

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 internal communication, a policy of corporate governance aimed at the interests of stakeholders, fair and open dealings between the Board of Management and the Supervisory Board as well as among employees and compliance with the law. The Board of Management and Supervisory Board report in this statement on important aspects of corporate governance pursuant to § 289 a 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) based on 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 authorities 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 of the Supervisory Board, the appointment of the external auditor, changes to the Articles of Incorporation, specified capital measures and elects the shareholders' representatives to the Supervisory Board. The Board of Management manages the enterprise under its own responsibility. Within this framework, it is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and can, at any time, revoke an appointment if there is an important reason. The Board of Management keeps the Supervisory Board informed of all significant matters regularly, promptly and comprehensively, following the principles of conscientious and faithful accountability and in accordance with prevailing law and the reporting duties allocated to it by the Supervisory Board. The Board of Management requires the approval of the Supervisory Board for certain major transactions. The Supervisory Board is not, however, authorised to undertake management measures itself.

In accordance with the requirements of the German Co-determination Act for companies that generally employ more than 20,000 people, the Supervisory Board of BMW AG is required to comprise ten shareholder representatives elected at the Annual General Meeting (Supervisory Board members representing equity or shareholders) and ten employees elected in accordance with the provisions of the Co-determination Act (Supervisory Board members representing employees). 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 close interaction between Board of Management and Supervisory Board in the interests of the enterprise as described above is also known as a "two-tier board structure".

Declaration of Compliance and the BMW Group Corporate Governance Code

Management and supervisory boards of companies listed in Germany are required by law (§ 161 German Stock Corporation Act) to report once a year whether the officially published and relevant recommendations issued by the "German Government Corporate Governance Code Commission", as valid at the date of the declaration, have been, and are being, complied with. Companies affected are also required to state which of the recommendations of the Code have not been or are not being applied, stating the reason or reasons. The full text of the declaration, together with explanatory comments, is shown on the following page of this Annual Report.

The Board of Management and the Supervisory Board approved the Group's own Corporate Governance Code based on the GCGC in previous years in order to provide interested parties with a comprehensive and stand-alone document covering the corporate governance practices applied by the BMW Group. A coordinator responsible for all corporate governance issues reports directly and on a regular basis to the Board of Management and Supervisory Board.

The Corporate Governance Code for the BMW Group, together with the Declaration of Compliance, Articles of Incorporation and other information, can be viewed and/or downloaded from the BMW Group's website at www.bmwgroup.com/ir under the menu items "Corporate Facts" and "Corporate Governance".

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

The Board of Management and 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 issuance of the last Declaration in December 2013, BMW AG has complied with all of the recommendations published officially on 10 June 2013 (Code version dated 13 May 2013), to the extent that they were already applicable.
2. BMW AG will in future comply with all of the recommendations published on 30 September 2014 in the electronic Federal Gazette (Code version dated 24 June 2014), with the following exception:

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 the Compensation Report. These recommendations will not be complied with, due to uncertainties with respect to their interpretation and doubts as to whether the supplementary use of model tables would be instrumental in making the BMW Group’s Compensation Report transparent and generally understandable in accordance with generally applicable financial reporting requirements (see section 4.2.5 sentence 3 of the Code).

Munich, December 2014

**Bayerische Motoren Werke
Aktiengesellschaft**

On behalf of the
Supervisory Board

Prof. Dr.-Ing. Dr. h. c.
Dr.-Ing. E. h. Joachim Milberg
Chairman

On behalf of the
Board of Management

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

Members of the Board of Management

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer (born 1956)
Chairman

Mandates

- Siemens Aktiengesellschaft
(since 27. 01. 2015)
- Henkel AG & Co. KGaA (Shareholders' Committee)

Milagros Caiña Carreiro-Andree (born 1962)
Human Resources, Industrial Relations Director

Dr.-Ing. Herbert Diess (born 1958)
Development
(until 09. 12. 2014)

Dr.-Ing. Klaus Draeger (born 1956)
Purchasing and Supplier Network

Dr. Friedrich Eichiner (born 1955)
Finance

Mandates

- Allianz Deutschland AG
- FESTO Aktiengesellschaft
- BMW Brilliance Automotive Ltd. (Deputy Chairman)
- FESTO Management Aktiengesellschaft

Klaus Fröhlich (born 1960)
Development
(since 09. 12. 2014)

Harald Krüger (born 1965)
Production

Mandates

- BMW (South Africa) (Pty) Ltd. (Chairman)
- BMW Motoren GmbH (Chairman)

Dr. Ian Robertson (HonDSc) (born 1958)
Sales and Marketing BMW,
Sales Channels BMW Group

Mandates

- Dyson James Group Limited

Peter Schwarzenbauer (born 1959)
MINI, Motorcycles, Rolls-Royce,
Aftersales BMW Group

Mandates

- Rolls-Royce Motor Cars Limited (Chairman)

General Counsel:
Dr. Jürgen Reul

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- Membership of other statutory supervisory boards.
- Membership of equivalent national or foreign boards of business enterprises.

Members of the Supervisory Board

Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h.**Joachim Milberg** (born 1943)

Chairman

Former Chairman of the Board of Management of BMW AG

Chairman of the Presiding Board, Personnel Committee and Nomination Committee; member of Audit Committee and the Mediation Committee

Mandates

- Bertelsmann Management SE (Deputy Chairman)
- Bertelsmann SE & Co. KGaA (Deputy Chairman)
- FESTO Aktiengesellschaft (Deputy Chairman) (until 25. 04. 2014)
- Deere & Company
- FESTO Management Aktiengesellschaft (Deputy Chairman) (until 25. 04. 2014)

Manfred Schoch¹ (born 1955)

Deputy Chairman

Chairman of the European and General Works Council
Industrial Engineer

Member of the Presiding Board, Personnel Committee, Audit Committee and Mediation Committee

Stefan Quandt (born 1966)

Deputy Chairman

Entrepreneur

Member of the Presiding Board, Personnel Committee, Audit Committee, Nomination Committee and Mediation Committee

Mandates

- DELTON AG (Chairman)
- AQTON SE (Chairman)
- DataCard Corp. (until 11. 11. 2014)
- Entrust Datacard Corp. (since 12. 11. 2014)

Stefan Schmid¹ (born 1965)

Deputy Chairman

Chairman of the Works Council, Dingolfing

Member of the Presiding Board, Personnel Committee, Audit Committee and Mediation Committee

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

Deputy Chairman

Chairman of the Executive Management of Merck KGaA

Chairman of the Audit Committee and Independent Finance Expert; member of the Presiding Board, Personnel Committee and Nomination Committee

Mandates

- Bertelsmann Management SE
- Bertelsmann SE & Co. KGaA
- Deutsche Lufthansa Aktiengesellschaft

Christiane Benner² (born 1968)

(since 15. 05. 2014)

Executive Member of the Executive Board of IG Metall

Mandates

- Robert Bosch GmbH
- T-Systems International GmbH (until 31. 07. 2014)

Bertin Eichler² (born 1952)

(until 15. 05. 2014)

Former Executive Member of the Executive Board of IG Metall

Mandates

- C. +H. Winter GmbH (since 01. 05. 2014)
- Luitpoldhütte AG
- ThyssenKrupp AG (Deputy Chairman) (until 17. 01. 2014)
- BGAG Beteiligungsgesellschaft der Gewerkschaften GmbH (Chairman Advisory Board)

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.

Franz Haniel (born 1955)
Engineer, MBA

Mandates

- DELTON AG (Deputy Chairman)
- Franz Haniel & Cie. GmbH (Chairman)
- Heraeus Holding GmbH
- Metro AG (Chairman)
- secunet Security Networks AG (until 14. 05. 2014)
- Giesecke & Devrient GmbH (until 08. 04. 2014)
- TBG Limited

Prof. Dr. rer. nat. Dr. h. c. Reinhard Hüttl (born 1957)
Chairman of the Executive Board of
Helmholtz-Zentrum Potsdam Deutsches
GeoForschungsZentrum – GFZ
University Professor

Prof. Dr. rer. nat. Dr.-Ing. E. h.

Henning Kagermann (born 1947)
President of acatech – Deutsche Akademie der
Technikwissenschaften e. V.

Mandates

- Deutsche Bank AG
- Deutsche Post AG
- Franz Haniel & Cie GmbH
- Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München
- Nokia Corporation (until 17. 06. 2014)
- Wipro Limited (until 30. 06. 2014)

Susanne Klatten (born 1962)
Entrepreneur

Member of the Nomination Committee

Mandates

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

Prof. Dr. rer. pol. Renate Köcher (born 1952)
Director of Institut für Demoskopie Allensbach
Gesellschaft zum Studium der öffentlichen
Meinung mbH

Mandates

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

Ulrich Kranz³ (born 1958)
(since 15. 05. 2014)
Head of Product Line BMW i

Dr. h. c. Robert W. Lane (born 1949)
Former Chairman and Chief Executive Officer of
Deere & Company

Mandates

- General Electric Company
- Northern Trust Corporation
- Verizon Communications Inc.

Horst Lischka² (born 1963)
General Representative of IG Metall Munich

Mandates

- KraussMaffei Group GmbH
- KraussMaffei Technologies GmbH
- MAN Truck & Bus AG

Willibald Löw¹ (born 1956)
Chairman of the Works Council, Landshut

Wolfgang Mayrhuber (born 1947)
Chairman of the Supervisory Board of
Deutsche Lufthansa Aktiengesellschaft

Mandates

- Deutsche Lufthansa Aktiengesellschaft (Chairman)
- Infineon Technologies AG (Chairman)
- Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München
- HEICO Corporation

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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 (born 1963)
Member of the Works Council, Munich

Brigitte Rödiger¹ (born 1963)
Member of the Works Council, Dingolfing

Dr. Markus Schramm³ (born 1963)
(until 15.05.2014)
Head of Development Aftersales
Business Management and
Mobility Services BMW Group

Jürgen Wechsler² (born 1955)
Regional Head of IG Metall Bavaria
Mandates
— Schaeffler AG (Deputy Chairman)

Werner Zierer¹ (born 1959)
Chairman of the Works Council, Regensburg

Composition and work procedures of the Board of Management of BMW AG and its committees

The Board of Management governs the enterprise under its own responsibility, acting in the 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 responsible for ensuring that all provisions of law and internal regulations are complied with. Further details about compliance within the BMW Group can be found 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 enterprise. They may only undertake ancillary activities, in particular supervisory board mandates outside the BMW Group, with the approval of the Supervisory Board's Personnel Committee. Each member of the Board of Management of BMW AG is obliged to disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Board of Management accordingly.

Following the appointment of a new member to the Board of Management, the BMW Corporate Governance Officer informs the new member of the framework conditions under which the board member's 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 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 a basic policy level relating to the Group's automobile product strategies and product projects inasmuch as these are relevant for all 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 reference approved by the Board of Management contain a planned allocation of divisional responsibilities between the individual board members. These terms of reference 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 information regarding major transactions and developments within their area 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 takes its decisions at meetings generally held on a weekly basis which are convened, coordinated and headed by the Chairman of the Board of Management. 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 meeting are entitled to vote in writing, by fax or by telephone. Votes cast by phone 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 on the basis of 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 reference 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

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Member of the Board responsible for Finance will represent him.

Minutes are taken of all meetings and 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.

At meetings of the Operations Committee (generally held three times a month), decisions are reached in connection with automobile product projects, based on the strategic orientation and decision framework stipulated at Board of Management meetings. The Operations Committee comprises the Board of Management member responsible for Development (who also chairs the meetings), together with the board members responsible for the following areas: Purchasing and Supplier Network; Production; Sales and Marketing BMW, Sales Channels BMW Group; and MINI, Motorcycles, Rolls-Royce, Aftersales BMW Group. If the committee chairman is not present or unable to attend a meeting, the Member of the Board responsible for Production represents him. Resolutions taken at meetings of the Operations Committee are made online.

The full board usually convenes twice a year in its function as Sustainability Board in order to define strategy 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 enterprise-wide issues affecting executive managers of the BMW Group, either in their entirety or individually (such as the executive management structure, potential candidates for executive management, nominations for or promotions to senior

management positions). This committee has, on the one hand, an advisory and preparatory role (e.g. making suggestions for promotions to the two remuneration groups below board level and preparing decisions to be taken at board meetings with regard to human resources principles with the emphasis on executive management issues) and a decision-taking function on the other (e.g. deciding on appointments to senior management positions and promotions to higher remuneration groups or the wording of human resources principles decided on by the full board). 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 responsible for Human Resources and Social Affairs. The Head of Human Resources, Personnel Network and Human Resources International and the Head of Human Resources Executive Management also participate in an advisory function. 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. As a general rule, between five and ten meetings are held each 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 dint of law, the Board of Management submits its reports to the Supervisory Board in writing. To the extent possible, documents required as a basis for taking decisions are sent to the members of the Supervisory Board in good time before the relevant meeting. Regarding transactions of fundamental importance, the Supervisory Board has stipulated specific transactions which require the approval of the Supervisory Board. 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. In order to fulfil these tasks, the Chairman is supported by all members of the Board of Management. The fundamental principle followed when reporting to the Supervisory Board is that the latter should be kept informed regularly, without delay and comprehensively of all significant matters relating to planning, business performance, risk exposures, risk management and compliance, as well as any major variances between actual and budgeted figures.

Composition and work procedures of the Supervisory Board of BMWAG and its committees

BMW AG's Supervisory Board, comprising ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected by employees in accordance with the German Co-determination Act), has the task of advising and supervising the Board of Management in its governance 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 are to receive. The Supervisory Board can revoke appointments for important reasons.

Together with the Personnel Committee and the Board of Management, the Supervisory Board ensures that long-term successor planning is in place. In their assessment of candidates for a post on the Board of Management, the underlying criteria applied by the Supervisory Board for determining the suitability of candidates are their expertise in the relevant area of board responsibility, outstanding leadership qualities, a proven track record and an understanding of the BMW Group's business. The Supervisory Board takes diversity into account when assessing, on balance, which individual will best complement the Board of Management as a representative body of the Company. "Diversity" in the context of the decision process is understood by the Supervisory Board to encompass different, complementary individual profiles, work and life experiences, at both a national and international level, as well as appropriate representation of both genders. The Supervisory Board strives to ensure appropriate female representation on the Board of Management. The Board of Management reports accordingly to the Personnel Committee and the Supervisory Board at regular intervals on the proportion of, and changes in, management positions held by women, in particular below senior executive level and at uppermost management level. When actually selecting an individual for a post on the Board of Management, the Supervisory Board decides in the best interests of the Company and after taking account of all relevant circumstances.

The Supervisory Board holds a minimum of two meetings in each of the first and second six-month periods of the calendar year. Normally, five plenary meetings are held per calendar year. One meeting each year is planned to cover a number of days and is used, amongst other things, to enable an in-depth exchange on strategic and technological matters. The main emphases of meetings in the period under report are described in the Report of the Supervisory Board. As a general rule, the shareholder

representatives and employee representatives prepare the Supervisory Board meetings separately and, if necessary, together with members of the Board of Management. Members of the Supervisory Board are in particular legally bound to maintain confidentiality with respect to any confidential reports they receive and any confidential discussions in which they partake.

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

The Supervisory Board is quorate if all members have been invited to the meeting and at least half of its members participate in the vote on a particular resolution. 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 not present at the meeting object to the resolution and a minimum of two-thirds of the members are present.

As a basic rule, resolutions are passed by the Supervisory Board by simple majority. The German Co-determination Act contains specific requirements with regard to majority voting and technical procedures, particularly with regard to the appointment and revocation of appointment of management board members and the election of a supervisory board chairman or deputy chairman. 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 taken by the Supervisory Board and its committees at the relevant meetings. A Supervisory Board member who is not present at a meeting can have his/her vote cast by another Supervisory Board member if an appropriate request has been made in writing, by fax or in electronic form. This rule also applies to the casting of the second vote by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board can also accept the retrospective casting of votes by any members not present at a meeting if this is done within the time limit previously set. In special cases, resolutions may also be taken outside of meetings, i.e. in writing, by fax or by electronic means. Minutes are taken of all resolutions and meetings.

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

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Following the election of a new Supervisory Board member, the BMW Corporate Governance Officer informs the new member of the principal issues affecting his or her duties – in particular those enshrined in the BMW Group Corporate Governance Code – including the duty to cooperate when a transaction or event triggers reporting requirements or is subject to the approval of the Supervisory Board.

All members of the Supervisory Board of BMW AG are required 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 a total of three mandates on non-BMW Group supervisory boards of listed companies or in other bodies with comparable requirements.

The Supervisory Board examines the efficiency of its activities on a regular basis. Joint discussions are also held at plenum meetings, prepared on the basis of a questionnaire previously devised by and distributed to the members of the Supervisory Board. The Chairman of the Supervisory Board is open to suggestions for improvement at all times.

Each member of the Supervisory Board of BMW AG is bound to act in the enterprise's best interests. Members of the Supervisory Board may not pursue personal interests in their decisions or take advantage of business opportunities intended for the benefit of the enterprise.

Members of the Supervisory Board are obliged to inform the full Supervisory Board of any conflicts of interest which may result from a consultant or directorship function with clients, suppliers, lenders or other business partners, enabling the Supervisory Board to report to the shareholders at the Annual General Meeting on how it has dealt with such issues. Material conflicts of interest and those which are not merely temporary in nature result in the termination of the mandate of the relevant Supervisory Board member.

With regard to nominations for the election of members of the Supervisory Board, care is taken that the Supervisory Board in its entirety has the required knowledge, skills and expert experience to perform its tasks in a proper manner.

The Supervisory Board has set out specific targets for its own composition (see section "Composition targets for the Supervisory Board").

The members of the Supervisory Board are responsible for undertaking appropriate basic and further training

measures such as that may be necessary to carry out the tasks assigned to them. The Company provides appropriate assistance to members of the Supervisory Board in this respect.

The ability of the Supervisory Board to supervise and advise the Board of Management independently is also assisted by the fact that the Supervisory Board is required, based on its own assessment, to have an appropriate number of independent members. Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg is the only person on the Supervisory Board to have previously served on the Board of Management, of which he ceased to be a member in 2002. Supervisory Board members do not exercise directorships or similar positions or undertake advisory tasks for important competitors of the BMW Group.

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, namely the Personnel Committee, the Audit Committee, the Nomination Committee and the Mediation Committee (see "Overview of Supervisory Board Committees, Meetings"). Such committees serve to raise the efficiency of the Supervisory Board's work and facilitate the handling of complex issues. The establishment and function of a mediation committee is prescribed by law. The person chairing a committee reports in detail on its work at each plenum meeting.

The composition of the Presiding Board and the various committees is based on legal requirements, BMW AG's Articles of Incorporation, terms of reference and corporate governance principles. The expertise and technical skills of its members are also taken into account.

According to the relevant terms of reference, the Chairman of the Supervisory Board is, in this capacity, automatically a member of the Presiding Board, the Personnel Committee and the Nomination Committee, and also chairs these committees.

The number of meetings held by the Presiding Board and the committees depends on current requirements. The Presiding Board, the Personnel Committee and the Audit Committee normally hold several meetings in the course of the year (see "Overview of Supervisory Board Committees, Meetings" for details of the number of meetings held in 2014).

In line with the terms of reference for the activities of the plenum, the Supervisory Board has also set terms of reference for the Presiding Board and the various committees. The committees are only quorate if all members are present. Resolutions taken by the committees are

passed by simple majority unless stipulated otherwise by law. Minutes are also taken at the meetings and for the resolutions of the committees and the Presiding Board, and signed by the person chairing the particular meeting. This person also represents the committee in any dealings it may have with the Board of Management or third parties.

Members of the Supervisory Board may not delegate their duties. The Supervisory Board, the Presiding Board and committees may call on experts and other suitably informed persons to attend meetings to give advice on specific matters.

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

BMW AG ensures that the Supervisory Board and its committees are sufficiently equipped to carry out their duties. This includes the services provided by a centralised secretariat to support the chairmen in coordinating the work of the Supervisory Board.

In accordance with the relevant terms of reference, the Presiding Board comprises the Chairman of the Supervisory Board and board deputies. The Presiding Board prepares Supervisory Board meetings to the extent that the subject matter to be discussed 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 the Supervisory Board's efficiency examination.

The Personnel Committee prepares the decisions of the Supervisory Board with regard to the appointment and revocation of appointment of members of the Board of Management and, together with the full Supervisory Board and the Board of Management, ensures that long-term successor planning is in place. The Personnel Committee also prepares the decisions of the Supervisory Board with regard to the Board of Management's compensation and the Supervisory Board's regular review of the Board of Management's compensation system. In conjunction with the 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 service/employment contracts or, when necessary, other relevant contracts with members of the Board of Management. In specified cases, the Personnel Committee also has the authority to give the necessary approval for a particular transaction (instead of the Supervisory Board). This includes loans to members of the Board of Management or Supervisory Board, specified contracts with members of the Supervisory Board (in

each case taking account of the consequences of related parties), as well as other activities of members of the Board of Management, including the acceptance of non-BMW Group supervisory board mandates.

The Audit Committee deals in particular with issues relating to the supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, internal audit arrangements and compliance. It also monitors the external audit, auditor independence and any additional work performed by the external auditor. It prepares the proposal for the election of the external auditor at the Annual General Meeting, makes a recommendation regarding the election of the external auditor, issues the audit engagement letter and agrees on points 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 before publication. The Audit Committee also decides on the Supervisory Board's agreement to use the 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 specific know-how and experience in applying financial reporting standards and internal control procedures. He also fulfils the requirements of being an independent 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 for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting. In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.

The establishment and composition of a mediation committee are required 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 and one member each selected by shareholder representatives and employee representatives.

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Overview of Supervisory Board Committees, Meetings

Principal duties, basis for activities	Members	Number of meetings 2014	Average attendance
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 reference 	Joachim Milberg ¹ Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley	4	95%
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 reference 	Joachim Milberg ¹ Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley	6	97%
Audit Committee			
<ul style="list-style-type: none"> – supervision of the financial reporting process, effectiveness of the internal control system, risk management system, internal audit arrangements and compliance – 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 of external auditor and compliance of audit engagement, determination of 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 – 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 reference 	Karl-Ludwig Kley ^{1,2} Joachim Milberg Manfred Schoch Stefan Quandt Stefan Schmid	4 plus 3 telephone conferences	94%
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 reference 	Joachim Milberg 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.)	2	88%
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 	Joachim Milberg 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) AktG and §107 (4) AktG.

Composition objectives of the Supervisory Board

The Supervisory Board must be composed in such a way that its members as a group possess the knowledge, skills and experience required to properly complete its tasks. To this end, the Supervisory Board has formally specified the following concrete objectives regarding its composition, taking into account the recommendations contained in the German Corporate Governance Code:

- If possible four of the members of the Supervisory Board should have international experience or specialist knowledge with regard to one or more of the non-German markets important to the Company.
- If possible, the Supervisory Board should include seven members who have acquired in-depth knowledge and experience from within the enterprise. The Supervisory Board should not, however, include more than two former members of the Board of Management.
- If possible three of the shareholder representatives in the Supervisory Board should be entrepreneurs or persons who have already gained experience in the management or supervision of another medium or large-sized company.
- Ideally, three members of the Supervisory Board should be figures from the worlds of business, science or research who have gained experience in areas relevant to the BMW Group – e.g. chemistry, energy supply, information technology, or who have acquired specialist knowledge in subjects relevant for the future of the BMW Group e.g. customer requirements, mobility, resources or sustainability.
- When seeking suitably qualified individuals for the Supervisory Board whose specialist skills and leadership qualities are most likely to strengthen the Board as a whole, consideration should also be given to diversity. When preparing nominations, the extent to which the work of the Supervisory Board would benefit from diversified professional and personal backgrounds (including international aspects) and from an appropriate representation of both genders should also be taken into account. In view of the proportion of women in the workforce (BMW AG: 14.8%; BMW Group 17.8%) and in management positions (BMW AG: 11.4%; BMW Group: 14.2%) at 31 December 2014, the Supervisory Board is of the opinion that a proportion of three female members out of a total of 20 members (15%) is satisfactory as far as gender mix is concerned, but that an increase to at least four female members (20%) would be desirable. The Supervisory Board therefore considers it appropriate that opportunities available in conjunction with selection procedures through to the end of the ordinary Annual General Meeting in 2016 should be used to maintain the current proportion of 25% female representation.

The Supervisory Board believes it is the joint responsibility of all persons and groupings participating in the nomination and election process to ensure that the Supervisory Board includes an appropriate number of qualified women.

- At least twelve of the 20 members of the Supervisory Board should be independent members within the meaning of section 5.4.2 of the German Corporate Governance Code, including at least six members representing 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 prevailing legislation, the members of the Supervisory Board will strive to ensure that no persons will be nominated for election with whom a serious conflict of interests could arise (other than temporarily) due to other activities and functions carried out by them outside the BMW Group; this includes in particular advisory activities or directorships with customers, suppliers, creditors or other business partners.
- As a general rule, the age limit for membership of the Supervisory Board should be set at 70 years. In exceptional cases, members may be allowed to remain on the Board up until the end of the Annual General Meeting following their 73rd birthday, in order to fulfil legal requirements or to facilitate smooth succession in the case of persons with key roles or specialist qualifications.

The time schedule set by the Supervisory Board for achieving the above-mentioned composition targets is the Annual General Meeting in 2016. Future proposals for nomination made by the Supervisory Board at 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 at the Annual General Meeting. The Annual General Meeting is not bound by nominations for election proposed by the Supervisory Board. The freedom of employees to vote for the employee members of the Supervisory Board is also protected. Under the procedural 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 freedom to vote. More to the point, they reflect

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the composition which the current Supervisory Board believes should be striven for in future by those entitled to nominate and elect board members, in view of the advisory and supervisory needs of BMW AG's Supervisory Board.

In the Supervisory Board's opinion, its composition as at 31 December 2014 fulfilled the composition objectives detailed above.

In order to provide shareholders with a profile of the individual members of the Supervisory Board and to make it easier to assess 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 on corporate governance practices applied beyond mandatory requirements

Core principles

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

Customer focus

The success of our Company is determined by our customers. They are at the heart of everything we do. The results of all our activities must be valued in terms of the benefits they will generate for our customers.

Peak performance

We aim to be the best – a challenge to which all of us must rise. Each and every employee must be prepared to deliver peak performance. We strive to be among the elite, but without being arrogant. It is the Company and its products that count – and nothing else.

Responsibility

Every BMW Group employee has the personal responsibility for the Company's success. When working in a team, each employee must assume personal responsibility for his or her actions. We are fully aware that we are working to achieve the Company's goals. For this reason, we work together in the best interests of the Company.

Effectiveness

The only results that count for the Company are those which have a sustainable impact. In assessing leadership, we must consider the effectiveness of performance on results.

Adaptability

In order to ensure our long-term success we must adapt to new challenges with speed and flexibility. We therefore see change as an opportunity – adaptability is essential to be able to capitalise on it.

Frankness

As we strive to find the best solution, it is each employee's duty to express any opposing opinions they may have. The solutions we agree upon will then be consistently implemented by all those involved.

Respect, trust, fairness

We treat each other with respect. Leadership is based on mutual trust. Trust is rooted in fairness and reliability.

Employees

People make companies. Our employees are the strongest factor in our success, which means our personnel decisions will be among the most important we ever make.

Leading by example

Every manager must lead by example.

Sustainability

In our view, sustainability constitutes a lasting contribution to the success of the Company. This is the basis upon which we assume ecological and social responsibility.

Society

Social responsibility is an integral part of our corporate self-image.

Independence

We secure the corporate independence of the BMW Group through sustained profitable growth.

The core principles are also available at www.bmwgroup.com under the menu items "Responsibility" and "Employees".

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 a willingness to be open, trustworthy and transparent. We are well aware of our responsibility towards society. Our models for sustainable social responsibility towards employees and for ensuring compliance with international social standards are based on various internationally