

# STATEMENT ON CORPORATE GOVERNANCE

11 March 2021

Good corporate governance – acting in accordance with the principles of responsible management aimed at increasing enterprise value on a sustainable basis – is an essential requirement for the BMW Group, embracing all areas of the business. Transparent reporting and corporate communication, corporate governance that is aligned with the interests of all stakeholders, cooperation based on trust between the Board of Management, Supervisory Board and employees, and compliance with applicable law are essential cornerstones of the corporate culture within the BMW Group.

In this statement, the Board of Management and Supervisory Board report on corporate governance at BMW AG in accordance with §§ 289f, 315d of the German Commercial Code (HGB) and Principle 22 of the German Corporate Governance Code as amended on 16 December 2019 (DCGK).

## **DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE (DCGK)**

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft (BMW AG) declare pursuant to § 161 of the German Stock Corporation Act (AktG) the following regarding the recommendations of the “Government Commission on the German Corporate Governance Code”:

1. Since the last Declaration was issued in December 2019, BMW AG has complied with all the recommendations published officially in the Federal Gazette on 24 April 2017 (Code version dated 7 February 2017).
2. BMW AG will in future comply with all of the recommendations published officially on 20 March 2020 in the electronic Federal Gazette (Code version dated 16 December 2019).

Munich, December 2020

Furthermore, the Company also complies with all of the suggestions of the DCGK.

The compensation of the members of the Supervisory Board was changed to a purely fixed compensation system for the financial year 2020 onwards, as a result of which, the suggestion contained in G.18 DCGK has also been complied with since then.

During the past financial year, some members of the Supervisory Board were offered the opportunity of participating in meetings via telephone and video conferences, as it was not always possible for all members to attend in person due to the pandemic and the associated travel restrictions. However, in line with the suggestion in D.8 DCGK, this form of participation is not considered to be the rule. A summary of attendance at meetings by individual member is included in the Report of the Supervisory Board.

With effect from the financial year 2021, the Supervisory Board has changed the system of compensation for the members of the Board of Management. All recommendations and suggestions contained in the DCGK have been complied with. In particular, in accordance with G.10 DCGK, a share-based compensation component with a four-year minimum holding period is provided for, whereby this target-based compensation component accounts for the majority of variable compensation. The new system will be submitted for approval at the 2021 Annual General Meeting.

As announced in the previous year and apparent in the overview of the composition of the Supervisory Board’s Committees on page 18, a change was made in the chair of the Audit Committee in 2020 to take account of the fact that the previous Chairman had already been a member of the Supervisory Board since 2008.

The current and previous Declarations of Compliance of Bayerische Motoren Werke Aktiengesellschaft can be found online, using the link provided on page 11.

## **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 Board of Management, the Supervisory Board and the Annual General Meeting. 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 Board

of Management is fully responsible for managing the enterprise and is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Management Board and can, at any time, revoke an appointment for good cause. 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 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 enterprise as described above is also known as a “two-tier board structure”.

## **BOARD OF MANAGEMENT**

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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.

### **Overview**

In accordance with § 7 of the Articles of Incorporation, the Board of Management of BMW AG comprises at least two persons; other than that, the number of members of the Board of Management is determined by the Supervisory Board. At 31 December 2020, the Board of Management comprised seven members (six men and one woman).

The Board of Management decides on the principal guidelines for managing the enterprise, determines and agrees upon the strategic orientation 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. The Board of Management is also responsible for ensuring that appropriate risk management and risk controlling systems are in place throughout the Group.

Following the appointment of a new member to the Board of Management, the BMW Corporate Governance Officer informs the new member of the context in which the Board member's duties are to be carried out, including the duty to cooperate when a transaction or event triggers reporting requirements or requires the approval of the Supervisory Board.

Members of the Board of Management 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 BMW Group. They may only undertake ancillary activities, particularly supervisory board mandates outside the BMW Group, 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.

During their period of employment for BMW AG, members of the Board of Management are bound by a comprehensive non-competition clause.

### **Board of Management work procedures**

The Board of Management has adopted rules of procedure, which are published on the Company's website and can be accessed by using the link at the bottom of page 11. These Rules of Procedure incorporate the principle that the full Board of Management bears joint responsibility for all matters of particular importance. In all other respects, each member of the Board of Management is responsible for areas assigned to them. Specific arrangements may be put in place for matters affecting more than one area of responsibility.

The allocation of areas of responsibility and business segments among the members of the Board of Management is set out in a schedule of responsibilities.

Members of the Board of Management bear joint responsibility for the overall management of the enterprise. They work together as colleagues and keep one another constantly updated on important business matters and transactions within their areas of responsibility.

The Board of Directors adopts its resolutions at full Board meetings as well as at Product and Customer Board meetings.

Board meetings are convened, coordinated and chaired by the Chairman of the Board of Management. In the event that the Chairman of the Board of Management is unable to attend a meeting, the member of the Board responsible for Finance represents him.

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 Board of Management is quorate at a meeting if all Board members have been invited and more than half are present. Board of Management members who join a meeting by telephone or by video/audio transmission are deemed to be present. Members who are not present may cast their votes in writing, by e-mail, by text message or by fax, addressed for the attention of the Chairman of the Board of Management. The Chairman of the Board of Management may permit other electronic forms of communication for voting. Except in urgent cases, matters relating to an area of responsibility for which the responsible Board member is not present will only be discussed and decided upon with that member's consent.

At the instigation of the Chairman of the Board of Management, resolutions may also be passed outside meetings. Outside of a meeting, the Board of Management has a quorum if all members have been invited to participate in the vote for a resolution, no member objects to this procedure without delay and more than half of the Board members participate in the vote. Votes may be cast in writing, by e-mail, SMS, telefax, telephone, by means of audio/video transmission or by any other electronic means of communication allowed by the Chairman of the Board of Management. The Chairman of the Board of Management may determine a specific form of voting.

Resolutions of the Board of Management should be passed unanimously whenever possible. If unanimity cannot be achieved, the Board of Management passes resolutions by a simple majority of the votes cast, unless other majorities are prescribed as mandatory by law, the Articles of Incorporation or the Board of Management's Rules of Procedure. Any changes to the Board of Management's Rules of Procedure must be passed unanimously. In the event of a tied vote, the Chairman of the Board of Management has the casting vote.

Minutes are kept of the meetings, indicating the place and date of the meeting, the participants, the items on the agenda and the wording of the resolutions. The minutes are required to be signed by the Chairman of the Board of Management.

The Board of Management may, as required and depending on the subject matters being discussed, invite non-voting advisers to participate at meetings.

Generally, two to three Board meetings were held per month during the financial year 2020.

### **Tasks of the full Board of Management**

In 2020, deliberations were held and decisions taken by the Board of Management at full Board meetings as well as at Product and Customer Board meetings.

The overall framework for developing business strategies, the use of resources, the implementation of strategies and matters of particular importance to BMW AG are decided upon at full Board of Management meetings.

Product and customer-related issues of particular importance to BMW AG as well as cross-brand decisions on automobile product strategy and all product projects at the fundamental stage are decided upon at Product and Customer Board meetings.

### **Board of Management Committees**

The Board of Management has established the Committees "Customer", "Operations" and "Senior Executives".

Board of Management Committees pass resolutions independently and in place of the Board of Management for matters relating to the Committee's area of responsibility. A Committee matter is dealt with by the full Board of Management if a Board of Management member requests it. The full Board of Management may amend or revoke the resolutions of a committee at any time. The members of a committee report regularly to the full Board of Management on committee work.

Within this framework, Board of Management Committees may regulate their own working procedures; in all other respects, the Rules of Procedure of the Board of Management apply accordingly.

The Board of Management Customer Committee deliberates and decides on sales and brand issues across all Board areas of responsibility as well as on the direct interaction of sales and brand issues with production and purchasing issues. It usually meets once a month, at least four times a year in full session. Board members with voting rights in the Customer Committee comprise the Board member responsible for Customer, Brand and Sales (who also chairs the Committee) as well as the Board members responsible for Finance, Purchasing and Supplier Network, and Production.

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. Board members with voting rights in the Operations Committee comprise the Board member responsible for Production (who also chairs the Committee) and the Board members responsible for Purchasing and Supplier Network and Development.

The Board of Management's Senior Executives Committee deals with issues affecting executive managers

of the BMW Group, either in their entirety or individually. Firstly, the Senior Executives Committee has 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. developing rules and guidelines for 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 responsible for Human Resources.

### **Cooperation with the Supervisory Board**

The Chairman of the Board of Management coordinates and lead manages cooperation and communication between Board of Management members and 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 resolved that its specific approval is required for transactions of fundamental importance. Where necessary, the Chairman of the Board of Management obtains the approval of the Supervisory Board.

The Chairman of the Board of Management is also responsible for ensuring that reporting duties vis-à-vis 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 information and reporting duties of the Board of Management vis-à-vis the Supervisory Board are defined by Supervisory Board resolution. 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.

The fundamental principle followed when reporting to the Supervisory Board is that the information should be provided regularly, promptly and comprehensively on all matters of significance for the BMW Group relating to planning, business performance, risk exposures, risk management and the compliance organization. This also requires the Board of Management to address deviations of actual outcomes from forecasts and targets, indicating the reasons for such deviations.

### **Board of Management succession planning, diversity concept**

Together with 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 a good understanding of the BMW Group's business. The Supervisory Board has adopted a diversity concept for the composition of the Board of Management, which is also aligned with the recommendations contained in the German Corporate Governance Code. The Supervisory Board takes diversity into account when assessing, on balance, which individual would best complement the Board of Management, in view of the fact that it is a representative body of the Company. "Diversity" in the context of the decision-making process is understood by the Supervisory Board to encompass various complementary individual profiles, work and life experience at both national and international level, and also the appropriate representation of genders. In reaching its decisions, the Supervisory Board also considers the following:

- Board of Management members need to have a long-standing track record of management experience, ideally in a variety of 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.
- Collectively, the Board of Management should 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, which 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 and, in particular at first executive level.
- In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board has set an age limit for Board of Management membership. The Supervisory Board also gives consideration to achieving an appropriate mixture of

people of different ages within the Board of Management.

When actually selecting an individual for a post on the Board of Management, the Supervisory Board decides in the best interest of the BMW Group and after amply considering all of the relevant circumstances.

In the Supervisory Board's opinion, the composition of the Board of Management at 31 December 2020 is in line with the stipulated diversity concept. The varying professional, academic and life experiences of the members of the Board of Management complement one another. To enable a comparison with the diversity concept, the curricula vitae of the members of the Board of Management can be accessed on the BMW Group's website using the link on page 11.

In addition to the Supervisory Board, the Personnel Committee of the Supervisory Board and the Chairman of the Board of Management, the human resource management for senior executives of the Company is also involved in the long-term succession planning for the Board of Management. Potential candidates for the individual Board functions are discussed in regular discussions with the Chairmen of the Board of Management and the Supervisory Board, both on the basis of the requirements for the specific area of responsibility and on the basis of the diversity concept for the entire Board. This process is connected to the regular annual assessments of senior executives in the Company and is intended to make an up-to-date pool of candidates available on an ongoing basis, which the Personnel Committee and Supervisory Board can revert to.

As a rule, the Personnel Committee addresses the question of an extension or replacement approximately one year before the end of a mandate on the Board of Management. In the event of a replacement, the internal pool of candidates will be reviewed. In some cases, HR consultants are also called in to look for suitable external candidates and/or to assess the suitability of candidates. The Personnel Committee of the Supervisory Board already takes into account the diversity concept described by the Supervisory Board when pre-selecting the candidates. Personalities on the shortlist are invited to present themselves to the Personnel Committee. Candidates recommended as suitable by the Personnel Committee will then present themselves in separate preliminary discussions between the representatives of the shareholders and the employees and subsequently in the Supervisory Board plenary. After thorough deliberation, the latter takes the final decision on the appointment as a member of the Board of Management.

## **SUPERVISORY BOARD**

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The Supervisory Board is charged with the task of advising and monitoring the Board of Management in its management of BMW AG.

### **Overview**

The Supervisory Board of BMW AG consists of ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected in accordance with the Co-Determination Act).

The ten employee representatives on the Supervisory Board are made up of

- seven Company employees, including one senior executive, and
- three members of the Supervisory Board, who are elected on the recommendation of trade unions.

The Supervisory Board is involved in all decisions of fundamental importance for BMW AG.

It appoints the members of the Board of Management and decides upon the level of compensation they receive. It can also revoke appointments for important reasons.

Members of the Supervisory Board of BMW AG may not delegate their duties to others.

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

Members of the Supervisory Board are required to inform the Chairman of the Supervisory Board without delay of any conflicts of interest, particularly any that can result from a consultant or executive function with clients, suppliers, lenders or other business partners, in order to enable the Supervisory Board to report to the shareholders at the Annual General Meeting on its treatment of the issue. If a Supervisory Board member has significant and non-temporary conflicts of interest, it will lead to the termination of their mandate.

Members of the Supervisory Board of BMW AG are required to ensure that they have sufficient time to carry out their duties and to pay attention to the limitations recommended in the German Corporate Governance Code for supervisory board mandates and similar functions.

The Supervisory Board regularly assesses the efficiency of its own and the activities of the Committees. To this end, a common discussion is held within the Supervisory Board alongside individual meetings with

the Chairman, prepared on the basis of a questionnaire sent in advance, which is drawn up by the Supervisory Board. The respective findings will be discussed in plenary. The evaluation for the financial year 2020 shows a high level of satisfaction among the members of the Supervisory Board with the organisation and conduct of the meetings as well as with the range of topics covered. In addition, the cooperation is perceived as very constructive and trusting within the Supervisory Board as well as with the Board of Management. If possible, suggestions from the Supervisory Board members will be realised as early as the following financial year.

When nominating candidates for election to the Supervisory Board, care is taken that the body in its entirety has the required knowledge, skills and expertise to perform its tasks in a proper manner.

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

The members of the Supervisory Board are individually responsible for undertaking any training required for the performance of their duties, appropriately assisted by the Company. Further information on training measures carried out in 2020 is provided in the Report of the Supervisory Board.

Following the election of a new Supervisory Board member, the BMW Corporate Governance Officer is required to inform the new member of the principal issues affecting their duties, including the duty to cooperate when a transaction or event triggers reporting requirements or is subject to the approval of the Supervisory Board.

### **Supervisory Board work procedures**

The Supervisory Board holds a minimum of two meetings in each of the first and second six-month periods of the calendar year. As a rule, five Supervisory Board meetings are held per calendar year. One meeting per year is planned to extend over several days, partially to enable an in-depth exchange of thoughts and ideas on strategic and technical matters. The main topics of meetings during the period under report are summarised in the Report of the Supervisory Board. Shareholder representatives and employee representatives generally prepare Supervisory Board meetings separately, together with members of the Board of Management as the need arises.

The Chairman of the Supervisory Board coordinates work within the Supervisory Board, convenes and chairs its meetings, handles its external affairs 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 total membership 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 if a minimum of two-thirds of the members are present.

Supervisory Board resolutions are generally passed by a simple majority. The German Co-determination Act contains specific legal requirements and procedural provisions with respect to majority voting, particularly regarding the appointment and dismissal of management board members and the election of a supervisory board chairman or deputy chairman.

If a Supervisory Board vote results in a tie, a new discussion will only take place if the majority of the Supervisory Board resolves to do so accordingly. In the event of a renewed vote on the same item, the Chairman of the Supervisory Board has two votes if the vote is again tied.

The resolutions of the Supervisory Board and its Committees are regularly adopted at the meetings. Absent members of the Supervisory Board may have their vote submitted in writing by another member of the Supervisory Board. This rule also applies to the casting of the second vote by the Chairman of the Supervisory Board. Voting in writing, by telephone, telefax or by means of electronic media is also permissible if the Chairman (or Deputy Chairman if the Chairman is unable to participate) consents to this in exceptional circumstances. In this case, such resolutions are required to be confirmed retrospectively by way of minutes. Subsequent voting is permitted if the Chairman (or Deputy Chairman in his absence) consents to this prior to the vote in the meeting for all absent members of the Supervisory Board, based on a deadline for such subsequent voting set by the Chairman.

Minutes are taken of all resolutions and meetings, which are then signed by the chair of the meeting.

The Supervisory Board may call on experts and other suitably informed persons to attend meetings to give advice on specific matters. The Supervisory Board also meets regularly without the Board of Management.

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.

The Rules of Procedure of the Supervisory Board are available on the Company's website or via the link below (page 11).



## **Presiding Board and Supervisory Board Committees**

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 the handling of complex issues. Committee chairpersons report in detail on committee work at each Supervisory Board meeting.

The composition of the Presiding Board and the committees is based on legal requirements, the Articles of Incorporation, the Rules of Procedure, and corporate governance principles, particularly taking into account the professional expertise of their members.

According to the relevant rules of procedure, 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 actual requirements. As a rule, the Presiding Board, the Human Resources Committee and the Audit Committee hold several meetings in the course of a year.

In line with the terms of reference for the activities of the Presiding Board and the various Committees, the Supervisory Board has set out rules of procedure. The Committees are quorate if all members have been invited and at least three members, including at least one shareholder representative and one employee representative, participate in the adoption of resolutions. Unless otherwise stipulated by law, resolutions taken by the Committees are passed by a simple majority.

In accordance with the relevant rules of procedure, the Presiding Board comprises the Chairman and Deputy Chairpersons of the Supervisory Board. The Presiding Board deals with the planning of topics for the year and prepares the Supervisory Board meetings, assuming the subject matter to be discussed does not fall within the remit of any of the Committees. This work includes, for example, preparing the annual Declaration of Compliance with the German Corporate Governance Code.

The current members of the Presiding Board are Dr.-Ing. Dr.-Ing E.h. Norbert Reithofer (Chairman), Manfred Schoch, Stefan Quandt, Stefan Schmid and Dr. Karl-Ludwig Kley. Dr. Kley's mandate on the Supervisory Board of BMW AG ends at the end of the 2021 Annual General Meeting. In the context of the upcoming by-election, it is planned to elect an independent member

of the shareholder representatives to the Presiding Board.

The Personnel Committee prepares the 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 successor planning. The Personnel Committee also prepares Supervisory Board decisions regarding Board of Management compensation as well as the regular review of the 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 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 in particular the approval of loans to members of the Board of Management or Supervisory Board, certain contracts with members of the Supervisory Board (in each case taking account of the consequences of related party transactions), as well as other activities of members of the Board of Management, including the acceptance of non-BMW Group supervisory board mandates.

The current members of the Personnel Committee are Dr.-Ing. Dr.-Ing E.h. Norbert Reithofer (Chairman), Manfred Schoch, Stefan Quandt, Stefan Schmid and Dr. Karl-Ludwig Kley. Dr. Kley's mandate on the Supervisory Board of BMW AG ends at the end of the 2021 Annual General Meeting. In the context of the upcoming by-election, it is planned to elect an independent member of the shareholder representatives to the Personnel Committee.

The Audit Committee deals in particular with issues relating to the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system, and the performance of Supervisory Board duties in connection with audits pursuant to § 32 of the German Securities Trading Act (WpHG). 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 additional 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 prior to publi-

cation. It also addresses non-financial reporting matters, prepares the Supervisory Board's audit thereof, appoints an external auditor for non-financial reporting and issues the audit engagement contract. Moreover, the Audit Committee deals with the monitoring of the audit system and compliance as well as with the examination and supervision of any need for action relating to possible breaches of duty by members of the Board of Management in preparing a resolution by the Supervisory Board. It also decides on the Supervisory Board's agreement to use Authorised Capital 2019 (Article 4 no. 5 of the Articles of Incorporation) and on amendments to the Articles of Incorporation which only affect its wording.

The current members of the Audit Committee are Dr. Kurt Bock (Chairman), Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer, Manfred Schoch, Stefan Quandt and Stefan Schmid. Until 14 May 2020, Dr. Karl-Ludwig Kley was a member and Chairman of the Audit Committee.

In accordance with the provisions of the German Corporate Governance Code, the Chairman of the Audit Committee is independent and is not a former member of the Company's Board of Management. He has specific knowledge and experience in the fields of accounting, financial reporting and internal control procedures. He also fulfils the requirement of being a financial expert as defined by §§ 100 (5), 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 recommendation of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.

The current members of the Nomination Committee are Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer (Chairman), Susanne Klatten, Dr. Karl-Ludwig Kley and Stefan Quandt.

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.

The current members of the Mediation Committee are Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer, Manfred Schoch, Stefan Quandt and Stefan Schmid.

### **Composition targets for the Supervisory Board, competency profile, diversity concept**

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

To this end, BMW AG's Supervisory Board has passed a resolution specifying the competency profile, including objectives regarding its composition, which are listed below. These also underpin the overall concept for achieving diversity in the composition of the Supervisory Board (diversity concept):

- If possible, the Supervisory Board should have at least four members that have international experience or specialised knowledge of one or more non-German markets important to the BMW Group.
- Furthermore, if possible, the Supervisory Board should include seven members who have in-depth knowledge and experience within the BMW Group, no more than two of whom may be former members of the Board of Management.
- Three of the shareholder representatives on the Supervisory Board should preferably be entrepreneurs or persons who have previous experience in the management or supervision of another medium-sized or large company.
- Three members of the Supervisory Board should preferably be figures from the worlds of business, science or research who have gained experience in areas relevant to the BMW Group such as chemicals, energy supply or information technology. Each Supervisory Board member should have expertise in at least one topic relevant to the company, such as mobility, customer needs, compliance, human resources, digitisation, artificial intelligence, resources and sustainability.
- When seeking suitably qualified individuals for the Supervisory Board whose specialist skills and leadership qualities are most likely to be an asset to the Board as a whole, consideration also needs to be given to diversity. When preparing nominations, the extent to which the work of the Supervisory Board will benefit from diverse professional and personal backgrounds (including international aspects) and from an appropriate gender representation also needs 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.

- The Supervisory Board is required include at least six independent shareholder representatives within the meaning of Recommendation C.7 of the German Corporate Governance Code (version dated 16 December 2019).
- The chairpersons of the Supervisory Board, Audit Committee and Personnel Committee should be independent of the Company and of the Board of Management.
- Two independent members of the Supervisory Board need to 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 legislation, members of the Supervisory Board are required to ensure that no persons will be nominated for election with whom a serious, non-temporary conflict of interests could arise due to other activities and functions performed by them outside the BMW Group, particularly advisory activities or directorships with customers, suppliers, creditors or other business partners.
- The age limit of 70 years for membership in the Supervisory Board must be generally applied. In exceptional cases, members may remain in office until the end of the 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 specialised qualifications.
- As a general rule, members of the Supervisory Board should not hold office for longer than the end of the Annual General Meeting at which the resolution is passed ratifying the member's activities for the 11th financial year after initially taking office, not including the fiscal year in which the member's 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 as well as members' technical, professional and personal backgrounds.

The time frame set by the Supervisory Board for achieving the above-mentioned composition targets is the period up to 31 December 2021. The Nomination Committee of the Supervisory Board already takes composition targets into account when selecting possible candidates as shareholder representatives. These measures lay the foundation for achieving a diverse

composition and ensuring that the Supervisory Board collectively possesses the knowledge, skills and experience required to perform its duties in a proper manner. Proposals for election by the Supervisory Board to the Annual General Meeting should take into account the appointment objectives in so far as they concern Supervisory Board members of the shareholders in such a way that the aim is to implement the composition targets and to fill in the competence profile for the Supervisory Board as a whole by appropriate election resolutions of the Annual General Meeting. The Annual General Meeting is, however, not bound by nominations for election proposed by the Supervisory Board. 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 composition targets that the Supervisory Board has set itself are therefore not intended to be instructions to those entitled to vote or restrictions on their freedom to vote.

### **Self-assessment of the Supervisory Board as at 31 December 2020**

In the Supervisory Board's opinion, its composition as at 31 December 2020 fulfilled the composition targets set out above and fills in the competence profile. For ease of comparison with the composition targets and the competence profile, this document contains an overview of the members of the Supervisory Board during the financial year 2020 (from page 14 onwards). Information relating to members' practised professions and to mandates in other statutorily formed supervisory boards and equivalent national or foreign corporate boards, including the length of their periods of service on, can also be found there.

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 specialised 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 enterprise are provided by the 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 entity. The Supervisory Board also has three entrepreneurs among its members. Most of the members of the Supervisory Board – including the employee representatives – have some experience in supervising another medium-sized or large company. In addition, more than three members of the Supervisory Board

have experience and specialist knowledge in subjects particularly relevant for the future of the BMW Group, such as customer needs, mobility, digitisation and artificial intelligence, resources, sustainability and information technology.

For the purpose of assessing the independence of its members, the Supervisory Board followed the recommendations of the German Corporate Governance Code in the version dated 16 December 2019. In assessing whether a substantial and not merely temporary conflict of interests exists, particular consideration needs to be given to whether a Supervisory Board member or a close family member of the Supervisory Board member was a member of the Board of Management of BMW AG in the two years prior to the appointment, currently maintains or in the year up to appointment maintained a material business relationship with the Company or a company dependent on it directly (e.g. as a customer, supplier, lender or consultant) or as a shareholder or in a responsible function of a company outside the Group (e.g. as a customer, supplier, lender or consultant), is a close family member of a member of the Board of Management or has been a member of the Supervisory Board for more than 12 years.

As a result, the shareholder side classifies more than half of its members as independent. At 31 December 2020 these are: Dr.-Ing. Dr.-Ing. E.h. Norbert Reithofer, Dr. Kurt Bock, Dr.-Ing. Heinrich Hiesinger, Anke Schäferkordt, Simone Menne and Dr. Vishal Sikka.

At least four members meet the requirements of an financial expert. These are Dr. Kurt Bock, Dr. Karl-Ludwig Kley, Anke Schäferkordt and Simone Menne. In addition, the senior executive representative Dr. Thomas Wittig, has special expertise in the field of accounting and financial reporting.

At 31 December 2020, the Supervisory Board had seven female members (35%), comprising three shareholder representatives and four employee representatives. The Supervisory Board has 13 male members (65%), comprising seven shareholder representatives and six employee representatives. The Company therefore complies with the statutory gender quota of at least 30% female members applicable since 1 January 2016, both for shareholder representatives and employee representatives. No member of the Supervisory Board had reached the normal retirement age of 70 as at 31 December 2020.

## **SHAREHOLDERS AND ANNUAL GENERAL MEETING**

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The shareholders of BMW AG exercise their control and co-determination 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 as well as specified capital measures and elects the shareholder representatives to the Supervisory Board.

Moreover, in the event of significant changes, but at least every four years, the compensation system for the members of the Board of Management is submitted to the Annual General Meeting for approval. This is scheduled to take place at the Annual General Meeting in 2021.

Shareholders may exercise their voting rights at the Annual General Meeting either in person, by proxy or via a representative designated by BMW AG. Voting rights may also be exercised via postal vote.

Due to the Covid-19 pandemic, the 2020 Annual General Meeting was held for the first time as a virtual meeting, i.e., without the physical presence of shareholders and proxies, except for the Company representatives bound by instructions issued by shareholders. In this case, the Company enabled shareholders to exercise their voting rights by issuing instructions to Company representatives or by postal vote (both in paper form and online).

## **LINKS RELATED TO THE STATEMENT OF CORPORATE GOVERNANCE**

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### **Current and earlier Declarations of Compliance:**

[www.bmwgroup.com/compliancedeclaration](http://www.bmwgroup.com/compliancedeclaration)

### **Curricula vitae of the members of the Board of Management and the Supervisory Board of BMW AG:**

[www.bmwgroup.com/company-portrait.html](http://www.bmwgroup.com/company-portrait.html)

### **Rules of Procedure of the Board of Management of BMW AG:**

[www.bmwgroup.com/ropbom](http://www.bmwgroup.com/ropbom)

### **Rules of Procedure of the Supervisory Board of BMW AG:**

[www.bmwgroup.com/ropsb](http://www.bmwgroup.com/ropsb)

### **Report of the Supervisory Board on the Financial Year 2020:**

[www.bmwgroup.com/sbreport](http://www.bmwgroup.com/sbreport)

## MEMBERS OF THE BOARD OF MANAGEMENT

Financial Year 2020



**Oliver Zipse** (b.1964)  
Chairman



**Klaus Fröhlich** (b.1960)  
Development (until 30 June 2020)

**Mandates**  
— E.ON SE



**Ilka Horstmeier** (b.1969)  
Human Resources and Social Affairs, Labour Director



**Dr. Milan Nedeljković** (b.1969)  
Production

**Mandates**  
— BMW (South Africa) (Pty) Ltd.♦, Chairman  
— BMW Motoren GmbH♦, Chairman



**Pieter Nota** (b.1964)  
Customer, Brands, Sales

**Mandates**  
— Rolls-Royce Motor Cars Limited♦, Chairman



**Dr. Nicolas Peter** (b.1962)  
Finance

**Mandates**  
— BMW Brilliance Automotive Ltd.♦, Deputy Chairman



**Frank Weber** (b.1966)  
Development (since 1 July 2020)



**Dr.-Ing. Andreas Wendt** (b.1958)

Purchasing and supplier network

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**General Counsel:**  
**Dr. Andreas Lieve**

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- ◆ Not listed on the stock exchange
- Membership of other supervisory boards and comparable boards in Germany
- Membership in comparable boards in Germany and abroad

## MEMBERS OF THE SUPERVISORY BOARD

Financial Year 2020



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

Member since 2015, elected until the AGM 2025  
Chairman of the Supervisory Board  
Former Chairman of the Board of Management of BMW AG

#### **Mandates**

- Siemens Aktiengesellschaft
- Henkel Management AG (since 22 June 2020)
- Henkel AG & Co. KGaA (Shareholder Committee)

#### **Competency profile/diversity concept**

Mobility, Technology, Customer Needs



### **Manfred Schoch**<sup>1</sup> (b.1955)

Member since 1988, elected until the AGM 2024  
Deputy Chairman of the Supervisory Board  
Chairman of the European and General Works Council  
Industrial Engineer

#### **Competency profile/Diversity concept**

Mobility, Human Resources, Customer Needs

**BMW GROUP**



### **Stefan Quandt** (b.1966)

Member since 1997, elected until the AGM 2024  
Deputy Chairman of the Supervisory Board  
Entrepreneur

#### **Mandates**

- DELTON Health AG\*, Chairman
- DELTON Technology SE\*, Chairman
- Frankfurter Allgemeine Zeitung GmbH\* (since 24 June 2019)
- AQTON SE\*, Chairman
- Entrust Corp.\*

#### **Competency profile/diversity concept**

Energy Supply, Digital Security, Logistics



Note: Stefan Quandt is the sole shareholder of DELTON Health AG, DELTON Technology SE and AQTON SE. Stefan Quandt holds a majority interest in Entrust Datacard Corp.



### **Stefan Schmid**<sup>1</sup> (b.1965)

Member since 2007, elected until the AGM 2024  
Deputy Chairman of the Supervisory Board  
Chairman of the Works Council, Dingolfing

#### **Competency profile/diversity concept**

Mobility, Human Resources, Chemistry

**BMW GROUP**



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

Member since 2008, elected until the AGM 2021  
Deputy Chairman of the Supervisory Board  
Chairman of the Supervisory Board of E.ON SE and of Deutsche Lufthansa Aktiengesellschaft

#### **Mandates**

- E.ON SE, Chairman
- Deutsche Lufthansa Aktiengesellschaft, Chairman

#### **Competency profile/diversity concept**

Mobility, Energy Supply, Capital Markets





**Christiane Benner<sup>2</sup>** (b.1968)

Member since 2014, elected until the AGM 2024  
Second Chair of IG Metall

**Mandates**

- Continental AG, Deputy Chair

**Competency profile/diversity concep**

Mobility, Digitisation,  
Change Management



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

Member since 2018, elected until the AGM 2023  
Chairman of the Supervisory Board of BASF SE (since 18 June 2020)

**Mandates**

- BASF SE, Chairman
- FUCHS PETROLUB SE, Chairman
- Fresenius Management SE\*  
(until 30 June 2020)
- Münchener Rückversicherungs-Gesellschaft  
Aktiengesellschaft in München  
(until 29 April 2020)

**Competency profile/diversity concep**

Chemistry, IT, Sustainability, Capital Marke



**Verena zu Dohna-Jaeger<sup>2</sup>** (b.1975)

Member since 2019, elected until the AGM 2024  
Department head for Industrial Relations Regulations and Co-determination Policy with the  
Executive Board of IG Metall / (In-house) counsel

**Mandates**

- ABB AG

**Competency profile/diversity concep**

Mobility, Human Resources, Compliance



**Dr.-Ing. Heinrich Hiesinger** (b.1960)

Member since 2017, elected until the AGM 2022  
Member of Supervisory Boards

**Mandates**

- Deutsche Post AG (since 15 May 2019)
- Fresenius Management SE\*  
(since 1 July 2020)
- ZF Friedrichshafen AG\*  
(since 1 January 2021)

**Competency profile/diversity concep**

Mobility, Digitization, Compliance, Technol  
Sustainability



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

Member since 2008, elected until the AGM 2023  
Scientific Director and Managing Director of EUREF Energy Innovation GmbH  
University professor

**Competency profile/diversity concept**

Science, Resources, Sustainability



**Susanne Klatten** (b.1962)

Member since 1997, elected until the AGM 2024  
Entrepreneur

**Mandates**

- SGL Carbon SE, Chairman
- ALTANA AG\*, Deputy Chairman
- UnternehmerTUM GmbH\*, Chairman

**Competency profile/diversity concep**

Future Technologies, Materials Technolo-  
gies, Human Resources







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

Member until 14 May 2020

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

**Mandates**

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

**Competency profile/diversity concept**

Customer Needs, Financial Services



**Horst Lischka**<sup>2</sup> (b.1963)

Member since 2009, in office until the AGM 2021

Secretary to the Board of IG Metall

**Mandates**

- KraussMaffei Group GmbH\*
- MAN Truck & Bus SE\*
- München Klinik gGmbH (until 15 May 2020)\*

**Competency profile/diversity concept**

Mobility, Human Resources



**Willibald Löw**<sup>1</sup> (b.1965)

Member since 1999, elected until the AGM 2024

Chairman of the Works Council, Landshut

**Competency profile/diversity concept**

Mobility, Human Resources

BMW GROUP



**Simone Menne** (b.1960)

Member since 2015, elected until the AGM 2021

Member of supervisory boards

**Mandates**

- Deutsche Post AG
- Henkel AG & Co. KGaA (since 17 June 2020)
- Springer Nature AG & Co KGaA\* (until 3 March 2020)
- Johnson Controls International plc
- Russell Reynolds Associates Inc.\* (since 19 January 2019)

**Competency profile/diversity concept**

Mobility, IT, Capital Markets



**Dr. Dominique Mohabeer**<sup>1</sup> (b.1963)

Member since 2012, elected until the AGM 2024

Member of the Works Council, Munich

**Competency profile/diversity concept**

Digitisation, IT, Human Resources

BMW GROUP



**Brigitte Rödig**<sup>1</sup> (b.1963)

Member since 2013, elected until the AGM 2024

Member of the Works Council, Dingolfing

**Competency profile/diversity concept**

Mobility, Human Resources

BMW GROUP



**Anke Schäferkordt** (b.1962)  
 Member since 14 May 2020, elected until the AGM 2025  
 Member of supervisory boards

**Mandates**

- BASF SE
- Serviceplan Group Management SE\*
- Wayfair Inc.

**Competency profile/diversity concept**

Communication, Media



**Dr. Vishal Sikka** (b.1967)  
 Member since 2019, elected until the AGM 2024  
 CEO & Founder, Vianai Systems, Inc.

**Mandates**

- Oracle Corporation

**Competency profile/diversity concept**

Digitisation, Artificial Intelligence, IT, Business Transformation



**Dr. Thomas Wittig**<sup>3</sup> (b.1960)  
 Member since 2019, elected until the AGM 2024  
 Senior Vice President Financial Services

**Mandates**

- BMW Bank GmbH\*, Chairman
- BMW Automotive Finance (China) Co. Ltd.\*, Chairman

**Competency profile/diversity concept**

Financial Services



**Werner Zierer**<sup>1</sup> (b.1959)  
 Member since 2001, elected until the AGM 2024  
 Chairman of the Work Council, Regensburg

**Competency profile/diversity concept**

Mobility, Human Resources



<sup>1</sup> Employee representatives (company employees)  
<sup>2</sup> Employee representatives (union representatives)  
<sup>3</sup> Employee representatives (members of senior management)

♦ not listed on the stock exchange

- Membership of other supervisory boards and comparable boards in Germany
- Membership in comparable boards in Germany and abroad

International experience or specialist expertise in one or more non-German markets important for the BMW Group

In-depth knowledge and experience within the BMW Group

Entrepreneur, individual with previous experience in the management or supervision of another company (shareholder representative)

Financial expert

Independence based on the self-assessment of the shareholder representatives

## OVERVIEW OF SUPERVISORY BOARD COMMITTEES AND THEIR COMPOSITION

### Principal duties, basis for activities

### Members

#### PRESIDING BOARD

- 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 rules of procedure

Norbert Reithofer<sup>1</sup>  
Manfred Schoch  
Stefan Quandt  
Stefan Schmid  
Karl-Ludwig Kley

#### PERSONNEL COMMITTEE

- 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 in at loans to Board of Management or Supervisory Board members)
- establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on rules of procedure

Norbert Reithofer<sup>1</sup>  
Manfred Schoch  
Stefan Quandt  
Stefan Schmid  
Karl-Ludwig Kley

#### AUDIT COMMITTEE

- 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
- preparation of proposals for election of external auditor at Annual General Meeting, engagement (recommendation) of external auditor, 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 2019
- amendments to Articles of Incorporation only affecting wording
- established in accordance with the recommendation contained in the German Corporate Governance Code, activities based on rules of procedure

Kurt Bock<sup>1,2</sup>  
Norbert Reithofer  
Manfred Schoch  
Stefan Quandt  
Stefan Schmid

#### NOMINATION COMMITTEE

- identification of suitable candidates 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
- established in accordance with the recommendation contained in the German Corporate Governance Code, activities based on rules of procedure

Norbert Reithofer<sup>1</sup>  
Susanne Klatten  
Karl-Ludwig Kley  
Stefan Quandt

(In line with the recommendation of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.)

#### MEDIATION COMMITTEE

- 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
- established committee as 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.)

<sup>1</sup> Chair

<sup>2</sup> (Independent) financial expert within the meaning of §§ 100 (5), 107 (4) AktG, C.10, D.4 DCGK

# 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 III

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. The same applies to the proportion of women in 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 stipulated that the Board of Management should continue to have at least one female member. This requirement continues to be met. At 31 December 2020, the Board of Management had one female member (14.2%). The Supervisory Board considers it desirable to raise 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 2021 to 31 December 2025, the Supervisory Board has determined that the Board of Management should continue to include at least one woman.

For the first two executive management levels below the Board of Management for the time frame from 1 January 2017 to 31 December 2020, the Board of Management set a target range of 10.2% to 12.0% for the first level and 8% to 10% for the second. At 31 December 2020, this target was achieved for the second executive management level, with a proportion of 8.2% women achieved. At the executive management level, the proportion of female managers was slightly below target at 9.6% at 31 December 2020. The deviation from target achievement in absolute terms is one woman. The first executive management level below the Board of Management is a very small group. In 2020, the opportunity arose for eight functions to appoint new leaders at the first executive management level. Of these, 25% were filled by women. No suitable female candidate could be identified either internally or externally for the remaining positions. The aim remains unchanged to develop candidates from both genders from within the company for the two top executive management levels. As part of the internal succession planning process, suitable target functions for potential

female candidates at the next higher level are regularly reviewed and discussed.

For the time frame from 1 January 2021 to 31 December 2025, the Board of Management has set a target range of 10 to 15% for both the first and the second executive management levels.

Management levels are defined in terms of their functional level and follow a comprehensive job evaluation system based on Mercer.

Further information on the topic of diversity within the BMW Group is provided in the chapter "Employee diversity" in the BMW Group Report 2020.

# INFORMATION ON CORPORATE GOVERNANCE PRACTICES APPLIED BEYOND MANDATORY REQUIREMENTS

## Core values and guiding principles

Within the BMW Group, the Board of Management, the Supervisory Board and the employees base their actions on the five core values that form the basis the BMW Group's success:

### Responsibility

We make consistent decisions and take personal responsibility for them, allowing us to work with greater freedom and effectiveness.

### Appreciation

We reflect on our own actions, respect one another, provide clear feedback and acknowledge achievements.

### Transparency

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

### Trust

We rely on one another as the best and quickest way to achieve our goals.

### Openness

We think in terms of opportunities and are not afraid of change. 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 open-mindedness, trust and transparency. We are well aware of our responsibility towards society. Socially sustainable human resource policies and general compliance with social standards are based on various internationally recognised guidelines. The BMW Group is therefore committed to adhering to the OECD's guidelines for multinational companies, the contents of the ICC Business Charter for Sustainable Development and the UN Guiding Principles on Business and Human Rights. Details of the contents of these guidelines and other relevant information are available at [www.oecd.org](http://www.oecd.org), [www.iccwbo.org](http://www.iccwbo.org) and [www.ohchr.org](http://www.ohchr.org). With the signing of the UN Global Compact by the Board of Management of the BMW Group in 2001 and the "Joint Declaration on Human Rights and Working Conditions in the BMW Group", which was adopted by

the Board of Management and employee representatives in 2005 and reaffirmed in 2010, we have also committed ourselves to worldwide compliance with internationally recognised human rights and the fundamental working standards of the International Labour Organization (ILO). The most important of these are freedom of employment, non-discrimination, freedom of association and the right to collective bargaining, the ban on child labour, appropriate remuneration, legally compliant working times and compliance with work and safety regulations. In 2018, we published the BMW Group Code on Human Rights and Working Conditions, which supplements the 2010 Joint Declaration on Human Rights and Working Conditions in the BMW Group. The Code is based on a due diligence process that allows us to identify relevant aspects and determine measures. It reaffirms our commitment to respecting human rights and specifies how the BMW Group promotes human rights as well as implementing the ILO core labour standards in its business activities worldwide.

The complete wording of the UN Global Compact, the recommendations of the ILO, the UN Guiding Principles and other relevant information are available at [www.unglobalcompact.org](http://www.unglobalcompact.org) and [www.ilo.org](http://www.ilo.org). The Joint Declaration on Human Rights and Working Conditions in the BMW Group and the BMW Group Code on Human Rights and Working Conditions are available at [www.bmwgroup.com](http://www.bmwgroup.com) under the menu items "Downloads" and "Responsibility".

The BMW Group complies with these fundamental principles and rights worldwide as a matter of course. For this reason, since 2005 our employees' awareness of this issue has been raised by means of regular internal communication 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 both anonymously and confidentially. Information and queries are dealt with by a Human Rights Response Team, which takes the necessary measures with the involvement of relevant stakeholders and specialist departments depending on the nature of matter. The BMW Group

Compliance Contact is also available as a whistleblowing system for anonymous reports from external third parties.

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 the Group's social responsibility towards employees, including their health and safety in the workplace is provided in the chapter "Employees" of the BMW Group Report 2020.

However, sustainable business management can only be effective if it covers the entire value 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 are successively requiring our dealership partners and importers to contractually comply with ecological and social standards. 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 their sub-suppliers also adhere to the BMW Group's sustainability criteria. Random checks at supplier locations are carried out in the form of sustainability audits and assessments. In 2017, the Human Rights Contact Supply Chain was established for reporting sustainability infringements in the supply chain.

Purchasing terms and conditions and other information relating to purchasing are available on the BMW Group website at [www.bmwgroup.com/en/responsibility/supply-chain-management.html](http://www.bmwgroup.com/en/responsibility/supply-chain-management.html).

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