Chairman)

Dr.-Ing. Andreas Wendt (*1958)

Purchasing and Supplier Network
(since 1 October 2018)

Mandates

— Pöttinger Landtechnik GmbH
(Chairman, until 29 October 2018)

Oliver Zipse (*1964)

Production

Mandates

— BMW (South Africa) (Pty) Ltd. (Chairman)

— BMW Motoren GmbH (Chairman)

General Counsel:

Dr. Jürgen Reul

— Membership of other statutory supervisory boards.

— Membership of equivalent national or foreign boards of business enterprises.

MEMBERS OF THE SUPERVISORY BOARD

Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer (*1956)

Member since 2015

Chairman

Former Chairman of the Board of
Management of BMW AG

Mandates

- Siemens Aktiengesellschaft
- Henkel AG & Co. KGaA (Shareholders' Committee)

Manfred Schoch¹ (*1955)

Member since 1988

Deputy Chairman

Chairman of the European
and General Works Council

Industrial Engineer

Stefan Quandt (*1966)

Member since 1997

Deputy Chairman

Entrepreneur

Mandates

- DELTON Health AG (Chairman)
- DELTON Technology SE
(Chairman, since 19 November 2018)
- AQTON SE (Chairman)
- Entrust Datacard Corp.

Stefan Schmid¹ (*1965)

Member since 2007

Deputy Chairman

Chairman of the Works Council, Dingolfing

Dr. jur. Karl-Ludwig Kley (*1951)

Member since 2008

Deputy Chairman

Chairman of the Supervisory Board of E.ON SE
and of the Deutsche Lufthansa Aktiengesellschaft

Mandates

- E.ON SE (Chairman)
- Deutsche Lufthansa Aktiengesellschaft (Chairman)
- Verizon Communications Inc. (until 3 May 2018)

Christiane Benner² (*1968)

Member since 2014

Second Chairman of IG Metall

Mandates

- Continental AG
(Deputy Chairman, since 1 March 2018)

Dr. rer. pol. Kurt Bock (*1958)

Member since 17 May 2018

Former Chairman of the Board of
Management of BASF SE

Mandates

- Fresenius Management SE
- Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft (since 25 April 2018)

Franz Haniel (*1955)

Member since 2004

Entrepreneur

Mandates

- DELTON Health AG
(Deputy Chairman, until 31 December 2018)
- Franz Haniel & Cie. GmbH (Chairman)
- Heraeus Holding GmbH
- TBG AG

Ralf Hattler³ (*1968)

Member since 2017

Head of Purchasing Indirect Goods and Services,
Raw Material, Production Partner

¹ Employee representatives (company employees).

² Employee representatives (union representatives).

³ Employee representatives (members of senior management).

— Membership of other statutory supervisory boards.

— Membership of equivalent national or foreign boards of business enterprises.

Dr.-Ing. Heinrich Hiesinger (*1960)

Member since 2017

Former Chairman of the Board of Management
of thyssenkrupp AG

Mandates

- thyssenkrupp Elevator AG
(Chairman, until 6 July 2018)
- thyssenkrupp Steel Europe AG
(Chairman, until 6 July 2018)
- thyssenkrupp (China) Ltd.
(Chairman, until 6 July 2018)

Prof. Dr. rer. nat. Dr. h.c. Reinhard Hüttl (*1957)

Member since 2008

Chairman of the Executive Board
of Helmholtz-Zentrum Potsdam
Deutsches GeoForschungsZentrum – GFZ
University Professor**Susanne Klatten** (*1962)

Member since 1997

Entrepreneur

Mandates

- ALTANA AG (Deputy Chairman)
- SGL Carbon SE (Chairman)
- UnternehmerTUM GmbH (Chairman)

Prof. Dr. rer. pol. Renate Köcher (*1952)

Member since 2008

Director of Institut für Demoskopie
Allensbach Gesellschaft zum Studium der
öffentlichen Meinung mbH

Mandates

- Infineon Technologies AG
- Nestlé Deutschland AG
- Robert Bosch GmbH

Dr. h.c. Robert W. Lane (*1949)

Member since 2009 until 17 May 2018

Former Chairman and Chief Executive Officer of
Deere & Company**Horst Lischka**² (*1963)

Member since 2009

General Representative of IG Metall Munich

Mandates

- KraussMaffei Group GmbH
- MAN Truck & Bus AG
- Städtisches Klinikum München GmbH

Willibald Löw¹ (*1956)

Member since 1999

Chairman of the Works Council, Landshut

Simone Menne (*1960)

Member since 2015

Member of supervisory boards

Mandates

- Deutsche Post AG
- Springer Nature AG & Co. KGaA
(since 23 April 2018)
- Johnson Controls International plc
(since 7 March 2018)
- Russell Reynolds Associates Inc.
(since 19 January 2019)

¹ Employee representatives (company employees).² Employee representatives (union representatives).³ Employee representatives (members of senior management).

— Membership of other statutory supervisory boards.

— Membership of equivalent national or foreign boards of business enterprises.

Dr. Dominique Mohabeer¹ (*1963)

Member since 2012

Member of the Works Council, Munich

Brigitte Rödiger¹ (*1963)

Member since 2013

Member of the Works Council, Dingolfing

Jürgen Wechsler² (*1955)

Member since 2011

Former Regional Head of IG Metall Bavaria

Mandates

— Schaeffler AG (Deputy Chairman)

— Siemens Healthcare GmbH (Deputy Chairman)

Werner Zierer¹ (*1959)

Member since 2001

Chairman of the Works Council, Regensburg

¹ Employee representatives (company employees).² Employee representatives (union representatives).³ Employee representatives (members of senior management).

— Membership of other statutory supervisory boards.

— Membership of equivalent national or foreign boards of business enterprises.

COMPOSITION AND WORK PROCEDURES OF THE BOARD OF MANAGEMENT OF BMW AG AND ITS COMMITTEES

The Board of Management manages the enterprise under its own responsibility, acting in the best interests of the BMW Group with the aim of achieving sustainable growth in value. The interests of shareholders, employees and other stakeholders are also taken into account in the pursuit of this aim.

The Board of Management determines the strategic orientation of the enterprise, agrees upon it with the Supervisory Board and ensures its implementation. The Board of Management is also responsible for ensuring that all provisions of law and internal regulations are complied with. Further details on compliance within the BMW Group are available in the Corporate Governance section of the Annual Report. The Board of Management is also responsible for ensuring that appropriate risk management and risk controlling systems are in place throughout the Group.

During their period of employment for BMW AG, members of the Board of Management are bound by a comprehensive non-competition clause. They are required to act in the enterprise's best interests and may not pursue personal interests in their decisions or take advantage of business opportunities intended for the benefit of the enterprise. They may undertake ancillary activities, particularly supervisory board mandates outside the BMW Group, only with the prior approval of the Supervisory Board's Personnel Committee. Individual members of the Board of Management of BMW AG are required to disclose any conflicts of interest to the Supervisory Board without delay and inform the other members of the Board of Management accordingly.

When a new member is appointed to the Board of Management, the BMW Corporate Governance Officer is required to inform that new member of the framework conditions under which their duties are to be carried out – in particular those enshrined in the BMW Group's Corporate Governance Code – as well as the duty to cooperate when a transaction or event triggers reporting requirements or requires the approval of the Supervisory Board.

The Board of Management consults and takes decisions as a collegiate body in meetings of the Board of Management, the Sustainability Board, the Operations Committee and the Committee for Executive Management Matters.

At its meetings, the Board of Management defines the overall framework for developing business strategies and the use of resources, takes decisions regarding the implementation of strategies and deals with issues of particular importance to the BMW Group. The full Board also takes decisions at basic policy level relating to the Group's automobile product strategies and product projects, inasmuch as these are relevant for all of the Group's brands. The Board of Management and its committees may, as required and depending on the subject matters being discussed, invite non-voting advisers to participate at meetings.

Terms of procedure approved by the Board of Management contain a plan for the allocation of divisional responsibilities among the individual Board members. These terms of procedure also incorporate the principle that the full Board of Management bears joint responsibility for all matters of particular importance and scope. In addition, members of the Board of Management manage the relevant portfolio of duties under their responsibility, whereby case-by-case rules can be put in place for cross-divisional projects. Board members continually provide the Chairman of the Board of Management with all the required information pertaining to major transactions and developments within their sphere of responsibility. The Chairman of the Board of Management coordinates cross-divisional matters with the overall targets and plans of the BMW Group, involving other Board members to the extent that divisions within their area of responsibility are affected.

The Board of Management makes its decisions at meetings which are convened, coordinated and headed by the Chairman of the Board of Management. Generally, two to three Board meetings were held per month during the financial year 2018.

At the request of the Chairman, decisions can also be taken outside of Board meetings if none of the Board members object to this procedure. A meeting is quorate if all Board of Management members are invited to the meeting in good time. Members unable to attend any particular meeting are entitled to vote in writing, by fax or by telephone. Votes cast by telephone must be subsequently confirmed in writing. Except in urgent cases, matters relating to a division for which the responsible Board member is not present will only be discussed and decided upon with that member's consent.

Unless stipulated otherwise by law or in BMW AG's statutes, the Board of Management makes decisions based on a simple majority of votes cast at meetings. Outside of Board meetings, decisions are taken on the basis of a simple majority of Board members. In the event of a tied vote, the Chairman of the Board of Management has the casting vote. Any changes to the Board's terms of procedure must be passed

unanimously. A Board meeting may only be held if more than half of the Board members are present.

In the event that the Chairman of the Board of Management is not present or is unable to attend a meeting, the member of the Board responsible for Finance will represent him.

Minutes are taken of all meetings and of the Board of Management's resolutions and signed by the Chairman. Decisions taken by the Board of Management are binding for all employees.

The rules relating to meetings and resolutions taken by the full Board of Management are also applicable for its committees.

Members of the Board of Management not represented in a committee are provided with the agendas and minutes of committee meetings. Committee matters are dealt with in full Board meetings if the committee considers it necessary or at the request of a member of the Board of Management.

A secretariat for Board of Management matters has been established to assist the Chairman and other Board members with the preparation and follow-up work connected with Board meetings.

The Operations Committee generally meets every two weeks. At these meetings, decisions are reached concerning automobile product projects, based on the strategic orientation and decision-making framework stipulated at Board of Management meetings. The Operations Committee has three members who are entitled to vote at meetings, namely the Board member for Development (who also chairs the meetings), the Board member for Production and the Board member responsible for Purchasing and the Supplier Network. Up to 28 February 2018, the Board member for Sales and Brand BMW and Aftersales BMW Group as well as the Board member for MINI, Rolls-Royce, BMW Motorrad, Customer Engagement and Digital Business Innovation BMW were also members of the Operations Committee. If the committee chairman is not present or unable to attend, meetings are chaired by the Board member for Production. The Head of Corporate Quality as well as the Head of Maturity Management, Sign Off and Product Validation participate in Operations Committee meetings in an advisory capacity.

The full Board usually convenes up to twice a year in its function as Sustainability Board in order to define strategy and use of resources with regard to sustainability and decide upon measures to implement that strategy. The Head of Corporate Affairs and the Representative for Sustainability and Environmental Protection participate in these meetings in an advisory capacity.

The Board's Committee for Executive Management Matters deals with corporate issues affecting executive managers of the BMW Group, either in their entirety or individually (such as potential candidates for executive management or nominations for senior management positions). This committee has, firstly, an advisory and preparatory role (e.g. in connection with fundamental issues relating to human resources policies, such as compensation systems and planning, personnel development and tools for assessing performance) and secondly the function of a decision-making body (e.g. the appointment of senior executives).

The Committee has two members who are entitled to vote at meetings, namely the Chairman of the Board of Management (who also chairs the meetings) and the Board member for Human Resources. The Head of Human Resources Management and Services as well as the Head of Human Resources Executive Management also participate in these meetings in an advisory function. In addition, further participants can be invited when needed for special topics. At the request of the Chairman, resolutions may also be passed outside of committee meetings by casting votes in writing, by fax or by telephone if the other member entitled to vote does not object immediately. Normally, the Committee for Executive Management Matters convenes between five and ten times a year.

The Board of Management is represented by its Chairman in its dealings with the Supervisory Board. The Chairman of the Board of Management maintains regular contact with the Chairman of the Supervisory Board and keeps him informed of all important matters. The Supervisory Board has passed a resolution specifying the information and reporting duties of the Board of Management. As a general rule, in the case of reports required by law, the Board of Management submits its reports to the Supervisory Board in writing. To the greatest extent possible, documents required as a basis for taking decisions are sent to the members of the Supervisory Board in good time prior to the relevant meeting. Regarding transactions of fundamental importance, the Supervisory Board has resolved that its specific approval is required. Whenever necessary, the Chairman of the Board of Management obtains the approval of the Supervisory Board and ensures that reporting duties to the Supervisory Board are complied with. The Chairman is supported by all members of the Board of Management in the fulfilment of these tasks. The fundamental principle followed when reporting to the Supervisory Board is that the information should be provided regularly, comprehensively and without delay regarding all significant matters relating to planning, business performance, risk exposures, risk management and compliance, as well as any major variances between actual business development and plans and targets, and the relevant reasons.

COMPOSITION AND WORK PROCEDURES OF THE SUPERVISORY BOARD OF BMW AG AND ITS COMMITTEES

BMW AG's Supervisory Board is composed of ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected in accordance with the Co-Determination Act). The ten Supervisory Board members representing employees comprise seven Company employees, including one executive staff representative, and three members elected following nomination by unions. The Supervisory Board has the task of advising and supervising the Board of Management in its management of the BMW Group. It is involved in all decisions of fundamental importance for the BMW Group. The Supervisory Board appoints the members of the Board of Management and decides upon the level of compensation they receive. The Supervisory Board can revoke appointments for important reasons.

The Supervisory Board holds a minimum of two meetings per calendar half-year. Normally, five plenary meetings are held per calendar year. One meeting each year is planned to extend to several days and is used, among other things, to enable an in-depth exchange on strategic and technological matters. The main topics of meetings in the period under report are summarised in the Report of the Supervisory Board. Shareholder representatives and employee representatives generally prepare Supervisory Board meetings separately and occasionally with members of the Board of Management. Members of the Supervisory Board are specifically legally bound to maintain secrecy with respect to confidential reports they receive and confidential discussions in which they partake.

The Chairman of the Supervisory Board coordinates work within the Supervisory Board, convenes and chairs its meetings, handles the external affairs of the Supervisory Board and represents it before the Board of Management.

The Supervisory Board is quorate if all members have been invited to the meeting and at least half the members of whom it is required to comprise participate in the vote. A resolution relating to an agenda item not included in the invitation is only valid if none of the members of the Supervisory Board who were present at the meeting object to the resolution and if a minimum of two-thirds of the members are present.

Resolutions of the Supervisory Board are generally passed by a simple majority. The German Co-determination Act contains specific legal requirements with regard to majorities and technical procedures, particularly with regard to the appointment and removal of members of the Board of Management and the election of Chairman or Deputy Chairman of the Supervisory Board. In the event of a tied vote in the Supervisory Board, the Chairman of the Supervisory Board has two votes in a renewed vote if it also results in a tie.

In practice, resolutions are regularly passed by the Supervisory Board and its committees at meetings. Supervisory Board members who are not present can submit their vote via another Supervisory Board member in written, fax or electronic form. This rule also applies for the second vote of the Chairman of the Supervisory Board. The Chairman of the Supervisory Board can also grant a period of time in which all members not present at a meeting may retrospectively vote. In special cases, resolutions may also be passed outside of meetings, in particular in writing, by fax or by electronic means. Resolutions and meetings are recorded in minutes, which are signed by the relevant Chairman.

Following its meetings, the Supervisory Board is generally shown information on new vehicle models in the form of a short presentation.

Following the election of a new Supervisory Board member, the Corporate Governance Officer informs the new member of the main framework for performing duties, in particular the BMW Group Corporate Governance Code and individual contributions required in circumstances which trigger reporting obligations or are subject to Supervisory Board approval.

All members of the Supervisory Board of BMW AG take care to ensure that they have sufficient time to perform their mandate. If members of the Supervisory Board of BMW AG are also members of the management board of a listed company, they may not accept more than three mandates on non-BMW Group supervisory boards of listed companies or in other bodies with comparable requirements.

The Supervisory Board regularly assesses the efficiency of its activities. To this end, shared discussion is conducted within the Supervisory Board and individual meetings held with the Chairman, prepared on the basis of a questionnaire sent in advance, which is drawn up by the Supervisory Board.

Members of the Supervisory Board of BMW AG are obliged to act in the best interest of the organisation as a whole. They may not pursue personal interests in their decisions or take advantage of business opportunities intended to benefit the BMW Group.

Members of the Supervisory Board are obliged to inform the Supervisory Board of any conflicts of interest, in particular those resulting from a consulting or executive role with clients, suppliers, lenders or other business partners, so that the Supervisory Board can report to the shareholders at the Annual General Meeting on its treatment of the issue. Material and non-temporary conflicts of interest of a Supervisory Board member result in a termination of mandate.

In proposing candidates for election as members of the Supervisory Board, care is taken that the Supervisory Board collectively has the required knowledge, skills and expertise to perform its tasks appropriately.

→ The Supervisory Board has stated specific targets for its composition, agreed to a diversity concept and determined a competency profile.

Members of the Supervisory Board are responsible for undertaking any training required for the performance of their duties. The Company provides them with appropriate assistance therein.

→ Taking into account the specific circumstances of the BMW Group and the number of Board members, the Supervisory Board has set up a Presiding Board and four committees: the Personnel Committee, the Audit Committee, the Nomination Committee and the Mediation Committee. These serve to raise the efficiency of the Supervisory Board's work and facilitate handling of complex issues. Establishment and function of a mediation committee is prescribed by law. Committee chairpersons report in detail on committee work at each plenary meeting of the Supervisory Board.

Composition of the Presiding Board and the committees is based on legal requirements, the Articles of Incorporation, rules of procedure and corporate governance principles, while taking into particular account the expertise of Board members.

→ see Report of the Supervisory Board for the number of meetings during the year 2018

According to the rules of procedure, the Chairman of the Supervisory Board is, by virtue of this function, member and Chairman of the Presiding Board, the Personnel Committee and the Nomination Committee.

→ The number of meetings held by the Presiding Board and committees depends on requirements. The Presiding Board, the Personnel Committee and the Audit Committee generally hold several meetings in the course of the year.

In line with the rules of procedure for the activities of the plenum, the Supervisory Board has set out procedural rules for the Presiding Board and committees. Committees are quorate only when all members participate. Committee resolutions are passed by a simple majority, unless otherwise stipulated by law.

Members of the Supervisory Board may not delegate their duties to others. However, the Supervisory Board, the Presiding Board and the committees may call on experts and informed persons to attend meetings and advise on specific matters.

The Supervisory Board, the Presiding Board and committees also meet without the Board of Management when necessary.

BMW AG ensures that the Supervisory Board and its committees are appropriately equipped to carry out their duties. This includes providing a central Supervisory Board office to support the chairpersons in their coordination work.

In accordance with rules of procedure, the Presiding Board comprises the Chairman of the Supervisory Board and Deputies. The Presiding Board prepares Supervisory Board meetings to the extent that the subject matter does not fall within the remit of a committee. This includes, for example, preparing the annual Declaration of Compliance with the German Corporate Governance Code and assessment of Supervisory Board efficiency.

→ see section "Composition targets for the Supervisory Board"

→ see "Overview of Supervisory Board committees and their composition"

The Personnel Committee prepares decisions of the Supervisory Board with regard to the appointment and, where applicable, removal of members of the Board of Management and, together with the full Supervisory Board and the Board of Management, ensures long-term succession planning. The Personnel Committee also prepares decisions of the Supervisory Board with regard to Board of Management compensation and the regular review of the compensation system for the Board of Management. In conjunction with resolutions taken by the Supervisory Board regarding the compensation of the Board of Management, the Personnel Committee is responsible for drawing up, amending and revoking employment contracts or, when necessary, to prepare and conclude other relevant contracts with members of the Board of Management. In certain cases, the Personnel Committee is also authorised to grant the necessary approval of a business transaction on behalf of the Supervisory Board. This includes cases of providing loans to members of the Board of Management or Supervisory Board, certain contractual arrangements with members of the Supervisory Board, taking into account related parties, as well as ancillary activities of members of the Board of Management, in particular acceptance of non-BMW Group supervisory board mandates.

The Audit Committee deals in particular with the supervision of the financial reporting process, effectiveness of the internal control system, the risk management system, as well as the performance of Supervisory Board duties in connection with audits pursuant to § 32 of the German Securities Trading Act (WpHG). It also oversees the audit of financial statements, auditor independence and any additional work performed by the auditor. It prepares the proposal for the election of the auditor at the Annual General Meeting, makes a relevant recommendation, issues the audit engagement and agrees on additional areas of audit focus as well as the auditor's fee. The Audit Committee prepares the Supervisory Board's resolution relating to the Company and Group Financial Statements and discusses interim reports with the Board of Management prior to publication. Additionally, the Audit Committee deals with the non-financial reporting, prepares the audit of the Supervisory Board and the engagement of an external auditor and issues the audit engagement. Furthermore, the Audit Committee deals with the supervision of the internal audit system and compliance as well as the audit and supervision of any needs for action related to possible violations of duties by members of the Board of Management in preparation of a resolution in the Supervisory Board. The Audit Committee also decides on the Supervisory Board's agreement on the use of Authorised Capital 2014 (Article 4 no. 5 of the Articles of Incorporation) and on amendments to the Articles of Incorporation which only affect its wording.

In line with the recommendations of the German Corporate Governance Code, the Chairman of the Audit Committee is independent, and not a former Chairman of the Board of Management, and has special knowledge and experience in the application of financial reporting standards and internal control procedures. He also fulfils the requirement of being a financial expert as defined by § 100 (5) and § 107 (4) AktG.

The Nomination Committee is charged with the task of finding suitable candidates for election to the Supervisory Board as shareholder representatives and to propose them to the Supervisory Board for election at the Annual General Meeting. In line with the recommendations of the German Corporate Governance Code, the Nomination Committee is exclusively composed of shareholder representatives.

The establishment and composition of a mediation committee are prescribed by the German Co-determination Act. The Mediation Committee has the task of making proposals to the Supervisory Board if a resolution for the appointment of a member of the Board of Management has not been carried by the necessary two-thirds majority of members' votes. In accordance with statutory requirements, the Mediation Committee comprises the Chairman and the Deputy Chairman of the Supervisory Board, one member selected by shareholder representatives and one by employee representatives.

Overview of Supervisory Board committees and their composition

Principal duties, basis for activities	Members
PRESIDING BOARD	
<ul style="list-style-type: none"> — preparation of Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of a committee — activities based on terms of procedure 	Norbert Reithofer ¹ Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley
PERSONNEL COMMITTEE	
<ul style="list-style-type: none"> — preparation of decisions relating to the appointment and revocation of appointment of members of the Board of Management, the compensation and the regular review of the Board of Management's compensation system — conclusion, amendment and revocation of employment contracts (in conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management) and other contracts with members of the Board of Management — decisions relating to the approval of ancillary activities of Board of Management members, including acceptance of non-BMW Group supervisory mandates as well as the approval of transactions requiring Supervisory Board approval by dint of law (e.g. loans to Board of Management or Supervisory Board members) — set up in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of procedure 	Norbert Reithofer ¹ Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley
AUDIT COMMITTEE	
<ul style="list-style-type: none"> — supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, as well as the performance of Supervisory Board duties in connection with audits pursuant to § 32 of the German Securities Trading Act (WpHG) — supervision of external audit, in particular auditor independence and additional work performed by external auditor — preparation of proposals for election of external auditor at Annual General Meeting, engagement (recommendation) of external auditor and compliance of audit engagement, determination of additional areas of audit emphasis and fee agreements with external auditor — preparation of Supervisory Board's resolution on Company and Group Financial Statements — discussion of interim reports with Board of Management prior to publication — preparation of the Supervisory Board's audit of the non-financial reporting, preparation of the selection of the auditor for non-financial reporting and engagement of the auditor — supervision of internal audit system and compliance as well as the audit and supervision of any needs for action related to possible violations of duties by members of the Board of Management in preparation of a resolution in the Supervisory Board — decision on approval for utilisation of Authorised Capital 2014 — amendments to Articles of Incorporation only affecting wording — establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of procedure 	Karl-Ludwig Kley ^{1,2} Norbert Reithofer Manfred Schoch Stefan Quandt Stefan Schmid
NOMINATION COMMITTEE	
<ul style="list-style-type: none"> — identification of suitable candidates (male/female) as shareholder representatives on the Supervisory Board to be put forward for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting — establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of procedure 	Norbert Reithofer ¹ Susanne Klatten Karl-Ludwig Kley Stefan Quandt (In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.)
MEDIATION COMMITTEE	
<ul style="list-style-type: none"> — proposal to Supervisory Board if resolution for appointment of Board of Management member has not been carried by the necessary two-thirds majority of Supervisory Board members' votes — committee required by law 	Norbert Reithofer Manfred Schoch Stefan Quandt Stefan Schmid (In accordance with statutory requirements, the Mediation Committee comprises the Chairman and Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives.)

¹ Chair.

² (Independent) financial expert within the meaning of §§ 100 (5) and 107 (4) AktG, no. 5.3.2 GC/GC.

Board of Management succession planning, diversity concept

The Supervisory Board, in collaboration with the Personnel Committee and the Board of Management, ensures long-term succession planning. In their assessment of candidates for Board of Management positions, the underlying suitability criteria applied by the Supervisory Board are expertise in the relevant function, outstanding leadership qualities, proven track record and knowledge of the Company. The Supervisory Board has adopted a diversity concept for the composition of the Board of Management which is also aligned with recommendations of the German Corporate Governance Code. In considering which individuals would best complement the Board of Management, the Supervisory Board also takes diversity into account. The criteria diversity is taken by the Supervisory Board to encompass in particular different, mutually complementary profiles, professional and life experiences also at the international level and an appropriate gender representation. In reaching its decisions, the Supervisory Board also considers the following:

- The members of the Board of Management should have a long-standing track record of management experience, ideally with experience in different professional fields.
- At least two members should have international management experience.
- At least two members of the Board of Management should have a technical background.
- The Board of Management should collectively have extensive experience in the fields of development, production, sales and marketing, finances and human resources.
- The Supervisory Board has stipulated a target for the proportion of women on the Board of Management. This is outlined in the section “Disclosures pursuant to the Act on Equal Gender Participation”. The Board of Management reports to the Personnel Committee and the Supervisory Board at regular intervals on the proportion and development of women in senior management positions, in particular at executive levels.

- In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board has set a standard age limit for Board of Management membership. This aims at a retirement age of 60. Consideration is also given to achieving an appropriate age mix within the Board of Management.

When selecting an individual for a particular Board of Management position, the Supervisory Board decides in the best interests of the Group and after due consideration of all relevant circumstances. The Personnel Committee takes into account the diversity concept described above when selecting candidates, in order to ensure that the Board of Management has a diverse composition. In the Supervisory Board’s opinion, the composition of the Board of Management as at 31 December 2018 is in line with the defined diversity concept. In particular, the Board of Management has one female member and the various work, educational and life experiences of the members of the Board of Management complement each other. For ease of comparison with the diversity concept, the curricula vitae of members of the Board of Management are available on the Internet.

Composition objectives of the Supervisory Board, competency profile, diversity concept

The Supervisory Board is to be composed in such a way that its members collectively possess the knowledge, skills and experience required to properly perform its tasks.

To this end, the Supervisory Board of BMW AG has approved the following objectives for its composition, including a competency profile. These objectives also describe the concept for achieving diversity in the composition of the Supervisory Board (diversity concept):

- Four members of the Supervisory Board should if possible have international experience or specialist knowledge of one or more non-German markets important to the BMW Group.

- The Supervisory Board should include if possible seven members who have acquired in-depth knowledge and experience within the BMW Group, though no more than two former members of the Board of Management.
- Three of the shareholder representatives in the Supervisory Board should if possible be entrepreneurs or persons who have previous experience in the management or supervision of another medium or large-sized company.
- Three members of the Supervisory Board should if possible be persons from the fields of business, science or research who have experience in areas relevant to the BMW Group, for example chemistry, energy supply, information technology, or who have specialist knowledge in fields relevant for the future of the BMW Group, for example customer requirements, mobility, resources or sustainability.
- When seeking qualified individuals for the Supervisory Board whose specialist skills and leadership qualities are most likely to strengthen the Board as a whole, consideration is also to be given to diversity. When preparing nominations, the extent to which the work of the Supervisory Board benefits from diversified professional and personal backgrounds (including international aspects) and from an appropriate gender representation is also to be taken into account. It is the joint responsibility of all those participating in the nomination and election process to ensure that qualified women are considered for Supervisory Board membership.
- Of the 20 members of the Supervisory Board at least 12 should be independent members within the meaning of section 5.4.2 of the German Corporate Governance Code, including at least six as representatives of the Company's shareholders.
- Two independent members of the Supervisory Board should have expert knowledge of accounting or auditing.
- No persons carrying out directorship functions or advisory tasks for important competitors of the BMW Group may belong to the Supervisory Board. In compliance with applicable law, members of the Supervisory Board are to take care that no persons will be nominated for election for whom a significant, non-temporary conflict of interests could arise due to other activities and functions carried out by them outside the BMW Group, in particular advisory activities or directorships with customers, suppliers, creditors or other business partners.
- An age limit for membership of the Supervisory Board of 70 years is generally to be applied. In exceptional cases, members may remain on the Board until the end of the next Annual General Meeting after reaching the age of 73, in order to fulfil legal requirements or to facilitate smooth succession in the case of key roles or specialist qualifications.
- As a general rule, members of the Supervisory Board should not hold office for longer than until the end of the Annual General Meeting at which the resolution is passed ratifying the member's activities for the 14th financial year after the beginning of the member's first period of office. This excludes the financial year in which the first period of office began. This rule does not apply to natural persons who either directly or indirectly hold significant investments in the Company. In the Company's interest, deviation from the general maximum period is possible, for instance in order to work towards another composition target, in particular diversity of gender and technical, professional and personal backgrounds.

Statement on Corporate Governance

- Composition and Work Procedures of the Supervisory Board of BMW AG and its Committees
- Disclosures Pursuant to the Act on Equal Gender Participation – Targets for the Proportion of Women on the Board of Management and at Executive Management Levels I and II

The time schedule set by the Supervisory Board for achieving the above-mentioned composition targets is the period up to 31 December 2019. The nomination committee of the Supervisory Board already takes into account the composition targets in its selection of potential candidates as representatives of the shareholders. This enables diversity in the composition of the Supervisory Board and ensures that the Supervisory Board collectively possesses the knowledge, skills and experience required to properly perform its duties. Proposals for nomination made by the Supervisory Board to the Annual General Meeting – insofar as they apply to shareholder Supervisory Board members – should take account of these objectives in such a way that they can be achieved with the support of the appropriate resolutions of the Annual General Meeting. The Annual General Meeting is not bound by proposed nominations for election. The voting freedom of employees in the vote for the employee members of the Supervisory Board is also protected. Under the rules stipulated by the German Co-Determination Act, the Supervisory Board does not have the right to nominate employee representatives for election. The objectives which the Supervisory Board has set itself with regard to its composition are therefore not intended to be instructions to those entitled to vote or restrictions on their voting freedom.

In the Supervisory Board's opinion, its composition as at 31 December 2018 fulfilled the composition objectives detailed above. For ease of comparison with composition targets, brief curricula vitae of the current members of the Supervisory Board are available on the Company's website at → www.bmwgroup.com. Information relating to members' practised professions and mandates in other statutory supervisory boards and equivalent national or foreign company boards, including the length of periods of service on the Supervisory Board, is provided in the section Statement on Corporate Governance. Based on this information, it is evident that the Supervisory Board of BMW AG is highly diversified, with significantly more than the targeted four members having international experience or specialist knowledge with regard to one or more of the non-German markets important to the BMW Group. In-depth knowledge and experience from within the Company are provided by seven employee representatives, as well as the Chairman of the Supervisory Board. Only one previous Board of Management member holds office in the Supervisory Board. At least four members of the Supervisory Board have experience in managing another company. The Supervisory Board also has three entrepreneurs as members. Most of the members of the Supervisory Board – including employee representatives – have experience in supervising another medium-sized or large company. Moreover, more than three members of the Supervisory Board have experience and specialist

knowledge in subjects relevant for the future of the BMW Group, such as customer requirements, mobility, resources, sustainability and information technology. For the purpose of assessing the independence of its members, the Supervisory Board follows the recommendations of the German Corporate Governance Code. In the opinion of the Supervisory Board, neither ownership of a substantial shareholding in the Company, or office as an employee representative, or previous membership of the Board of Management, rules out independence of a Supervisory Board member. A substantial and not merely temporary conflict of interests within the meaning of section 5.4.2 of the German Corporate Governance Code does not apply to any of the Supervisory Board members. Employees holding office in the Supervisory Board are protected by applicable law when performing their duties. All other Supervisory Board members have a sufficient degree of economic independence from the Company. Business with entities in which the members of the Supervisory Board carry out a significant function is conducted on an arm's length basis. The Supervisory Board has therefore concluded that all of its members are independent. At the end of the reporting period these are: Dr.-Ing. Norbert Reithofer, Manfred Schoch, Stefan Quandt, Stefan Schmid, Dr. Karl-Ludwig Kley, Christiane Benner, Dr. Kurt Bock, Franz Haniel, Ralf Hattler, Dr.-Ing. Heinrich Hiesinger, Prof. Dr. Reinhard Hüttl, Susanne Klatten, Prof. Dr. Renate Köcher, Horst Lischka, Willibald Löw, Simone Menne, Dr. Dominique Mohabeer, Brigitte Rödig, Jürgen Wechsler and Werner Zierer. At least three members meet the requirements of an independent financial expert. These are Dr. Kurt Bock, Dr. Karl-Ludwig Kley and Simone Menne. At the end of the reporting period, the Supervisory Board had six female members (30%), comprising three shareholder representatives and three employee representatives. The Supervisory Board has 14 male members (70%), comprising seven shareholder representatives and seven employee representatives. The Company therefore complies with the statutory gender quota of at least 30% female members applicable in Germany since 1 January 2016. At present, no member of the Supervisory Board is older than 70 years.

DISCLOSURES PURSUANT TO THE ACT ON EQUAL GENDER PARTICIPATION – TARGETS FOR THE PROPORTION OF WOMEN ON THE BOARD OF MANAGEMENT AND AT EXECUTIVE MANAGEMENT LEVELS I AND II

The Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector (“Act on Equal Gender Participation”) was passed into German law in 2015.

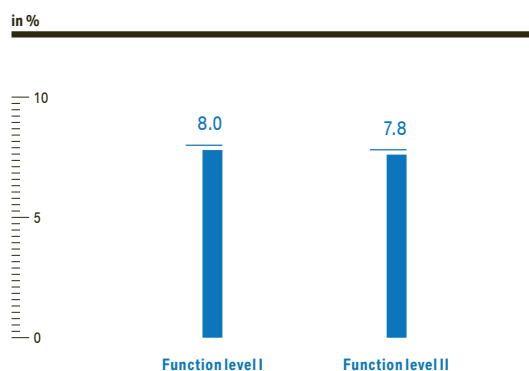
In accordance with this legislation, the Supervisory Board of BMW AG is required to set a target for the proportion of women on its Board of Management and a time frame for meeting this target. Likewise, the Board of Management of BMW AG is required to establish targets for the two executive management levels below the Board of Management. As its target for the Board of Management for the time frame from 1 January 2017 to 31 December 2020, the Supervisory Board has stipulated that the Board of Management should continue to have at least one female member. Assuming that the Board of Management continues to comprise eight members, this would correspond to a proportion of at least 12.5%. At 31 December 2018, the Board of Management had one female member (12.5%). The Supervisory Board considers it desirable to increase the proportion of women on the Board of Management and fully supports the Board of Management’s endeavours to increase the proportion of women at the highest executive management levels within the BMW Group.

For the time frame from 1 January 2017 to 31 December 2020, the Board of Management has set a target range of 10.2% to 12.0% for the first level of executive management and 8% to 10% for the second. At 31 December 2018, the proportion of women within the first executive management level stood at 8.0% and at 7.8% within the second.

Management level is defined in terms of functional level and follows a comprehensive job evaluation system based on Mercer.

Proportion of female executives within management / function levels I and II at BMW AG

→ 80



Diversity contributes to greater competitiveness and innovation at the BMW Group. Working together in mixed, complementary teams raises performance levels and increases customer focus. Promoting an appropriate gender ratio is seen as an essential component of the BMW Group’s diversity concept. Further increasing the proportion of women therefore remains an objective of the Board of Management.

The proportion of women in the workforce as a whole increased again during the financial year under report, as a result of long-term measures, dialogue and information events. Further information on the topic of diversity within the BMW Group can be found in the section “Workforce”.

INFORMATION ON CORPORATE GOVERNANCE PRACTICES APPLIED BEYOND MANDATORY REQUIREMENTS

Core values and Principles of Action

Within the BMW Group, the Board of Management, the Supervisory Board and the employees base their actions on five core values which are the cornerstone of the success of the BMW Group:

Responsibility

We take consistent decisions and commit to them personally. This allows us to work freely and more effectively.

Appreciation

We reflect on our actions, respect each other, offer clear feedback and celebrate success.

Transparency

We acknowledge concerns and identify inconsistencies in a constructive way. We act with integrity.

Trust

We trust and rely on each other. This is essential if we are to act swiftly and achieve our goals.

Openness

We are excited by change and open to new opportunities. We learn from our mistakes.

Social responsibility towards employees and along the supplier chain

The BMW Group stands by its social responsibilities. Our corporate culture combines the drive for success with openness, trust and transparency. We are well aware of our responsibility towards society. Socially sustainable human resource policies and compliance with social standards are based on various internationally recognised guidelines. The BMW Group is committed to the OECD's guidelines for multinational companies and the contents of the ICC Business Charter for Sustainable Development. Details of the contents of these guidelines and other relevant information can be found at → www.oecd.org and → www.iccwbo.org and → www.ohchr.org. The Board of Management signed the United Nations Global Compact in 2001 and, in 2005, together with employee representatives, issued a Joint Declaration on Human Rights and Working Conditions in the BMW Group. This Joint Declaration was reconfirmed in 2010. With the signature of these documents, we have given our commitment to abide worldwide by internationally recognised human rights and the fundamental working standards of the International Labour Organization (ILO). These include in particular freedom of employment, the principle of non-discrimination, freedom of association and the right to collective bargaining, the prohibition of child labour, appropriate remuneration, regulated working times and compliance with work and safety regulations. In 2018 we published the BMW Codex on Human Rights and Working Conditions, which supplements the Declaration on Human Rights and Working Conditions from 2010. The Codex is based on a diligence process, which allows the BMW Group to identify relevant aspects and define measures. It reinforces attention to the consideration of human rights and clarifies how the BMW Group promotes human rights and implements the ILO Core Labour Conventions globally in its business activity.

The complete text of the UN Global Compact and the recommendations of the ILO and other relevant information can be found at → www.unglobalcompact.org and → www.ilo.org. The Joint Declaration on Human Rights and Working Conditions in the BMW Group can be found at → www.bmwgroup.com under the menu items "Downloads" and "Responsibility".

For the BMW Group, worldwide compliance of these fundamental principles and rights is self-evident. Since 2005 employees' awareness of this issue has therefore been raised by means of regular internal communications and training on recent developments in this area. The "Compliance Contact" helpline and the BMW Group SpeakUP Line are available to employees wishing to raise queries or complaints relating to human rights issues. With effect from 2016, human rights have been incorporated as an integral component of the BMW Group's worldwide Compliance Management System, representing a further step in the systematic implementation of the UN Guiding Principles on Business and Human Rights.

Further information on social responsibility towards employees can be found in the section "Workforce".

Sustainable business management can only be effective, however, if it covers the entire value-added chain. That is why the BMW Group not only sets high standards for itself, but also expects its suppliers and partners to meet the ecological and social standards it sets and strives continually to improve the efficiency of processes, measures and activities. For instance, we consistently require our dealers and importers to comply with ecological and social standards on a contractual basis. Moreover, corresponding criteria are embedded throughout the entire purchasing system – including in enquiries to suppliers, in the sector-wide OEM Sustainability Questionnaire, in our purchasing terms and in our evaluation of suppliers – in order to promote sustainability aspects in line with the BMW Group Sustainability Standard. The BMW Group expects suppliers to ensure that the BMW Group's sustainability criteria are also adhered to by their sub-suppliers. A spot check of supplier facilities is conducted with sustainability audits and assessments. In 2017, the Human Rights Contact Supply Chain was established for reporting of sustainability infringements in the supply chain. Purchasing terms and conditions and other information relating to purchasing can be found in the publicly available section of the BMW Group Partner Portal at → <https://b2b.bmw.com>.

We also work in close partnership with our suppliers and promote their commitment to sustainability.