

## **Bayerische Motoren Werke Aktiengesellschaft, Munich.**

Excerpt of the Convening Document for the Annual General Meeting 2021.\*

[...]

### **I. Agenda.**

[...]

### **7. Resolution on the approval of the remuneration system for the members of the Board of Management.**

Pursuant to § 120a (1) AktG, the Annual General Meeting of a listed company shall resolve on the approval of the remuneration system for the members of the Board of Management presented by the Supervisory Board whenever there is a significant change, but at least every four years. The regulation derives from the Act Implementing the Second Shareholders' Rights Directive (ARUG II) of 12 December 2019.

The Supervisory Board, on the recommendation of the Personnel Committee and taking into account the requirements of § 87a AktG, has adopted changes to the remuneration system for the Board of Management with effect from 1 January 2021. The adopted remuneration system is set out and explained under II.2.

Based on the recommendation of the Personnel Committee, the Supervisory Board proposes to approve the remuneration system for the members of the Board of Management described under II.2

### **8. Resolution on the confirmation of the remuneration of the members of the Supervisory Board.**

In the case of listed companies, a resolution on the remuneration of the members of the Supervisory Board must be passed by the General Meeting of Shareholders at least every four years according to the statutory requirement of § 113 (3) AktG. A resolution confirming the previous remuneration is permissible.

The currently applicable regulation for the remuneration of the members of the Supervisory Board is laid down in § 15 of the Articles of Incorporation and was adopted by the Annual General Meeting on 14 May 2020 for financial years starting in 2020.

The remuneration of the Supervisory Board is structured as a purely fixed remuneration plus an attendance fee. Variable remuneration is not paid. The increased time commitment on the part of the Chairman, his Deputy and the members and chairpersons of the Committees is taken into account by means of multipliers. The remuneration is based on the highest-paid function. The amount of remuneration of a member of the Supervisory Board therefore also depends on whether and which additional functions relevant to remuneration they perform on the Supervisory Board or on the Committees of the Supervisory Board. The remuneration regulation complies with the recommendations and suggestions of the German Corporate Governance Code on Supervisory Board remuneration.

The description of the remuneration system for the Supervisory Board and the wording of the fixed remuneration in § 15 of the Articles of Incorporation are reproduced below under II.3.

In the opinion of the Board of Management and the Supervisory Board, the remuneration for the Supervisory Board continues to be appropriate with regard to the situation of the Company and the tasks of the members of the Supervisory Board.

The Board of Management and the Supervisory Board propose to confirm the remuneration for the members of the Supervisory Board set forth under § 15 of the Articles of Incorporation, including the remuneration system set forth in II.3 of this Convening Document.

[...]

## **II. Further information on the agenda items.**

[...]

### **2. Supplementary information on agenda item 7 (Remuneration of the Board of Management).**

#### **2.1 Principles of the remuneration system and contribution of the remuneration to the promotion of the business strategy and the long-term development of the Company.**

The BMW Group aims to be the most successful and sustainable premium provider of individual mobility. The business strategy focuses on customer orientation and the provision of sustainable individual mobility in the premium segment, taking into account a high level of profitability in order to ensure the Company's continued independence in the future.

The remuneration system contributes to the implementation of the business strategy and the sustainable and long-term development of the Company. It also takes into account the concerns of important stakeholders of the Company (in particular shareholders, customers and employees).

The incentives of the various remuneration components are complementary in their effect:

- The fixed base salary counters the taking of disproportionately high risks to achieve short-term goals, thereby contributing to the long-term development of the Company.
- The variable bonus is divided into two parts, each of which has a different steering effect: The earnings-related component of the bonus rewards the achievement of the Company's financial targets in the grant year and promotes the earnings-related parts of the business strategy. By contrast, the performance component of the bonus is based on non-financial performance criteria, which are also derived from the business strategy. As such, the performance component of the bonus also offers particular incentives to consistently pursue the goals of the business strategy for the long-term development of the Company, which do not necessarily have to be directly reflected in the key financial indicators of the year in which the bonus is granted.

The amount of the share-based remuneration also depends on the fulfilment of financial and non-financial objectives from the business strategy:

- 50 % of the target cash amount earmarked for share acquisition is linked to a financial indicator and 50 % to strategic focus targets. The requirement to use the net amount to purchase ordinary shares in the Company and to hold them for at least four years further

motivates members of the Board of Management to strive for the Company's positive long-term development. This in turn promotes a sustained positive development of the BMW share price.

The remuneration system is comprehensible and clearly structured. It complies with the requirements of the German Stock Corporation Act and the recommendations and suggestions of the German Corporate Governance Code.

The Supervisory Board used the following principles in structuring the remuneration system for the Board of Management:

- The remuneration structure is geared towards a sustainable and long-term development of the Company. Variable remuneration components are therefore predominantly granted on a multi-year assessment basis.
- The total remuneration of the Board of Management members is commensurate with the tasks and performance of the Board of Management members and the situation of the Company.
- The remuneration system ensures that both positive and negative developments are appropriately reflected in the remuneration (pay for performance).
- The remuneration system takes into account both the performance of the Board as a whole and the achievement of individual targets.
- The remuneration system respects the principle of consistency of remuneration systems within the Company: the remuneration systems for the Board of Management, executives and employees of BMW AG have similar structural elements.
- The total remuneration, both in terms of amount and structure, is in line with the market and takes into account the size, complexity and economic situation of the Company.

## **2.2 Procedures for setting, implementing and reviewing the remuneration of the Board of Management.**

### **a) Procedure**

The setting and regular review of the Board of Management remuneration system is the task of the full Supervisory Board, as is the setting of the individual remuneration of Board of Management members. The Personnel Committee of the Supervisory Board assumes a preparatory function in determining and reviewing the Board of Management remuneration system and individual Board of Management remuneration. Deliberations may also include recommendations provided by an external remuneration expert as well as suggestions from investor and analyst circles. If the Supervisory Board consults an external remuneration expert, it ensures that the expert is independent from the Board of Management and the Company.

According to the mandatory requirements of the German Stock Corporation Act, the Supervisory Board is responsible for setting and reviewing the remuneration system of the Board of Management and for setting the individual remuneration of the Board of Management members. This assignment of tasks itself largely rules out any conflicts of interest with regard to the remuneration of the Board of Management. Should conflicts of interest arise in spite of this, the regulations of the German Corporate Governance Code and the respective Rules of Procedure of the Supervisory Board apply. Accordingly, conflicts of interest must be disclosed to the Supervisory Board and reported by the Supervisory Board to the General Meeting of Shareholders.

The Supervisory Board submits the remuneration system to the General Meeting of Shareholders for approval in the event of significant changes, but at least every four years.

If the General Meeting of Shareholders does not approve the remuneration system, a revised remuneration system is submitted to it for approval at the following Annual General Meeting of Shareholders at the latest.

The Supervisory Board has adopted the present remuneration system for the members of the Board of Management on the recommendation of the Personnel Committee with effect for financial years from 1 January 2021. The contracts of employment with the members of the Board of Management were adjusted by mutual agreement.

## **b) Review of the remuneration system**

The Supervisory Board reviews the remuneration system annually for its appropriateness with regard to the structure and amount of the target and maximum remuneration as well as the actual remuneration. For this purpose, the Personnel Committee prepares detailed documents for both a horizontal and a vertical comparison.

### Horizontal – external comparison

The Supervisory Board also takes remuneration studies into account when assessing whether the target remuneration and the actual remuneration are in line with the market. Due to the size and structure of the BMW Group, the DAX companies are used as a comparison group and their remuneration data is compared with the remuneration of the Board of Management at BMW AG.

### Vertical – internal comparison

In addition to the external, horizontal comparison, the Supervisory Board also reviews the appropriateness of Board of Management remuneration vertically in relation to the Company's employees (internal comparison). For this purpose, it compares the remuneration of the Board of Management with the salaries of senior executives and with the average salaries of BMW AG employees in Germany in the pay scale and non-pay scale areas, also in terms of how it develops over a period of several years.

If it is necessary in the interests of the long-term welfare of the Company, the Supervisory Board may decide – as provided for in § 87a (2) sentence 2 AktG – that there should be a temporary deviation from the remuneration system. Such a deviation requires a resolution to be passed by the Supervisory Board, which may be adopted by a simple majority of votes on the recommendation of the Personnel Committee. The deviation may relate to all components of total remuneration (including the relation between variable and fixed remuneration) as well as the financial and non-financial performance criteria used to determine the variable components.

## **c) Setting of the target remuneration**

In accordance with the remuneration system, the Supervisory Board, acting on the proposal of the Personnel Committee, sets a specific target remuneration for the members of the Board of Management for the upcoming financial year in each case, as well as the performance criteria for the variable remuneration components provided for in the remuneration system.

In accordance with the recommendation contained in G.11 of the German Corporate Governance Code, the Supervisory Board reserves the right to adjust the amount of remuneration components, including the target remuneration of variable remuneration elements, their relationship to each other, the respective payment amounts and the payment dates even after the beginning of the financial year in the event of extraordinary developments (e.g. significant acquisitions and sales, changes in accounting standards or tax regulations with significant effects). In doing so, the maximum remuneration and the upper limits set for the variable remuneration components before the beginning of the financial year may not be

exceeded. Generally unfavourable market developments do not of themselves justify an adjustment.

## **2.3 Components of the total remuneration of the Board of Management.**

The total remuneration of the members of the Board of Management consists of fixed and variable components. The fixed, non-performance-related remuneration components comprise the base salary, fringe benefits (in particular insurance benefits, non-cash benefits from vehicle use and use of telephones and computers, healthcare, employee discounts, subsidies for safety equipment) and pension contributions including service cost in accordance with IAS 19.

The performance-related and therefore variable remuneration consists of the bonus and the share-based remuneration. As part of the share-based remuneration, the members of the Board of Management are required to purchase BMW ordinary shares by means of a personal cash investment after deduction of taxes and social security contributions and to hold these for a period of at least four years (share ownership guideline).

The Supervisory Board may grant payments to newly joining members of the Board of Management to compensate for salary losses from a previous employment contract and/or to cover relocation costs, subject to the stipulated maximum remuneration.

## **2.4 Remuneration structure.**

The remuneration system presented provides for the proportions as set out below for the ratio between the fixed and variable remuneration components and their respective share of the total target remuneration. This structure enables the Supervisory Board to ensure the target total remuneration is within the framework of the set dimensions, thereby taking into account the varying demands of each Board of Management function. In accordance with the statutory requirements and the recommendations and suggestions of the German Corporate Governance Code, the remuneration structure ensures that the variable remuneration is predominantly conceived on a long-term basis in terms of its target structure.

The proportion of fixed base salary as part of the total target remuneration is 25-30 %. If 100 % of the target is achieved, the proportion of the performance-related bonus as part of the total target remuneration lies within a corridor of 27-30 %. The share-based compensation as long-term variable compensation contributes 31-36 % to the total target compensation. The share-based remuneration therefore always exceeds the bonus if 100 % of the targets are achieved. The proportion of variable, performance-based remuneration as a part of the target remuneration is 58-66 %.

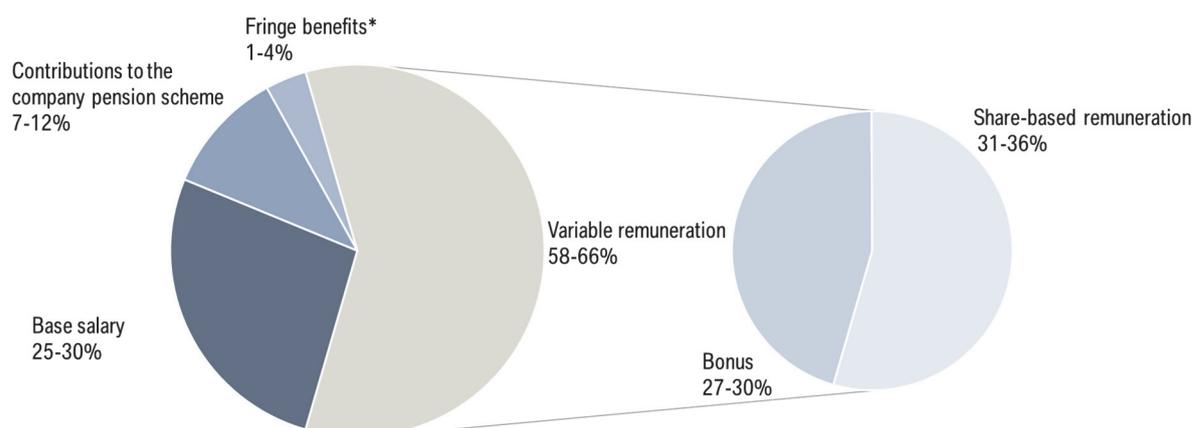
Members of the Board of Management are also granted contributions to the occupational pension scheme and fringe benefits as fixed remuneration components. The proportion of contributions to the occupational pension scheme as part of the total target remuneration is 7-12 %, the proportion of fringe benefits is 1-4 %.

### Overview of the remuneration structure of total target remuneration

Base salary	25-30 %
Bonus	27-30 %
Share-based remuneration	31-36 %
Contributions to the occupational pension scheme	7-12 %
Fringe benefits*	1-4 %

\* Excluding any payment to new Board of Management members to compensate for loss of salary from a previous employment contract and/or to cover relocation costs.

## OVERVIEW – TARGET TOTAL REMUNERATION



\*Not including any potential payments to new Board of Management members to compensate for loss of salary from a previous employment contract and/or to cover relocation costs.

### 2.5 Maximum remuneration limits (limitation of variable remuneration and maximum remuneration).

The basic principle applied to the performance-related variable remuneration components of the bonus and the share-based remuneration is the performance orientation and long-term nature of these remuneration components. In order to achieve an appropriate risk-reward profile, the Supervisory Board sets demanding targets for the bonus and the share-based remuneration. This means that the bonus and share-based remuneration (personal cash investment amount) can drop to zero if the set targets are not met. If on the other hand the targets are significantly exceeded, the bonus and also the share-based remuneration (personal cash investment amount) are limited to a maximum of 180 % of the respective target amount.

In addition to the maximum limits for the variable remuneration components, the Supervisory Board has set a maximum remuneration. The maximum remuneration for the grant year comprises the base salary and the other fixed remuneration components as well as the pension contribution and a service cost in excess thereof (fixed remuneration), along with the bonus and the share-based remuneration (variable remuneration). Any special payments to compensate for salary losses from a previous employment contract and/or to cover relocation costs in the event of new appointments are also covered by the maximum remuneration. The respective overall ceilings set are lower than the sum of the ceilings of the individual components.

	Maximum remuneration
Chair of the Board of Management	€ 9,850,000
Member of the Board of Management from the 2nd period of office or as of the 4th mandate year	€ 5,500,000
Member of the Board of Management in the 1st period of office	€ 4,925,000

## **2.6 Remuneration components in detail.**

### **a) Fixed remuneration components**

#### Base salary

Each member of the Board of Management receives a fixed base salary which is paid monthly on a pro rata basis. The fixed base salary ensures an adequate basic income. It counteracts the taking of disproportionately high risks to achieve short-term goals, thereby contributing to the long-term development of the Company. The amount of the base salary depends on the individual's function on the Board of Management and the duration of membership of the Board of Management or the period of office.

#### Fringe benefits

Fringe benefits include, in particular, insurance benefits, non-cash benefits from vehicle use and use of telephones and computers, healthcare, employee discounts and subsidies for security facilities.

In addition, the Supervisory Board may grant payments to newly joining members of the Board of Management to compensate for salary losses from a previous employment contract and/or to cover relocation costs.

#### Contributions to the occupational pension scheme

Pension entitlements as of 1 January 2021 refer to a defined contribution pension scheme with a guaranteed minimum return (previous pension entitlements remain unaffected). The scheme provides for annual contributions by the Company with a guaranteed minimum interest rate equal to the maximum interest rate specified in the Regulation on the Principles Underlying the Calculation of the Premium Reserve (Deckungsrückstellungsverordnung). Commitments to make an annual contribution to the Company pension scheme (pension agreements) are linked to the term of appointment as a member of the Board of Management. Pension entitlements become vested when the service contract has been in existence for one year.

In the case of pension entitlements, retired members of the Board of Management are entitled to retirement benefits at the age of 62 at the earliest. The amount of the benefits depends on the amount on the individual savings account of the respective member of the Board of Management. This results from the contributions paid in each year and an annual interest rate depending on the form of investment. Payment is made as a lump sum or in annual instalments at the discretion of the Board member.

If a member of the Board of Management with a vested entitlement dies prior to the commencement of benefit payments, a surviving spouse or registered partner, or otherwise surviving children – in the latter case depending on their age and education – are entitled to receive benefits as surviving dependants. In the case of death or invalidity, a minimum benefit is payable based on the number of contributions possible up to the age of 60 (subject to maximum of ten contributions).

Members of the Board of Management who retire directly from active Board membership or are treated as such are entitled to purchase vehicles and other products of the BMW Group and to receive services as well as to use vehicles of the BMW Group in accordance with the guidelines applicable to senior heads of departments. Retired CEOs have the additional option of using BMW chauffeur services, subject to availability and at a charge.

## Overview of the characteristics of the pension entitlements as of 1 January 2021

Design	– Contribution-based system
Entitlement	– Entitlement to old-age benefits upon reaching the age of 62
Guaranteed interest	– Guaranteed minimum interest in the amount of the maximum interest rate stipulated in the Regulation on the Principles Underlying the Calculation of the Premium Reserve (Deckungsrückstellungsverordnung)
Vesting of entitlements to pension benefits	– Vesting if the service contract has been in existence for one year
Payout options	– Lump sum – Annual rates
Disability / death	– Death prior to the commencement of benefit payments: Surviving spouse/registered partner, otherwise, depending on age and level of education of surviving children: Entitlement to a survivor benefit – Case of death or disability: Minimum benefit in the amount of the possible annual contributions up to the age of 60, maximum ten annual contributions

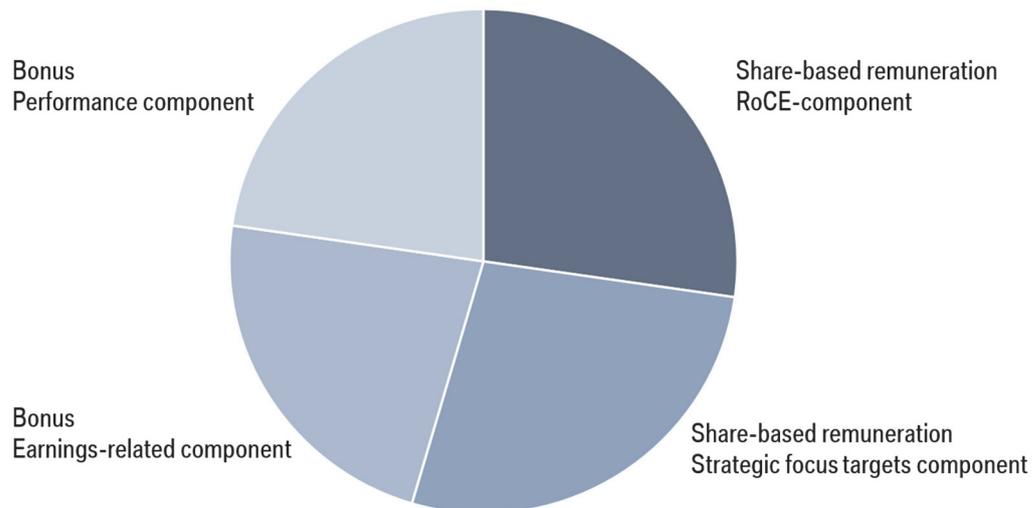
### **b) Variable remuneration components**

The variable, performance-based remuneration consists of the bonus and the share-based remuneration, which complement each other in terms of their financial and non-financial performance criteria. The respective performance criteria are derived from the business strategy, in particular from the strategic goals, longer-term corporate planning and the planning for the business development of the following year. All performance criteria are aimed at sustainable and long-term value creation by the BMW Group and take into account the interests of shareholders and other stakeholders.

The performance-related bonus is divided into two parts with different steering effects. The earnings-related component of the bonus rewards the achievement of the Company's financial targets in the grant year and promotes the earnings-related parts of the business strategy. By contrast, the performance component of the bonus is based on non-financial performance criteria, which are also derived from the business strategy. As such, the performance component of the bonus also offers particular incentives to consistently pursue the goals of the business strategy for the long-term development of the Company, which do not necessarily have to be directly reflected in the key financial indicators of the year in which the bonus is granted.

Achievement of financial and non-financial targets of the business strategy likewise determines the amount of cash granted (personal cash investment amount) in the case of share-based remuneration, as 50 % of the target cash amount is linked to a financial indicator with the return on capital employed (RoCE) in the Automobiles segment and 50 % is linked to strategic focus targets. The requirement to use the personal cash investment amount after deduction of taxes and duties to purchase ordinary shares in the Company and to hold them for at least the four-year holding period further motivates Board of Management members to strive for a long-term positive development of the Company. This in turn promotes sustained positive development of the BMW share price.

## OVERVIEW – VARIABLE REMUNERATION

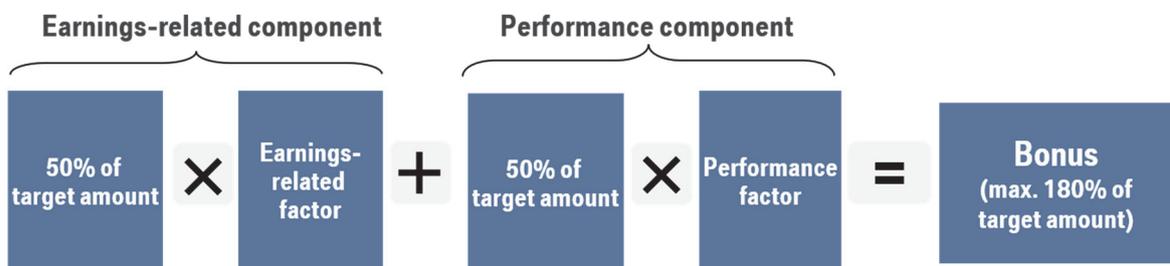


### Bonus

The bonus consists of an earnings-related component and a performance component. If 100 % of the target is achieved, the share of each component is 50 % of the individual target bonus amount. The bonus amount is capped at 180 % of the individual target amount.

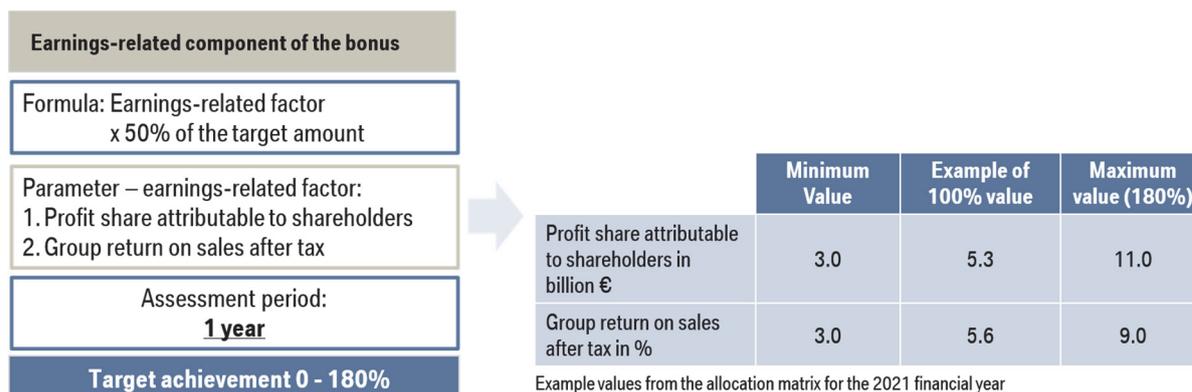
The bonus is paid following the General Meeting of Shareholders at which the annual accounts for the grant year are presented.

## OVERVIEW – BONUS COMPOSITION



(1) The earnings-related component of the bonus is based on business performance in the respective financial year. This depends on the degree of achievement of the measurement values “Profit share attributable to shareholders of BMW AG” and “Group return on sales after tax” for the respective grant year.

## EARNINGS-RELATED COMPONENT OF THE BONUS IN DETAIL



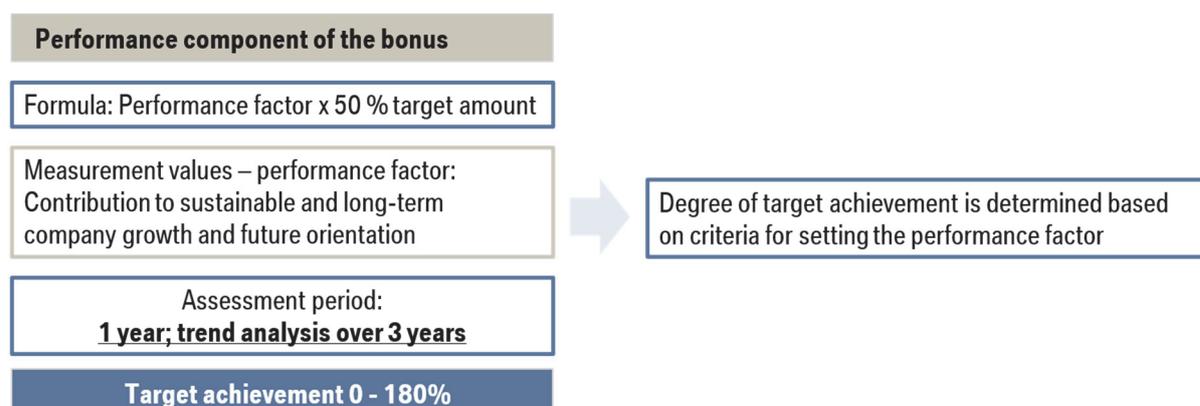
The selected targets for the earnings-related component of the bonus for the respective financial year set incentives for profitable growth of the BMW Group and the development of business operations with special consideration of the shareholders' perspective. The underlying measurement values, the minimum values, target values and upper limits are regularly reviewed by the Supervisory Board to ensure that the requirement for profitable growth is adequately reflected.

Before the start of the financial year, the Supervisory Board sets the earnings-related factors in an allocation matrix for the earnings-related component of the bonus, allocating specific levels to the measurement values "Profit share attributable to shareholders of BMW AG" and "Group return on sales after tax". The degree of target achievement of the earnings-related bonus for a business year is expressed in an earnings-related factor derived from the matrix after the end of the financial year.

Minimum thresholds are set for the earnings-related factor, below which the earnings-related factor is 0. The earnings-related factor is limited to a maximum value of 1.8. A subsequent change of the target figures is excluded in principle.

(2) Complementary to the earnings-related component, the performance component of the bonus rewards contribution to the achievement of defined non-financial targets. This is designed to take into account non-financial performance criteria relevant to a sustainable business model that are not specifically assessed in the parameters of the earnings-related component.

## PERFORMANCE COMPONENT OF THE BONUS IN DETAIL



As with the earnings-related component, the Supervisory Board sets various non-financial performance criteria and associated measurement values before the start of the financial year.

The performance criteria are derived primarily from corporate strategy, longer-term corporate planning and the planning for the business development of the following year. The performance criteria thus defined include non-financial environmental, social and governance (ESG) objectives to a significant extent.

Based on approximately 10 % of the target amount of the performance component, targets are set for individual performance criteria before the beginning of the financial year (divisional targets) in order to appropriately take into account individual leadership performance in the respective division.

The Supervisory Board may in particular apply the following cross-divisional performance criteria for the performance component:

- Innovation performance (ecological and economic)
- Development of the Company’s reputation
- Adaptability (including investment in education and training) and sustainability
- Attractiveness as an employer
- Leadership performance (incl. employee satisfaction)
- Market position of the Company as compared to its competitors
- Customer orientation (including product and customer service quality)

The Supervisory Board can further develop this catalogue of criteria for the future.

## PERFORMANCE COMPONENT OF THE BONUS – CRITERIA\*

Divisional targets approx. 10%	▪ Individual performance of each Board of Management member in divisional leadership		
<b>Cross-divisional targets approx. 90 %</b>	▪ Innovation performance (ecological)	E	<b>ESG-share 50%</b>
	▪ Reputation (corporate reputation, compliance prevention performance)	G	
	▪ Capacity for change: investment in initial and further training, sustainability	G ES	
	▪ Employer attractiveness	S	
	▪ Leadership performance	S	
	▪ Market position		<b>Others 40%</b>
	▪ Innovation performance (economic)		
	▪ Customer orientation (product and service quality)		
	▪ Reputation (e.g. brand strength)		

\*Examples. The Supervisory Board can develop the catalogue of criteria for the future.

In terms of implementing business strategy as well as achieving long-term and sustainable corporate success, one especially important factor – in addition to profitable business operations – is the forward-looking orientation of products and services to customer needs and fulfilment of the latter. In addition, regulatory requirements and expectations for a resource-friendly and climate-friendly orientation of the Company and its products must be met. The Company’s innovation performance and capacity for change are fundamental prerequisites here. In order to be able to hold its own against the competition in the long term, the Company is also dependent on qualified, innovative and performance-oriented employees whom it needs

to attract and retain. For this reason, consideration of employees' interests and satisfaction is likewise an essential success factor. The Company's reputation is a value-creating factor in its own right.

As part of the performance component, the Supervisory Board evaluates the personal contribution and overall performance of the members of the Board of Management based on the non-financial performance criteria relevant to the continued success of the BMW Group. This relates not only to performance in the grant year. Rather, the Supervisory Board evaluates and weights the effects of decisions, measures and courses of action from previous financial years on the specific grant year by way of a trend analysis over at least three financial years, also looking at the probable consequences and the significance of the decisions, measures and courses of action taken by the member of the Board of Management in the grant year with a view to the future, long-term development of the Company (future trend analysis).

In order to determine the achievement of targets for the performance component, the Supervisory Board sets relevant qualitative benchmarks before the beginning of the financial year: firstly individual benchmarks for measuring leadership performance of individual Board of Management members in their current division, and secondly benchmarks for targets to be pursued jointly. Such measurement values may include vehicle sales, segment market shares, workforce diversity targets, rankings in comparative studies and calculations. After the end of the financial year, the Supervisory Board evaluates the individual and joint performance in the grant year for the defined performance criteria and also takes into account the trend analysis described above. Based on the respective target achievement, the Supervisory Board determines the individual performance factor within a range of 0 to 1.8.

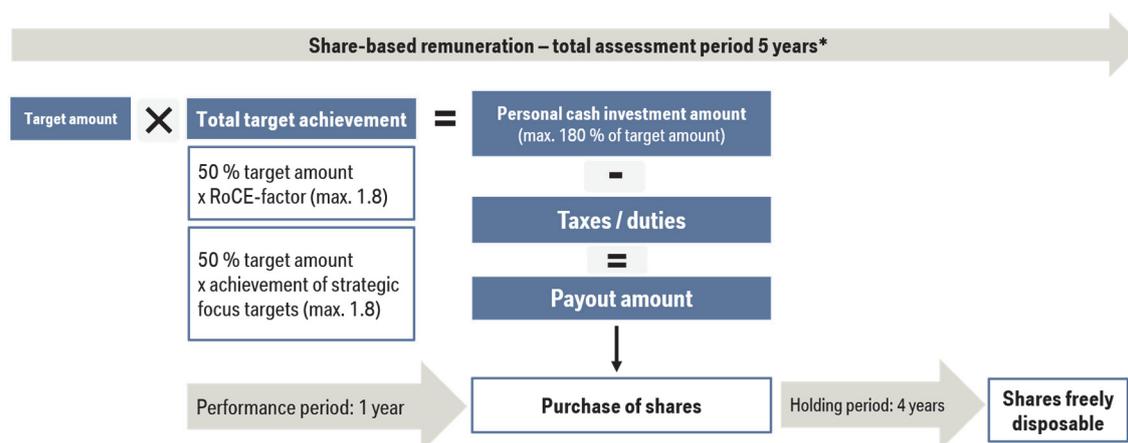
#### Share-based remuneration; share ownership guideline

The remuneration system provides for share-based remuneration as a variable long-term component. As part of share-based remuneration, the members of the Board of Management receive cash remuneration earmarked for investment in BMW ordinary shares (personal cash investment amount). The amount depends on the achievement of certain financial and non-financial targets in the past financial year (grant year).

Members of the Board of Management are contractually obliged to make a personal cash investment less taxes and duties in BMW ordinary shares and to hold the shares for a period of at least four years (share ownership guideline).

With the long-term component based on performance-related cash remuneration, share investment and share-holding obligation, the remuneration system complies with recommendation G.10 of the German Corporate Governance Code. According to this, the variable remuneration amounts granted to a Board of Management member are to be invested predominantly in shares of the Company or granted accordingly on a share basis, taking into account the respective tax burden. The Board of Management member should only be able to dispose of the long-term variable amounts granted after four years.

## SHARE-BASED REMUNERATION IN DETAIL



\*One year for determining the personal cash investment amount, four-year holding period

(1) In the target version, 50 % of the cash amount available for equity investment is derived from the return on capital employed (RoCE) achieved in the Automobiles segment in the grant year (RoCE component) and 50 % from the degree of target achievement for two or more strategic focus targets (strategic focus targets component). The focus targets are set by the Supervisory Board before the start of the grant year in accordance with corporate strategy and corporate planning.

Like the variable bonus, the personal cash investment amount of the share-based remuneration therefore equally promotes the achievement of financial and non-financial targets derived from business strategy and corporate planning.

The personal cash investment amount is paid out following the General Meeting of Shareholders, at which the annual accounts for the grant year are presented.

- For the RoCE component, the Supervisory Board sets remuneration-related minimum, target and maximum values for the RoCE in the Automobiles segment in the grant year before the start of the grant year, to which an RoCE factor is assigned. If the agreed minimum threshold is not reached, the RoCE factor is 0. The maximum value of the RoCE factor is limited to 1.8.

With the RoCE in the Automobiles segment as a performance criterion, share-based remuneration is directly linked to the Company's operating success. This reflects the BMW Group's aspiration to generate a significant premium on the cost of capital.

- For the second component of the personal cash investment amount – the strategic focus targets component – the Supervisory Board selects at least two strategic focus targets as remuneration-related targets. These are derived from corporate strategy and corporate planning and are defined before the start. Strategic focus targets can, for example, relate to the reduction of CO<sub>2</sub> emissions. The Supervisory Board sets minimum, target and maximum values relevant to remuneration. Between these values, the factor is determined by way of linear interpolation, unless the Supervisory Board has determined otherwise. The factor for the respective strategic focus target can be between zero and a maximum of 1.8.

If only two strategic focus targets are set, the degree of target achievement for each of the two targets is multiplied by 25 % of the target amount of the equity investment amount. If more than two strategic focus objectives are set, the Supervisory Board determines the weighting of the individual strategic focus targets.

By taking strategic focus targets into account, the development of the BMW Group in other strategically particularly important areas is also reflected in the Board of Management's remuneration in addition to the Company's operating success.

(2) Members of the Board of Management are required to make a personal cash investment, less taxes and duties, in BMW ordinary shares immediately after payment and to hold the shares for an extended period of time, i.e. for a period of at least four years (share ownership guideline). BMW ordinary shares are acquired by a custodian bank designated by the Company on behalf of members of the Board of Management. The BMW ordinary shares acquired are subject to a corresponding blocking notice. The blocking period also applies in the event of resignation from the Board of Management. Special regulations apply in the event of death, invalidity and a clawback.

The obligation to purchase BMW ordinary shares and the multi-year holding period strengthens the entrepreneurial long-term orientation of the Board of Management. The sustainable implementation of corporate strategy through appropriate decisions also leads to lasting value creation for the shareholders, thereby consistently providing the basis for a positive capital market performance in the long term. Due to the substantial investment and the fixed holding period, members of the Board of Management participate – even after their resignation – in the long-term positive development as well as the negative development of the Company based on the share price.

## **2.7 Withholding and clawback of variable remuneration (malus and clawback).**

The payment of variable remuneration components is subject to contractual regulations on withholding (malus) and clawback for periods after 1 January 2021. The Supervisory Board decides on withholding and/or reclaim and the extent of this at its due discretion. Statutory claims going beyond the possibility of withholding and reclaim, in particular claims for damages, remain unaffected by the contractual provisions.

Reasons for withholding variable remuneration components that have not yet been paid out or for reclaiming variable remuneration components that have already been paid out may include a serious violation by a member of the Board of Management of statutory provisions subject to fines, sanctions or penalties (compliance violation) or of the BMW Group's Code of Conduct. In the event of a justified suspicion of such a violation, the Supervisory Board may also provisionally refuse to make a payment.

The Supervisory Board may also reclaim variable remuneration components if the Financial Statements of the Company or the Group on which the assessment of a remuneration component was based contains serious errors or if incorrect information was used as a basis for the determination of other remuneration parameters.

Withholding is also possible after leaving the Board of Management and/or termination of the Board of Management service contract. A reclaim can be made up to four years after the Supervisory Board has become aware of or paid the bonus, or five years after payment of the personal cash investment amount. The reclaiming of remuneration already paid out is also possible after the termination of the Board of Management mandate for a maximum period of four years after resignation.

## **2.8 Remuneration-related legal transactions.**

### **a) Terms of Board of Management service contracts**

When appointing members of the Board of Management and determining the term of Board of Management service contracts, the Supervisory Board ensures compliance with the requirements of the German Stock Corporation Act (§ 84 AktG) as well as the recommendations of the German Corporate Governance Code.

Board of Management service contracts are concluded for the duration of the respective appointment as a member of the Board of Management (maximum five years). In the event of reappointment, the Board of Management service contract is extended accordingly. Generally speaking, the period of office and the contract term for first-time appointments to the Board of Management is three years. The Supervisory Board sets an age limit which is taken into account as a rule in the period of office and term of the Board of Management service contracts; exceptions remain possible in the interest of the Company.

Insofar as the appointment as a member of the Board of Management ends prematurely, the Company may terminate the service contract prematurely with due notice in accordance with the period stipulated in § 626 (2) of the German Civil Code (BGB). In addition, premature termination is only possible for both parties by mutual agreement and in the event of good cause by termination without notice.

Commitments to make an annual contribution to the Company's pension scheme in pension agreements are linked to the term of appointment as a member of the Board of Management. Pension entitlements under the contribution-based system become vested when the service contract has been in existence for one year.

#### **b) Commitments in connection with the premature termination of Board of Management service**

In accordance with the recommendations of the German Corporate Governance Code, Board of Management service contracts provide for a severance payment to be paid to the Board of Management member in the event of their premature termination by the Company without good cause, the amount of which is limited to a maximum of two years' remuneration ("severance payment cap") and which compensates no more than the remaining term of the service contract. If the remaining term of the contract is less than two years, the severance payment is therefore reduced pro rata temporis. As a rule, the sum of the base salary, the target amount of the bonus and the target amount of the personal cash investment is taken as the annual remuneration, unless the respective target amount was not reached in the previous year. In this case, the bonus actually granted, or the personal cash investment amount actually paid out is taken as the basis. A severance payment is offset against a waiting allowance for a post-contractual non-competition clause.

There are no severance agreements in the event of premature termination of Board of Management service due to a change of control or in connection with a takeover bid.

#### **c) Post-contractual non-competition clause**

The Supervisory Board may agree with Board of Management members on a post-contractual non-competition clause of up to two years in certain cases. During the term of a post-contractual non-competition clause, the payment of a monthly waiting allowance is provided for, against which other income can be offset. Any severance payment is offset against the waiting allowance in accordance with the recommendation of the German Corporate Governance Code. The Company reserves the right to unilaterally waive compliance with a post-contractual non-competition clause so that it is released from the obligation to pay a waiting allowance.

Currently, one-year post-contractual non-competition agreements are in place with all Board of Management members.

### **2.9 Secondary activities pursued by members of the Board of Management; offset.**

Members of the Board of Management require the approval of the Supervisory Board to take on secondary activities, in particular for the acceptance of external Supervisory Board

mandates and comparable offices. In this connection, the Supervisory Board also decides whether and to what extent remuneration for the activity is to be offset against Board of Management remuneration.

If members of the Board of Management hold mandates in affiliated companies, any remuneration they receive is generally offset against their remuneration as a member of the Board of Management of the Company. The same applies to activities in joint venture companies and companies in which the Corporation directly or indirectly holds more than 20 % of the share capital as well as to activities in associations and similar groups to which the Corporation belongs due to its business activities.

### **3. Supplementary information on agenda item 8 (Remuneration of the Supervisory Board).**

#### **3.1 Remuneration system of the Supervisory Board.**

The task of the Supervisory Board is to advise and supervise the Board of Management. The remuneration of the members of the Supervisory Board is to be commensurate with the tasks and the situation of the Company.

The remuneration of the members of the Supervisory Board is structured as a purely fixed remuneration plus an attendance fee and complies with suggestion G.18 of the German Corporate Governance Code. The pure fixed remuneration strengthens the independence of the Supervisory Board in advising and monitoring the Board of Management. The structure and amount of the fixed remuneration ensure that highly qualified persons can continue to be proposed to the General Meeting of Shareholders as members of the Supervisory Board. This strengthens the latter's advisory and supervisory function, thereby contributing to the sustainable and long-term development of the Company.

A member of the Supervisory Board without a remuneration-related additional function receives a fixed annual remuneration of € 200,000 plus an attendance fee, which is paid out in cash after the end of the financial year.

In accordance with recommendation G.17 of the German Corporate Governance Code, the function of Chair and Deputy Chair of the Supervisory Board as well as chairing and membership of Supervisory Board committees are remunerated additionally due to the increased preparation and workload involved. Due to the special demands on members and especially on the chairperson of the Audit Committee, a higher level of remuneration is provided for work on this committee than for work on other committees.

Overview – Remuneration <sup>1</sup>		
Function	Factor	Amount in € p.a. <sup>3</sup>
Member of the Supervisory Board	1.00	200,000
Chair of the Supervisory Board	3.00	600,000
Deputy Chair of the Supervisory Board	2.00	400,000
Chair of the Audit Committee <sup>2</sup>	2.25	450,000
Chair of another committee <sup>2</sup>	2.00	400,000
Member of the Audit Committee <sup>2</sup>	2.00	400,000
Member of another committee <sup>2</sup>	1.50	300,000

<sup>1</sup> If a member of the Supervisory Board exercises several functions, his or her remuneration shall be determined exclusively according to the function with the highest remuneration.

<sup>2</sup> Providing the committee has met on at least three days during the financial year.

<sup>3</sup> Plus attendance fee amounting to € 2,000 per plenary session.

In addition, each member of the Supervisory Board receives an attendance fee of € 2,000 per meeting payable after the end of the financial year for each meeting of the Supervisory Board (plenary) in which they participated. Multiple sessions on the same day are not remunerated separately. Furthermore, the Company reimburses each member of the Supervisory Board for any reasonable expenses and may include the members of the Supervisory Board in a pecuniary loss liability insurance policy. The remuneration of a member of the Supervisory Board who has only been a member of the Supervisory Board for part of the financial year or who has exercised an additional function requiring remuneration is reduced pro rata temporis.

Unless otherwise determined at the time of election, the members of the Supervisory Board are appointed until the end of the General Meeting of Shareholders which resolves on the discharge for the fourth financial year after the beginning of the period of office. The financial year in which the period of office begins is not counted. Members of the Supervisory Board may be dismissed in compliance with statutory provisions. They may resign from office without good cause before the end of the period of office. No remuneration is paid for the period after leaving the Supervisory Board.

The regulations on the remuneration of members of the Supervisory Board apply without distinction to shareholder and employee representatives. As a supervisory and advisory task, Supervisory Board activity is structurally distinct and can hardly be compared to the activity of the Company's employees. For this reason, there is no systematic consideration of the remuneration and employment conditions of the Company's employees.

The Supervisory Board reviews, if necessary, after preparation by the Presiding Board of the Supervisory Board, at least every four years whether the remuneration of the members of the Supervisory Board is commensurate with the situation of the Company and the duties of the members of the Supervisory Board. For this review, the Supervisory Board conducts a horizontal market comparison with other DAX companies. It may also consult an independent external remuneration expert.

The members of the Supervisory Board are involved in structuring the proposals for their remuneration. Proposals for resolutions to the General Meeting of Shareholders are usually submitted jointly by the Board of Management and the Supervisory Board. A conflict of interest is excluded by the fact that the General Meeting of Shareholders alone decides on the remuneration of the Supervisory Board. At the latest every four years, the Board of Management and the Supervisory Board submit the remuneration of the Supervisory Board to the General Meeting of Shareholders for resolution. The existing remuneration can also be confirmed in the process.

### **3.2 Determination of the remuneration of the members of the Supervisory Board in § 15 of the Articles of Incorporation.**

#### § 15 Remuneration of the Supervisory Board

1. Each member of the Supervisory Board shall receive a fixed remuneration of € 200,000 for the financial year (remuneration year), payable after the end of the financial year.
2. The Chairman of the Supervisory Board shall receive three times and each Deputy Chairman twice the amount resulting from no. 1. Provided the relevant committee convened for meetings on at least three days during the financial year, each chairman of the Supervisory Board's committees shall receive twice the amount resulting from no. 1, the Chairman of the Audit Committee two and a quarter times, and the members of those committees shall receive one and a half times the amount resulting from no. 1, and each member of the Audit Committee shall receive twice the amount resulting from no. 1. If a member of the Supervisory Board exercises more than one function that is subject to remuneration pursuant to sentence 1 or 2, the remuneration shall be measured only on the basis of the function which is remunerated with the highest amount.
3. In the event that a member of the Supervisory Board has only belonged to the Supervisory Board for a part of the financial year or has exercised more than one function that is subject to remuneration pursuant to no. 2 sentence 1 or 2, the amount of remuneration payable to that member pursuant to nos. 1 and 2 shall be reduced pro rata temporis.
4. In addition, each member of the Supervisory Board shall receive an attendance fee of € 2,000 for each full meeting of the Supervisory Board which the member has attended. These fees are payable at the end of the financial year. Attendance at more than one meeting on the same day shall not be remunerated separately.
5. The Corporation shall reimburse each member of the Supervisory Board for reasonable expenses. The Corporation may include the members of the Supervisory Board in the insurance coverage provided by an insurance against economic loss and errors and omissions maintained at the Corporation's cost.
6. This regulation shall apply for the first time for the financial year commencing on 1 January 2020 (remuneration year).

[...]

Notice of the Annual General Meeting was published in the Federal Gazette (Bundesanzeiger) on 24 March 2021.

Munich, 24 March 2021

**Bayerische Motoren Werke Aktiengesellschaft**

The Board of Management