

# BMW Group

## **Corporate Governance Code.** **Principles of Corporate Governance.**

(English convenience translation of German original)



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## Introduction

### Basic Information about the BMW Group

The designation BMW Group comprises Bayerische Motoren Werke Aktiengesellschaft (abbreviated to BMW AG or hereinafter also referred to as "Company") together with its affiliated companies. BMW AG was founded in 1916. The Company's registered office is located in Munich and the Company is registered with the District Court of Munich (Registrar of Companies) under the number HRB 42243. The object of the Company is primarily the manufacture and sale of engines and all vehicles equipped with engines.

As a German stock corporation (*Aktiengesellschaft*) governed by German stock corporation law BMW AG has three organs: The General Meeting (*Hauptversammlung*), the Supervisory Board (*Aufsichtsrat*) and the Board of Management (*Vorstand*). Their powers and duties are set out in the German Stock Corporation Act (*Aktiengesetz*) and BMW AG's Articles of Association, the full text of which is published on the BMW Group's website. As the Company's owners, the shareholders exercise their rights in the General Meeting.

The Board of Management manages the Company under its own responsibility. As part of a dual leadership system, the Board of Management is advised and supervised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and, if there is good cause, can remove them from office at any time. The Board of Management keeps the Supervisory Board informed and reports to it regularly, without delay and comprehensively according to the principles of diligent and accurate accountability in accordance with the law and the reporting duties laid down by the Supervisory Board. For certain important transactions the Board of Management requires the consent of the Supervisory Board. However, the Supervisory Board is not authorized to take any management measures.

In accordance with the provisions of the German Co-Determination Act (*Mitbestimmungsgesetz*) BMW AG's Supervisory Board consists of ten shareholder representatives elected by the General Meeting and ten employee representatives elected by the employees.

BMW AG's shares are listed on, inter alia, the regulated market of the Frankfurt Stock Exchange, Segment Prime Standard. The shares are bearer shares, each with a par value of 1 euro.

### German Corporate Governance Code

The German Corporate Governance Code was introduced by the Government Commission established for this purpose for the first time on 26 February 2002 and was most recently updated in the version of 26 May 2010. It sets out the main statutory regulations for the organisation of German listed companies and contains internationally and nationally recognized standards for good and responsible governance. The purpose of the code is to promote the trust of

international and national investors, customers, employees and the general public in the management and supervision of German public corporations.

### **The Corporate Governance Code of the BMW Group**

In conjunction with the adoption of the German Corporate Governance Code by the German Government Corporate Governance Code Commission, the Board of Management and Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft adopted a corporate governance code for the BMW Group for the first time on 3 December 2002, based closely on the German Corporate Governance Code. In line with the German Corporate Governance Code, it describes the important statutory framework provisions and the more far-reaching principles of good and responsible corporate governance applied by the BMW Group. The aim is to provide shareholders and other stakeholders with a comprehensive and stand-alone document covering the corporate governance practices applied by the BMW Group. The Corporate Governance Code of the BMW Group is normally reviewed annually and revised to take account of recent developments, in particular changes in legislation and new recommendations and suggestions of the German Government Corporate Governance Code Commission.

## **1. Shareholders and Annual General Meeting of BMW AG**

### **1.1 Shareholders of BMW AG**

The ordinary and preferred shareholders exercise their rights prior to or during the Annual General Meeting in accordance with the possibilities envisaged in the Articles of Incorporation.

Each share of common stock in BMW AG carries one vote. There are no shares with multiple voting rights, preferential voting rights ("golden shares") or maximum voting rights. Except for voting rights in the General Meeting, non-voting shares of preferred stock give the same rights as shares of common stock. In accordance with the Company's statutes, non-voting shares of preferred stock have a preferential right in terms of the allocation of profit.

### **1.2 The Annual General Meeting of BMW AG**

The Management Board submits the Annual Financial Statements and the Consolidated Financial Statements to the Annual General Meeting. The Annual General Meeting resolves on the appropriation of net profit and the discharge of the acts of the Board of Management and the Supervisory Board. It normally elects the shareholders' representatives to the Supervisory Board and the auditors.

The Annual General Meeting is also entitled to decide on amendments to the Articles of Association, the objects of the Company and significant corporate measures such as the conclusion of Control and Profit and Loss Transfer Agreements, the issue of new shares, convertible bonds or bonds with warrants and the authorisation to purchase own shares. The Annual General Meeting may also pass resolutions with regard to authorisation of the remuneration system for members of the Board of Management.

As a general rule, when new shares are issued, shareholders have pre-emptive rights corresponding to their share of issued capital.

Each person satisfying the participation requirements set out in German law and the Company's Articles of Incorporation relating to notice of participation at the Annual General Meeting and proof of share ownership, is entitled to participate in the Annual General Meeting, to take the floor on matters on the agenda and to submit relevant questions and proposals.

The Chairman of the Supervisory Board chairs the meeting and provides for the expedient running of the Annual General Meeting.

In this, the Chairman should be guided by the fact that an ordinary general meeting should be completed after 4 to 6 hours at the latest.

### 1.3 Invitation to the Annual General Meeting of BMW AG, postal voting, proxies

The shareholders' Annual General Meeting will be convened by the Board of Management at least once a year at which stage the agenda of the meeting is made known. Shareholders who, together, hold 5% of the issued capital are statutorily entitled to demand that a General Meeting be convened and that the agenda be extended.

The extension of the agenda can also be demanded by shareholders who, together, hold shares with a par value of € 500,000 or more provided that the statutory formalities are complied with.

The Board of Management will post the reports and documents required by law for the Annual General Meeting, including notification of meeting, agenda and Annual Report, on the website of the BMW Group ([www.bmwgroup.com](http://www.bmwgroup.com)). Any specific forms which are required to be used for proxy or postal voting will be sent to shareholders or made available on the website.

BMW AG will inform all relevant domestic and foreign financial services providers, shareholders and shareholders' associations that the Annual General Meeting has been convened and will distribute the documents relating to the invitation to the meeting via electronic channels.

BMW AG will facilitate the personal exercising of shareholders' voting rights. BMW AG will also assist the shareholders in the use postal voting and proxies. The Board of Management will arrange for the appointment of a representative to exercise shareholders' voting rights in accordance with instructions; this representative will also be reachable during the Annual General Meeting.

The speech of the Chairman of the Board of Management at the Annual General Meeting will be broadcast over the Internet.

## 2. **Cooperation between the Board of Management and Supervisory Board of BMW AG**

The Board of Management and the Supervisory Board cooperate closely and in a spirit of trust to the benefit of the enterprise.

The Board of Management runs the business and bears responsible for managing the group. It coordinates the group's strategic approach with the Supervisory Board and, at regular intervals, discusses the current state of strategy implementation with the Supervisory Board.

For transactions of fundamental importance, the Supervisory Board has stipulated specific transactions which require the approval of the Supervisory Board. This also includes decisions or measures which are of fundamental strategic significance.

The provision of adequate information to the Supervisory Board is the joint responsibility of the Board of Management and Supervisory Board.

The Board of Management of BMW AG informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to the group with regard to planning, business development, risk situation, risk management and compliance. The Board of Management points out deviations of actual business development from previously formulated plans and targets, indicating the reasons for such deviations.

The BMW Supervisory Board has laid down detailed instructions covering the information and reporting duties of the Board of Management. As a general rule, in the case of reports required by dint of law, the Board of Management submits its reports to the Supervisory Board in text form. Documents required for decisions, in particular, the annual financial statements, the consolidated financial statements and the auditors' report will be sent to the members of the Supervisory Board, to the extent possible, in due time before the relevant meeting.

Good corporate governance requires an open discussion both within the boards and between the boards. Full confidentiality is of paramount importance. When the services of staff members are called upon, the members of the two boards are responsible for ensuring that the relevant staff members observe the requirement of confidentiality.

The representatives of the shareholders and of the employees prepare the Supervisory Board meetings separately, and if need be, together with members of the Board of Management.

When necessary, the Supervisory Board of BMW AG meets without the Board of Management.

In the event of the receipt of a takeover offer, the Board of Management and Supervisory Board will submit a statement of their reasoned position so that the shareholders can make an informed decision on the offer.

After the announcement of a takeover offer, the Board of Management will not take any actions outside the ordinary course of business that could prejudice the success of the offer unless the Board of Management has been specifically authorised by the Annual General Meeting, or the Supervisory Board has given its approval. The search for a competing offer is permitted by German law. In making their decisions, the Board of Management and Supervisory Board are obliged to act in the best interests of the shareholders and of the enterprise.

In appropriate cases, the Board of Management will convene an Extraordinary General Meeting at which shareholders can discuss the takeover offer and decide on corporate actions.

The Board of Management and the Supervisory Board are required to comply with the rules of proper corporate governance. If they violate the due care and diligence owed by prudent and conscientious board members, they are liable to BMW AG for damages. In the case of business decisions, the duty owed is deemed not to have been violated if the Board of Management or Supervisory Board member could reasonably have assumed that he/she was acting for the benefit of the enterprise on the basis of appropriate information (the so-called "business judgement rule").

The Company complies with the relevant statutory guidelines relating to the level of excess amounts for D&O insurance contracts payable by members of the Board of Management (excess amount equivalent to a minimum of 10% of any damage and up to a minimum of one and half times of the board member's fixed annual remuneration). A corresponding excess amount has been agreed for members of the Supervisory Board.

The provision of loans by BMW AG or group subsidiaries to members of the Board of Management and the Supervisory Board or their relatives requires the approval of the Supervisory Board.

The BMW AG's Board of Management and Supervisory Board report each year on the group's corporate governance in the Annual Report (Corporate Governance Report). This includes an explanation of any deviations from the recommendations of the German Corporate Governance Code. The Company will ensure that each superseded Declaration of Compliance to the German Corporate Governance Code is available on its website for a period of five years.

### **3. The Board of Management of BMW AG**

#### **3.1 Tasks and responsibilities**

The Board of Management manages the enterprise under its own responsibility and in the enterprise's best interests, i.e. taking into account the interests of the shareholders, the employees and other groups associated with the group (stakeholders) with the objective of creating sustainable added value.

The Board of Management develops the enterprise's strategy, coordinates it with the Supervisory Board and ensures its implementation.

The Board of Management ensures that all provisions of law and internal regulations are abided by and works to achieve their compliance throughout the group.

The Board of Management ensures that an appropriate risk management and risk controlling system is in place throughout the group.

The Board of Management also considers diversity when making appointments to management positions and is striving, in particular, to take appropriate account of women. The Board of Management is convinced that neither fixed quotas nor purely qualitative declarations are the right way for BMW AG to achieve its objectives. It has therefore opted to use target ranges. These allow greater room for manoeuvre than quotas, whilst nevertheless establishing clear framework. Target ranges have been set separately for the overall BMW AG workforce, for non-tariff management and for selected recruitment programmes.

#### **3.2 Composition and compensation of the Board of Management**

The Board of Management consists of several persons with one chairman. Terms of reference are in place to regulate cooperation within the Board of Management, in particular the allocation of tasks and responsibilities between the individual members, the specification of matters to be dealt with by the full board and voting procedures for board resolutions.

Upon proposal by the Personnel Committee, the plenary Supervisory Board fixes the total compensation of the individual members of the Board of Management and resolves and regularly reviews the compensation system applicable to the Board of Management.

The total compensation of the members of the Board of Management is fixed by the plenary Supervisory Board based on performance criteria and taking into account any remuneration from group companies. The principal criteria for determining the appropriateness of compensation are the nature of the tasks allocated to each member of the Board of Management, an assessment of the performance of those tasks as well as the economic situation, performance and outlook of the BMW Group as well as the customariness of the compensation taking into account the comparable environment and the compensation structure that otherwise applies in the Company.

In the event that the Supervisory Board uses an external compensation expert to assess the appropriateness of the compensation, care shall be taken that said expert is independent of the Board of Management and of the group.

The compensation structure is geared towards a sustainable corporate development. The monetary compensation of members of the Board of Management comprises fixed and variable components. The Supervisory Board ensures that in principle the variable compensation components are assessed on a multi-year basis and that its composition takes into account positive as well as negative developments. The variable compensation components are based on exacting, relevant comparators. Performance targets and comparators are not amended retrospectively. Moreover, upper limits are agreed for all members of the Board of Management. Furthermore, the Supervisory Board ensures that all compensation components are reasonable individually and altogether and do not give rise to any inducement to enter into any unreasonable risks.

No contractual promises of severance pay exist for the event of any early termination of the services as a member of the Board of Management without good cause; nor do any promises exist for the event of early termination of the services as a member of the Board of Management as a consequence of a change of control.

The principles of the compensation system and any changes thereto will be explained by the Chairman of the Supervisory Board at the Annual General Meeting.

The total compensation of each individual member of the Board of Management will be disclosed in a Compensation Report, broken down into fixed and variable compensation components and stating names, which Compensation Report will also explain the compensation system in an easily comprehensible manner. The same applies with regard to promises of payments or benefits in the event of early or regular termination of the services as a member of the Board of Management, which have been granted or amended during the financial year. The Compensation Report also includes disclosures on the nature of

ancillary services provided by the Company. The Compensation Report is part of the Corporate Governance Report.

### 3.3 Conflicts of interest

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

Members of the Board of Management and employees may not, in connection with their work, demand nor accept from third parties payments or other advantages for themselves or for any other person, nor grant third parties unlawful advantages.

Members of the Board of Management are bound by the enterprise's best interests. No member of the Board of Management may pursue personal interests in his decisions or take advantage of business opportunities intended for the enterprise.

All members of the Board of Management must disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Board of Management thereof. All transactions between the enterprise and members of the Board of Management (including related parties) must comply with standards customary in the sector. Important transactions require the approval of the Supervisory Board.

Members of the Board of Management may only undertake ancillary activities, in particular supervisory board mandates outside the BMW Group, with the approval of the Supervisory Board's Personnel Committee.

## **4. The Supervisory Board of BMW AG**

### 4.1 Tasks and responsibilities

The task of the Supervisory Board is to advise regularly and supervise the Board of Management in the management of the BMW Group. It is involved in all decisions of fundamental importance for the BMW Group.

The Supervisory Board appoints and dismisses the members of the Board of Management.

The Supervisory Board has delegated the preparation of appointments to the Board of Management to a committee (Personnel Committee) which also handles the terms and conditions of employment contracts including compensation.

The Personnel Committee and the full Supervisory Board ensure, together with the Board of Management, that long-term succession planning is in place. In their assessment of candidates for a position on the Board of Management, the principal criteria applied by the Supervisory Board for determining the suitability of candidates are; professional expertise in the relevant area of board responsibility; outstanding leadership qualities, a proven track-record; and a profound understanding of the Company's business.

The Supervisory Board takes diversity into account when assessing, on balance, which individual will best complement the Board of Management as representative body of the Company. Diversity in the context of the decision-making process is understood by the Supervisory Board to encompass a variety of complementary profiles, professional and personal experiences, including at an international level, and an appropriate level of representation of both genders. As part of its medium and long-term plan for future appointments, the Supervisory Board is aiming to achieve an appropriate level of representation of women on the Board of Management. The Board of Management is accordingly required to report to the Personnel Committee-- at regular intervals and on request prior to personnel decisions being taken by the Supervisory Board -on the proportion of, and changes in, management positions held by women, in particular below senior executive level and at the first management level.

As to which individual is actually selected for a post on the Board of Management, the Supervisory Board shall decide in the best interests of the Company and after taking account of all relevant circumstances.

For first-time appointments the maximum possible appointment period of five years is not the general rule. A re-appointment prior to one year before the end of the appointment period with a simultaneous termination of the current appointment only takes place under special circumstances. An age limit for members of the Board of Management has been specified.

The Supervisory Board has issued terms of reference for itself.

#### 4.2 Tasks and authorities of the Chairman of the Supervisory Board

The Chairman of the Supervisory Board coordinates work within the Supervisory Board, chairs its meetings and handles the external affairs of the Supervisory Board.

The Chairman of the Supervisory Board simultaneously chairs the Personnel Committee (which handles contracts with members of the Board of Management), the Presiding Board (which, amongst other tasks, prepares the Supervisory Board meetings) and the Nomination Committee (which proposes suitable shareholder-side candidates for inclusion on the Supervisory Board's proposals for election to the Supervisory Board at the Annual General Meeting). The Chairman of the Supervisory Board does not, however, chair the Audit Committee.

The Chairman of the Supervisory Board maintains regular contact with the Board of Management, in particular, with the Chairman of the Board of Management and consults on the strategy, business development and risk management of the BMW Group. The Chairman of the Supervisory Board is informed by the Chairman of the Board of Management without delay of important events which are essential for an assessment of the situation and development of the BMW Group as well as for the management of the BMW Group. The Chairman of the Supervisory Board then informs the Supervisory Board and, if required, convenes an extraordinary meeting of the Supervisory Board.

#### 4.3 Formation of committees

The Supervisory Board has set up committees with sufficient expertise based on the specific requirements of the BMW Group. Such committees serve to increase the efficiency of the Supervisory Board's work and the handling of complex issues. Each committee chairperson reports regularly to the Supervisory Board on the work of the relevant committee.

In addition to the statutorily required Mediation Committee, the Supervisory Board has also set up an Audit Committee. This committee deals in particular with issues relating to financial reporting, the internal control system, the risk management system, internal audit arrangements, compliance, auditor independence, the engagement of the external auditor, compliance with the audit engagement, the determination of specific areas of audit emphasis and the fee agreement with the auditor. The Audit Committee also decides on the Supervisory Board's agreement to use the Authorised Capital 2009 (§ 4 point 5 of the Articles of Association) and on amendments which only affect the wording of the Articles of Incorporation..

The Chairman of the Audit Committee is required to have specific know-how and experience in applying financial reporting standards and internal control procedures. He/she is independent and may not be a former member of the Board of Management of the Company, whose appointment ended less than two years ago.

The Supervisory Board has also established a Nomination Committee, comprising solely representatives of the shareholders, which has the task of proposing suitable shareholder-side candidates for inclusion on the Supervisory Board's proposals for election to the Supervisory Board at the Annual General Meeting.

#### 4.4 Composition and compensation of the Supervisory Board

The Supervisory Board shall be composed, at all times, of members who have the required knowledge, abilities and expert experience to complete their tasks properly.

The Supervisory Board has set out specific targets for its own composition. These targets, which take account of the specific circumstances of the Company, take into consideration the international nature of the Company's activities, potential conflicts of interest, an age-limit stipulated by the Supervisory Board for its members and diversity. These specific targets also envisage an appropriate level of representation of women on the board.

Proposals made by the Supervisory Board to the competent election bodies, shall take into account the above-stated objectives.

The objectives of the Supervisory Board and their implementation status are published annually in the Corporate Governance Report.

The members of the Supervisory Board are responsible for undertaking necessary training and further education measures that are required to carry out the tasks assigned to them. The Company provides appropriate assistance to members of the Supervisory Board in this respect.

The ability of the Supervisory Board to supervise and advise the Board of Management independently is also aided by the fact that the Supervisory Board is required, based on its own assessment, to have a sufficient number of independent members. A Supervisory Board member is considered to be independent if that member does not have any business or personal relationships with the BMW Group or with the Board of Management of BMW AG which might give rise to a conflict of interests. No more than two former members of the Board of Management may be members of the Supervisory Board. Supervisory Board members may not exercise directorships or similar positions or advisory tasks for important competitors of the BMW Group.

Election to the Supervisory Board is carried out in the form of an individual vote. An application for a court appointment of a Supervisory Board member representing the shareholders is required to be limited in time to the next Annual General Meeting. Shareholders will be informed of proposals for candidates for the position of the Chairman of the Supervisory Board.

Members of the Board of Management may not become members of the Supervisory Board before the expiry of two years following the end of their appointment unless they are elected upon the proposal of shareholders, who hold more than 25% of the voting rights in the Company. In the latter case, a move to the chairmanship of the Supervisory Board shall be deemed to be an exception that must be justified to the Annual General Meeting.

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

The compensation of the members of the Supervisory Board is specified in the Articles of Association of BMW AG and takes into account the responsibilities and scope of tasks of the members of the Supervisory Board as well as the economic situation and performance of the BMW Group. Chairmanship and deputy chairmanship of the Supervisory Board as well as chairmanship of and membership in committees are also taken into account. Members of the Supervisory Board receive fixed as well as performance-related compensation. The amount of compensation will be disclosed in the Corporate Governance Report for each individual member, analysed by component.

Should additional remuneration be paid to Supervisory Board members or remuneration-like advantages granted to them in return for the performance of personal services over and above their supervisory board duties, in particular consultancy and agency services, this fact will be reported separately in the Corporate Governance Report and disclosed by individual.

If a member of the Supervisory Board takes part in less than half of the meetings of the Supervisory Board in a particular financial year, this will be disclosed in the Annual Report.

#### 4.5 Conflicts of interest

Each member of the Supervisory Board is bound by the enterprise's best interests. The members of the Supervisory Board may not pursue personal interests in their decisions or take advantage of business opportunities intended for the enterprise.

Each member of the Supervisory Board will inform the Supervisory Board of any conflicts of interest which may result from a consultant or

directorship function with clients, suppliers, lenders or other business partners.

In its report, the Supervisory Board will inform the Annual General Meeting of any conflicts of interest which have occurred and how they were handled. Material conflicts of interest and those which are not merely temporary in nature will result in the termination of the mandate of the relevant Supervisory Board member.

Advisory and other service agreements and contracts for work between BMW AG and a member of the Supervisory Board require the approval of the Supervisory Board's Personnel Committee.

#### 4.6 Examination of efficiency

The Supervisory Board of BMW AG examines the efficiency of its activities on a regular basis.

### 5. Transparency

The Board of Management of BMW AG will, without delay, give notice of any insider information directly affecting BMW AG, unless exempted in specific cases from this requirement.

As soon as BMW AG becomes aware of the fact that any party has acquired 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in the Company, or if these thresholds are exceeded or no longer met as a result of a purchase, sale or other transaction, the Board of Management will disclose this fact without delay.

BMW AG treats all shareholders equally in respect of the provision of information. All new facts made known to financial analysts and similar addressees by BMW AG will also be disclosed to the shareholders by the Company without delay.

The Company uses suitable communication media, such as the Internet, to inform shareholders and investors in a prompt and equitable manner.

Any information which the Company discloses abroad in line with corresponding capital market law provisions are also be disclosed in Germany without delay.

The purchase or sale of shares in BMW AG or related financial instruments, in particular derivatives, by Board of Management and Supervisory Board members or by other persons with senior management responsibilities, who have regular access to insider

information, or by related parties of such parties, must be notified without delay to BMW AG which will report the information without delay. Purchase and sale transactions of this group of persons exceeding EUR 5,000 per calendar year must be notified.

The ownership of shares in BMW AG or related financial instruments by individual members of the Board of Management and Supervisory Board are reported in the Corporate Governance Report where these directly or indirectly exceed 1% of the stock issued by BMW AG. If the entire holdings of all members of the Board of Management and Supervisory Board exceed 1% of the stock issued by BMW AG, the total amount will be disclosed separately for the Board of Management and Supervisory Board.

As part of the group's regular information policy, the dates of essential regular publications (including the Annual Report, interim financial and quarterly reports) and the date of the Annual General Meeting will be published sufficiently in advance in a "financial calendar."

Information published by BMW AG about the BMW Group will also be accessible via the BMW Group's website. Publications are also available in English.

## **6. Financial Reporting and Audit**

### **6.1 Financial Reporting**

Shareholders and third parties are informed mainly by means of the group financial statements. During the financial year, information is also provided in the form of interim financial reports (six-month report, quarterly reports). The group financial statements and the abbreviated group financial statements included in the six-month and quarterly reports are drawn up in accordance with applicable international financial reporting standards. For corporate law purposes (calculation of dividend, shareholder protection), annual financial statements are still drawn up in accordance with national regulations (German Commercial Code) which also form the basis for taxation.

The consolidated financial statements are drawn up by the Board of Management and examined by the group auditor and Supervisory Board. The six-month and quarterly reports are discussed by the Audit Committee with the Board of Management before publication. In addition, as part of the tasks mandated to them by law, the Financial Reporting Enforcement Panel and the German Financial Supervisory Authority are entitled to examine compliance with relevant financial reporting standards (Enforcement).

The group financial statements are made publicly accessible within 90 days of the end of the financial year; interim reports are made publicly accessible within 45 days of the end of the reporting period.

Specific details about securities-related incentive schemes of the Company shall be stated in the Corporate Governance Report if the Company uses any such schemes.

BMW AG publishes a list of companies in which it has a shareholding that are not of minor importance to the group. The list includes the name and registered office of each company, the shareholding percentage, the amount of shareholders' equity and the net profit/loss for the most recent financial year.

Details of relationships with shareholders considered to be related parties pursuant to the applicable accounting regulations are disclosed in the group financial statements.

## 6.2 Audit

Prior to submitting a proposal for election, the Audit Committee will obtain a statement from the proposed auditor stating whether there are any business, financial, personal and other relationships between the auditor, its executive bodies and its employees on the one hand, and the BMW Group and members of its executive bodies on the other hand, that could call the auditor's independence into question. The Audit Committee is also responsible for ensuring that this statement also includes information about the scope of other services performed by the auditor for the BMW Group during the past year, in particular in the field of consultancy, or which are contracted for the following year.

The Audit Committee arranges for the auditor to inform the Chairman of the Audit Committee immediately of any grounds for disqualification or impartiality arising during the audit, unless such grounds are eliminated without delay.

The Audit Committee engages the auditor to carry out the audit, concludes a fee agreement and arranges for the auditor to report without delay on all facts and events arising during the performance of the audit which are relevant to the tasks of the Supervisory Board.

The Audit Committee arranges for the auditor to inform the Supervisory Board and/or include details in the auditor's long-form report of facts which come to light during the audit, which could entail the Board of Management and Supervisory Board making an incorrect assertion in their statement on the German Corporate Governance Code.

The auditor takes part in the deliberations of the Audit Committee and Supervisory Board on the annual financial statements and consolidated financial statements and reports on the significant results of the audit.

Munich, January 2011

**Bayerische Motoren Werke Aktiengesellschaft**

The Supervisory Board

The Board of Management