

Disclosures pursuant to § 289 (5) and § 315 (2) n° 5 HGB and Explanatory Report Internal Control System

The internal control system of the BMW Group is aimed at ensuring the effectiveness of operations. It makes an important contribution towards ensuring compliance with the BMW Group's applicable laws as well as providing assurance on the propriety and reliability of internal and external financial reporting. It is therefore a significant factor in the management of process risks.

The principal features of the internal control system, as far as they relate to individual entity and Group financial reporting processes, are described below. The risk management system is an integral part of the internal control system and is therefore not referred to in this section.

Information and communication

One of the elements of the internal control system is the area of "Information and Communication", which ensures that all information necessary to achieve the objectives set for the internal control system is made available in an appropriate and timely manner to those responsible. The requirements relating to the provision of information relevant for financial reporting at the level of BMW AG, other consolidated Group entities and the BMW Group are primarily set out in organisational manuals, in guidelines covering internal and external financial reporting issues and in accounting manuals. These instructions, which can be accessed at all levels via the BMW Group's intranet system, provide the framework for ensuring that the relevant rules are applied consistently across the Group. The quality and relevance of these instructions is ensured by regular review as well as by continuous communication between the relevant departments.

Organisational measures

All financial reporting processes (including Group financial reporting processes) are structured in organisational terms in accordance with the principle of segregation of duties. These structures as well as rigorous application of the principle of dual control allow errors to be identified at an early stage and prevent potential wrongdoing. Regular comparison of internal forecasts and external financial reports improves the quality of financial reporting. The internal audit department serves as a process-independent function, testing and assessing the effectiveness of the internal control system and proposing improvements when appropriate.

Controls

Extensive controls are carried out by management in all financial reporting processes at an individual entity and

Group level to ensure that legal requirements and internal guidelines are complied with and that all business transactions are properly executed. Controls are also carried out with the aid of IT applications, thus reducing the incidence of process risks.

IT authorisations

All IT applications used in financial reporting processes throughout the BMW Group are subject to access restrictions. As a result, only authorised persons can gain access on a controlled basis to systems and data, depending on the nature of the work being performed. In addition, IT processes are designed and authorisations allocated using the dual control principle, as a result of which, for instance, requests cannot be submitted and approved by the same person.

Internal control training for employees

All employees are appropriately trained to carry out their duties and kept informed of any changes in regulations or processes that affect them. Managers and staff also have access to detailed best-practice descriptions relating to risks and controls in the various processes, thus increasing risk awareness at all levels. As a consequence, the internal control system can be evaluated regularly and further improved as necessary. Employees can, at any time and independently, deepen their understanding of control methods and design using an information platform that is accessible groupwide.

Evaluation of effectiveness of the internal control system

Responsibilities for ensuring the effectiveness of the internal control system in relation to individual entity and Group financial reporting processes are clearly defined and allocated to the relevant managers and process owners. The BMW Group assesses the design and effectiveness of the internal control system on the basis of internal review procedures on the one hand (e.g. management self-audits, internal audit findings) and the findings of external auditors on the other. Audits performed at regular intervals show that the internal control system in place throughout the BMW Group is both appropriate and effective. Continuous revision and further development of the internal control system ensures its continued effectiveness. Group entities are required to confirm regularly as part of their reporting duties that the internal control system is functioning properly. Effective measures are implemented whenever weaknesses are identified and reported.