

STATEMENT ON CORPORATE GOVERNANCE

Good corporate governance – acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis – is an essential requirement for the BMW Group embracing all areas of the business. Corporate culture within the BMW Group is founded on transparent reporting and internal communication, a policy of corporate governance aimed at the interests of stakeholders, fair and open dealings between the Board of Management and the Supervisory Board as well as among employees and compliance with the law. The Board of Management and Supervisory Board report in this statement on important aspects of corporate governance pursuant to § 289a HGB and section 3.10 of the German Corporate Governance Code (GCGC).

Information on the Company's Governing Constitution

The designation "BMW Group" comprises Bayerische Motoren Werke Aktiengesellschaft (BMW AG) and its group entities. BMW AG is a stock corporation (Aktiengesellschaft) based on the German Stock Corporation Act (Aktiengesetz) and has its registered office in Munich, Germany. It has three representative bodies: the Annual General Meeting, the Supervisory Board and the Board of Management. The duties and authorities of those bodies derive from the Stock Corporation Act and the Articles of Incorporation of BMW AG. Shareholders, as the owners of the business, exercise their rights at the Annual General Meeting. The Annual General Meeting decides in particular on the utilisation of unappropriated profit, the ratification of the acts of the members of the Board of Management and of the Supervisory Board, the appointment of the external auditor, changes to the Articles of Incorporation, specified capital measures and elects the shareholders' representatives to the Supervisory Board. The Board of Management manages the enterprise under its own responsibility. Within this framework, it is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and can, at any time, revoke an appointment if there is an important reason. The Board of Management keeps the Supervisory Board informed of all significant matters regularly, promptly and comprehensively, following the principles of conscientious and faithful accountability and in accordance with prevailing law and the reporting duties allocated to it by the Supervisory Board. The Board of Management requires the approval of the Supervisory Board for certain major transactions. The Supervisory Board is not, however, authorised to undertake management measures itself.

In accordance with the requirements of the German Co-determination Act for companies that generally employ more than 20,000 people, the Supervisory Board of BMW AG is required to comprise ten shareholder representatives elected at the Annual General Meeting (Supervisory Board members representing equity or shareholders) and ten employees elected in accordance with the provisions of the Co-determination Act (Supervisory Board members representing employees). The ten Supervisory Board members representing employees comprise seven Company employees, including one executive staff representative, and three members elected following nomination by unions.

The close interaction between Board of Management and Supervisory Board in the interests of the enterprise as described above is also known as a "two-tier board structure".

Declaration of Compliance and the BMW Group Corporate Governance Code

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

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

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

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

The Board of Management and Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft (“BMW AG”) declare the following regarding the recommendations of the “Government Commission on the German Corporate Governance Code”:

1. Since issuance of the last Declaration in December 2014, BMW AG has complied with all of the recommendations published officially on 30 September 2014 in the Federal Gazette (Code version dated 24 June 2014), as announced with the exception of section 4.2.5 sentences 5 and 6.
2. BMW AG will in future comply with all of the recommendations published officially on 12 June 2015 in the Federal Gazette (Code version dated 5 May 2015), with the exception of section 4.2.5 sentences 5 and 6.
3. It is recommended in section 4.2.5 sentences 5 and 6 of the Code that specified information pertaining to management board compensation be disclosed in the Compensation Report. These recommendations have not been and will not be complied with, due to uncertainties with respect to their interpretation and doubts as to whether the supplementary use of model tables would be instrumental in making the BMW AG’s Compensation Report transparent and generally understandable in accordance with generally applicable financial reporting requirements (see section 4.2.5 sentence 3 of the Code).

Munich, December 2015

Bayerische Motoren Werke
Aktiengesellschaft

On behalf of the
Supervisory Board

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

On behalf of the
Board of Management

Harald Krüger
Chairman

Members of the Board of Management

Harald Krüger (born 1965)

Chairman

(since 13. 05. 2015)

Production

(until 13. 05. 2015)

Mandates

- BMW (South Africa) (Pty) Ltd. (Chairman)
(until 13. 05. 2015)
- BMW Motoren GmbH (Chairman)
(until 15. 05. 2015)

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

Chairman

(until 13. 05. 2015)

Mandates

- Siemens Aktiengesellschaft
- Henkel AG & Co. KGaA (Shareholders' Committee)

Milagros Caiña Carreiro-Andree (born 1962)

Human Resources, Industrial Relations Director

Dr.-Ing. Klaus Draeger (born 1956)

Purchasing and Supplier Network

Dr. Friedrich Eichiner (born 1955)

Finance

Mandates

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

Klaus Fröhlich (born 1960)

Development

Mandates

- HERE International B.V. (since 05. 12. 2015)

Dr. Ian Robertson (HonDSc) (born 1958)

Sales and Marketing BMW,

Sales Channels BMW Group

Mandates

- Dyson James Group Limited (until 31. 12. 2015)

Peter Schwarzenbauer (born 1959)

MINI, Motorcycles, Rolls-Royce,

Aftersales BMW Group

Mandates

- Rolls-Royce Motor Cars Limited (Chairman)

Oliver Zipse (born 1964)

Production

(since 13. 05. 2015)

Mandates

- BMW (South Africa) (Pty) Ltd. (Chairman)
(since 14. 05. 2015)
- BMW Motoren GmbH (Chairman)
(since 15. 05. 2015)

General Counsel:

Dr. Jürgen Reul

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— Membership of other statutory supervisory boards.

— Membership of equivalent national or foreign boards of business enterprises.

-- Other mandates.

Members of the Supervisory Board

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer (born 1956)
Member and Chairman since 13.05.2015
Former Chairman of the Board of
Management of BMW AG

Mandates

- Siemens Aktiengesellschaft
- Henkel AG & Co. KGaA (Shareholders' Committee)

Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h.

Joachim Milberg (born 1943)
Member from 2002 until 13.05.2015
Chairman until 13.05.2015
Chairman of the Board of Trustees of
BMW Stiftung Herbert Quandt
Former Chairman of the Board of
Management of BMW AG

Mandates

- Bertelsmann Management SE (Deputy Chairman)
- Bertelsmann SE & Co. KGaA (Deputy Chairman)
- Deere & Company

Manfred Schoch¹ (born 1955)

Member since 1988
Deputy Chairman
Chairman of the European and
General Works Council
Industrial Engineer

Stefan Quandt (born 1966)

Member since 1997
Deputy Chairman
Entrepreneur

Mandates

- DELTON AG (Chairman)
- AQTON SE (Chairman)
- Entrust Datacard Corp.

Stefan Schmid¹ (born 1965)

Member since 2007
Deputy Chairman
Chairman of the Works Council, Dingolfing

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

Member since 2008
Deputy Chairman
Chairman of the Executive Management of
Merck KGaA

Mandates

- Bertelsmann Management SE
- Bertelsmann SE & Co. KGaA
- Deutsche Lufthansa Aktiengesellschaft
- Verizon Communications Inc. (since 05.11.2015)

Christiane Benner² (born 1968)

Member since 2014
Second Chairman of IG Metall

Mandates

- Robert Bosch GmbH

¹ Employee representatives (company employees).

² Employee representatives (union representatives).

³ Employee representatives (members of senior management).

— Membership of other statutory supervisory boards.

— Membership of equivalent national or foreign boards of business enterprises.

-- Other mandates.

Franz Haniel (born 1955)

Member since 2004

Entrepreneur

Mandates

- DELTON AG (Deputy Chairman)
- Franz Haniel & Cie. GmbH (Chairman)
- Heraeus Holding GmbH
- Metro AG (Chairman) (until 19.02.2016)
- TBG Limited

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

Member since 2008

Chairman of the Executive Board of
Helmholtz-Zentrum Potsdam Deutsches
GeoForschungsZentrum – GFZ
University Professor

Prof. Dr. rer. nat. Dr.-Ing. E. h.**Henning Kagermann** (born 1947)

Member since 2010

President of acatech – Deutsche Akademie der
Technikwissenschaften e. V.

Mandates

- Deutsche Bank AG
- Deutsche Post AG
- Franz Haniel & Cie. GmbH (until 25.04.2015)
- Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München

Susanne Klatten (born 1962)

Member since 1997

Entrepreneur

Mandates

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

Prof. Dr. rer. pol. Renate Köcher (born 1952)

Member since 2008

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

Mandates

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

Ulrich Kranz³ (born 1958)

Member since 2014

Head of Product Line BMW i

Dr. h. c. Robert W. Lane (born 1949)

Member since 2009

Former Chairman and Chief Executive Officer of
Deere & Company

Mandates

- General Electric Company
- Northern Trust Corporation (until 21.04.2015)
- Verizon Communications Inc. (until 07.05.2015)

Horst Lischka² (born 1963)

Member since 2009

General Representative of IG Metall Munich

Mandates

- KraussMaffei Group GmbH
- MAN Truck & Bus AG
- Städtisches Klinikum München GmbH

Willibald Löw¹ (born 1956)

Member since 1999

Chairman of the Works Council, Landshut

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¹ Employee representatives (company employees).² Employee representatives (union representatives).³ Employee representatives (members of senior management).

— Membership of other statutory supervisory boards.

— Membership of equivalent national or foreign boards of business enterprises.

– – Other mandates.

Wolfgang Mayrhuber (born 1947)

Member from 2004 until 13. 05. 2015
Chairman of the Supervisory Board of
Deutsche Lufthansa Aktiengesellschaft

Mandates

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

Simone Menne (born 1960)

Member since 13. 05. 2015
Member of the Board of Management, Finance,
of Deutsche Lufthansa Aktiengesellschaft

Mandates

- Delvag Luftfahrtversicherungs-AG (Chairman)
- Deutsche Post AG
- LSG Lufthansa Service Holding AG (Chairman)
- Lufthansa Cargo AG
- Lufthansa Technik AG
- FWB Frankfurter Wertpapierbörse (Exchange Council)
- Miles & More GmbH (Chairman Advisory Board)

Dr. Dominique Mohabeer¹ (born 1963)

Member since 2012
Member of the Works Council, Munich

Brigitte Rödiger¹ (born 1963)

Member since 2013
Member of the Works Council, Dingolfing

Jürgen Wechsler² (born 1955)

Member since 2011
Regional Head of IG Metall Bavaria

Mandates

- Schaeffler AG (Deputy Chairman)
- Siemens Healthcare GmbH (since 29. 06. 2015)

Werner Zierer¹ (born 1959)

Member since 2001
Chairman of the Works Council, Regensburg

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

The Board of Management governs the enterprise under its own responsibility, acting in the interests of the BMW Group with the aim of achieving sustainable growth in value. The interests of shareholders, employees and other stakeholders are also taken into account in the pursuit of this aim.

The Board of Management determines the strategic orientation of the enterprise, agrees upon it with the Supervisory Board and ensures its implementation. The Board of Management is responsible for ensuring that all provisions of law and internal regulations are complied with. Further details about compliance within the BMW Group can be found in the "Corporate Governance" section of the Annual Report. The Board of Management is also responsible for ensuring that appropriate risk management and risk controlling systems are in place throughout the Group.

During their period of employment for BMW AG, members of the Board of Management are bound by a comprehensive non-competition clause. They are required to act in the enterprise's best interests and may not pursue personal interests in their decisions or take advantage of business opportunities intended for the enterprise. They may only undertake ancillary activities, in particular supervisory board mandates outside the BMW Group, with the approval of the Supervisory Board's Personnel Committee. Each member of the Board of Management of BMW AG is obliged to disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Board of Management accordingly.

Following the appointment of a new member to the Board of Management, the BMW Group Corporate Governance Officer informs the new member of the framework conditions under which the board member's duties are to be carried out – in particular those enshrined in the BMW Group's Corporate Governance Code – as well as the duty to cooperate when a transaction or event triggers reporting requirements or requires the approval of the Supervisory Board.

The Board of Management consults and takes decisions as a collegiate body in meetings of the Board of Management, the Sustainability Board, the Operations Committee and the Committee for Executive Management Matters. At its meetings, the Board of Management defines the overall framework for business strategies and the use of resources, takes decisions regarding the implementation of strategies and deals with issues of particular importance to the BMW Group. The full board

also takes decisions at a basic policy level relating to the Group's automobile product strategies and product projects inasmuch as these are relevant for all brands. The Board of Management and its committees may, as required and depending on the subject matters being discussed, invite non-voting advisers to participate at meetings.

Terms of reference approved by the Board of Management contain a planned allocation of divisional responsibilities between the individual board members. These terms of reference also incorporate the principle that the full Board of Management bears joint responsibility for all matters of particular importance and scope. In addition, members of the Board of Management manage the relevant portfolio of duties under their responsibility, whereby case-by-case rules can be put in place for cross-divisional projects. Board members continually provide the Chairman of the Board of Management with all information regarding major transactions and developments within their area of responsibility. The Chairman of the Board of Management coordinates cross-divisional matters with the overall targets and plans of the BMW Group, involving other board members to the extent that divisions within their area of responsibility are affected.

The Board of Management takes its decisions at meetings generally held on a weekly basis which are convened, coordinated and headed by the Chairman of the Board of Management. At the request of the Chairman, decisions can also be taken outside of board meetings if none of the board members object to this procedure. A meeting is quorate if all Board of Management members are invited to the meeting in good time. Members unable to attend any meeting are entitled to vote in writing, by fax or by telephone. Votes cast by phone must be subsequently confirmed in writing. Except in urgent cases, matters relating to a division for which the responsible board member is not present will only be discussed and decided upon with that member's consent.

Unless stipulated otherwise by law or in BMW AG's statutes, the Board of Management makes decisions on the basis of a simple majority of votes cast at meetings. Outside of board meetings, decisions are taken on the basis of a simple majority of board members. In the event of a tied vote, the Chairman of the Board of Management has the casting vote. Any changes to the board's terms of reference must be passed unanimously. A board meeting may only be held if more than half of the board members are present.

In the event that the Chairman of the Board of Management is not present or is unable to attend a meeting, the

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member of the board responsible for Finance will represent him.

Minutes are taken of all meetings and the Board of Management's resolutions and signed by the Chairman. Decisions taken by the Board of Management are binding for all employees.

The rules relating to meetings and resolutions taken by the full Board of Management are also applicable for its committees.

Members of the Board of Management not represented in a committee are provided with the agendas and minutes of committee meetings. Committee matters are dealt with in full board meetings if the committee considers it necessary or at the request of a member of the Board of Management.

A secretariat for Board of Management matters has been established to assist the Chairman and other board members with the preparation and follow-up work connected with board meetings.

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

The full board usually convenes twice a year in its function as Sustainability Board in order to define strategy with regard to sustainability and decide upon measures to implement that strategy. The Head of Corporate Affairs and the Representative for Sustainability and Environmental Protection participate in these meetings in an advisory capacity.

The Board's Committee for Executive Management Matters deals with enterprise-wide issues affecting executive managers of the BMW Group, either in their entirety or individually (such as the executive management structure, potential candidates for executive management, nominations for or promotions to senior

management positions). This committee has, on the one hand, an advisory and preparatory role (e.g. making suggestions for promotions to the two remuneration groups below board level and preparing decisions to be taken at board meetings with regard to human resources principles with the emphasis on executive management issues) and a decision-taking function on the other (e.g. deciding on appointments to senior management positions and promotions to higher remuneration groups or the wording of human resources principles decided on by the full board). The Committee has two members who are entitled to vote at meetings, namely the Chairman of the Board of Management (who also chairs the meetings) and the board member responsible for Human Resources. The Head of "Human Resources Management and Services" as well as the Head of "Human Resources Executive Management" also participate in these meetings in an advisory function. At the request of the Chairman, resolutions may also be passed outside of committee meetings by casting votes in writing, by fax or by telephone if the other member entitled to vote does not object immediately. The Committee for Executive Management Matters convenes up to ten times a year.

The Board of Management is represented by its Chairman in its dealings with the Supervisory Board. The Chairman of the Board of Management maintains regular contact with the Chairman of the Supervisory Board and keeps him informed of all important matters. The Supervisory Board has passed a resolution specifying the information and reporting duties of the Board of Management. As a general rule, in the case of reports required by dint of law, the Board of Management submits its reports to the Supervisory Board in writing. To the extent possible, documents required as a basis for taking decisions are sent to the members of the Supervisory Board in good time before the relevant meeting. Regarding transactions of fundamental importance, the Supervisory Board has stipulated specific transactions which require the approval of the Supervisory Board. Whenever necessary, the Chairman of the Board of Management obtains the approval of the Supervisory Board and ensures that reporting duties to the Supervisory Board are complied with. In order to fulfil these tasks, the Chairman is supported by all members of the Board of Management. The fundamental principle followed when reporting to the Supervisory Board is that the latter should be kept informed regularly, without delay and comprehensively of all significant matters relating to planning, business performance, risk exposures, risk management and compliance, as well as any major variances between actual and budgeted figures.

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

BMW AG's Supervisory Board, comprising ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected in accordance with the Co-Determination Act), has the task of advising and supervising the Board of Management in its governance of the BMW Group. It is involved in all decisions of fundamental importance for the BMW Group. The Supervisory Board appoints the members of the Board of Management and decides upon the level of compensation they receive. The Supervisory Board can revoke appointments for important reasons.

Together with the Personnel Committee and the Board of Management, the Supervisory Board ensures that long-term successor planning is in place. In their assessment of candidates for a post on the Board of Management, the underlying criteria applied by the Supervisory Board for determining the suitability of candidates are their expertise in the relevant area of board responsibility, outstanding leadership qualities, a proven track record, and an understanding of the BMW Group's business. The Supervisory Board takes diversity into account when assessing, on balance, which individual would best complement the Board of Management, in view of the fact that it is a representative body of the Company. "Diversity" in the context of the decision-making process is understood by the Supervisory Board to encompass various complementary individual profiles, work and life experience at both national and international level and also the appropriate representation of both genders. As its target for the proportion of women on the Board of Management by 31 December 2016, the Supervisory Board has stipulated that the Board of Management should continue to have at least one female member. Assuming that the Board of Management continues to comprise eight members, this would correspond to a ratio of at least 12.5%. The Supervisory Board considers that it would be desirable to further increase the proportion of women on the board, and therefore supports the Board of Management's current raft of measures aimed at increasing the proportion of women at the highest executive management levels of the BMW Group. The Board of Management reports to the Personnel Committee and the Supervisory Board at regular intervals on the proportion of, and changes in, management positions held by women, in particular within senior executive level and at uppermost management level. When actually selecting an individual for a post on the Board of Management, the Supervisory Board decides in the best interest of the Group and after amply considering all of the relevant circumstances.

The Supervisory Board holds a minimum of two meetings in each of the first and second six-month periods of the calendar year. Normally, five plenary meetings are held per calendar year. One meeting each year is planned to cover a number of days and is used, among other things, to enable an in-depth exchange on strategic and technological matters. The main emphases of meetings in the period under report are described in the Report of the Supervisory Board. As a general rule, the shareholder representatives and employee representatives prepare the Supervisory Board meetings separately and, if necessary, together with members of the Board of Management. In particular, members of the Supervisory Board are legally bound to maintain secrecy with respect to any confidential reports they receive and any confidential discussions in which they partake.

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

The Supervisory Board is quorate if all members have been invited to the meeting and at least half of its members participate in the vote on a particular resolution. A resolution relating to an agenda item not included in the invitation is only valid if none of the members of the Supervisory Board who were not present at the meeting object to the resolution and if a minimum of two-thirds of the members are present.

As a basic rule, resolutions are passed by the Supervisory Board by a simple majority. The German Co-determination Act contains specific requirements with regard to majority voting and technical procedures, particularly with regard to the appointment and revocation of the appointment of management board members and the election of a supervisory board chairman or deputy chairman. In the event of a tied vote in the Supervisory Board, the Chairman of the Supervisory Board has two votes in a renewed vote, assuming it also results in a tie.

In practice, resolutions are taken by the Supervisory Board and its committees at the relevant meetings. If a Supervisory Board member is not present at a meeting, that member can have his/her vote cast by another Supervisory Board member, assuming an appropriate request has been made in writing, by fax or in electronic form. This rule also applies to the casting of the second vote by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board can also accept the retrospective casting of votes by any members not present at a meeting if this is done within the time limit

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previously set. In special cases, resolutions may also be taken outside of meetings, i.e. in writing, by fax or by electronic means. Minutes are taken of all resolutions and meetings, which are then signed by the relevant Chairman.

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

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

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

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

Each member of the Supervisory Board of BMW AG is bound to act in the best interest of the organisation as a whole. Members of the Supervisory Board may not pursue personal interests in their decisions or take advantage of business opportunities intended to benefit the BMW Group.

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

With regard to nominations for the election of members of the Supervisory Board, care is taken that the Supervisory Board in its entirety has the required knowledge,

skills and expertise to perform its tasks in a proper manner.

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

The members of the Supervisory Board are responsible for undertaking appropriate basic and further training measures, if such measures are deemed necessary to competently perform the tasks assigned to them. The Company provides appropriate assistance to members of the Supervisory Board in this respect.

Taking into account the specific circumstances of the BMW Group and the number of board members, the Supervisory Board has set up a Presiding Board and four committees, namely the Personnel Committee, the Audit Committee, the Nomination Committee and the Mediation Committee (see “Overview of Supervisory Board committees and their composition”). Such committees serve to raise the efficiency of the Supervisory Board’s work and facilitate the handling of complex issues. The establishment and function of a mediation committee is prescribed by law. The person chairing a committee reports in detail on its work at each plenum meeting.

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

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

The number of meetings held by the Presiding Board and the committees depends on current requirements. The Presiding Board, the Personnel Committee and the Audit Committee normally hold several meetings in the course of the year (see “Report of the Supervisory Board” for details of the number of meetings held in 2015).

In line with the terms of reference for the activities of the plenum, the Supervisory Board has also set out terms of reference for the Presiding Board and the various committees. The committees are only quorate if all members are present. Resolutions taken by the committees are passed by a simple majority, unless stipulated otherwise by law.

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

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

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

In accordance with the relevant terms of reference, the Presiding Board comprises the Chairman of the Supervisory Board and board deputies. The Presiding Board prepares Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of any of the committees. This includes, for example, preparing the annual Declaration of Compliance with the German Corporate Governance Code and the Supervisory Board's efficiency examination.

The Personnel Committee prepares the decisions of the Supervisory Board with regard to the appointment and revocation of appointment of members of the Board of Management and, together with the full Supervisory Board and the Board of Management, ensures that long-term successor planning is in place. The Personnel Committee also prepares the decisions of the Supervisory Board with regard to the Board of Management's compensation and the Supervisory Board's regular review of the Board of Management's compensation system. In conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management, the Personnel Committee is responsible for drawing up, amending and revoking service/employment contracts or, when necessary, other relevant contracts with members of the Board of Management. In specified cases, the Personnel Committee also has the authority to grant the necessary approval for a particular transaction (instead of the Supervisory Board). This includes loans to members of the Board of Management or Supervisory Board, specified contracts with members of the Supervisory Board (in each case taking account of the consequences of related parties) and other activities of members of the Board of Management, including the acceptance of non-BMW Group supervisory board mandates.

The Audit Committee deals in particular with issues relating to the supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, internal audit arrangements and compliance as well as the performance of Supervisory Board duties in connection with audits pursuant to § 20 of the German Securities Trading Act (WpHG). It also monitors the external audit, auditor independence and any additional work performed by the external auditor. It prepares the proposal for the election of the external auditor at the Annual General Meeting, makes a recommendation regarding the election of the external auditor, issues the audit engagement letter and agrees on points of audit focus as well as the auditor's fee. The Audit Committee prepares the Supervisory Board's resolution relating to the Company and Group Financial Statements and discusses interim reports with the Board of Management prior to publication. The Audit Committee also decides on the Supervisory Board's agreement to use Authorised Capital 2014 (Article 4 no. 5 of the Articles of Incorporation) and on amendments to the Articles of Incorporation which only affect its wording.

In line with the recommendations of the German Corporate Governance Code, the Chairman of the Audit Committee is independent, and not a former Chairman of the Board of Management, and has specific knowledge and experience in applying financial reporting standards and internal control procedures. He or she also fulfils the requirement of being an independent financial expert as defined by § 100 (5) and § 107 (4) AktG.

The Nomination Committee is charged with the task of finding suitable candidates for election to the Supervisory Board (as shareholder representatives) and for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting. In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.

The establishment and composition of a mediation committee are prescribed by the German Co-determination Act. The Mediation Committee has the task of making proposals to the Supervisory Board if a resolution for the appointment of a member of the Board of Management has not been carried by the necessary two-thirds majority of members' votes. In accordance with statutory requirements, the Mediation Committee comprises the Chairman and the Deputy Chairman of the Supervisory Board, one member selected by shareholder representatives and one by employee representatives.

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Overview of Supervisory Board committees and their composition

Principal duties, basis for activities	Members
Presiding Board	
<ul style="list-style-type: none"> – preparation of Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of a committee – activities based on terms of reference 	Norbert Reithofer ¹ (since 13.05.2015) Joachim Milberg ¹ (until 13.05.2015) Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley
Personnel Committee	
<ul style="list-style-type: none"> – preparation of decisions relating to the appointment and revocation of appointment of members of the Board of Management, the compensation and the regular review of the Board of Management's compensation system – conclusion, amendment and revocation of employment contracts (in conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management) and other contracts with members of the Board of Management – decisions relating to the approval of ancillary activities of Board of Management members, including acceptance of non-BMW Group supervisory mandates as well as the approval of transactions requiring Supervisory Board approval by dint of law (e.g. loans to Board of Management or Supervisory Board members) – set up in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference 	Norbert Reithofer ¹ (since 13.05.2015) Joachim Milberg ¹ (until 13.05.2015) Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley
Audit Committee	
<ul style="list-style-type: none"> – supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, internal audit arrangements and compliance as well as the performance of Supervisory Board duties in connection with audits pursuant to §20 of the German Securities Trading Act (WpHG) – supervision of external audit, in particular auditor independence and additional work performed by external auditor – preparation of proposals for election of external auditor at Annual General Meeting, engagement of external auditor and compliance of audit engagement, determination of areas of audit emphasis and fee agreements with external auditor – preparation of Supervisory Board's resolution on Company and Group Financial Statements – discussion of interim reports with Board of Management prior to publication – decision on approval for utilisation of Authorised Capital 2014 – amendments to Articles of Incorporation only affecting wording – establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference 	Karl-Ludwig Kley ^{1,2} Norbert Reithofer (since 13.05.2015) Joachim Milberg (until 13.05.2015) Manfred Schoch Stefan Quandt Stefan Schmid
Nomination Committee	
<ul style="list-style-type: none"> – identification of suitable candidates (male/female) as shareholder representatives on the Supervisory Board to be put forward for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting – establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference 	Norbert Reithofer ¹ (since 13.05.2015) Joachim Milberg ¹ (until 13.05.2015) Susanne Klatten Karl-Ludwig Kley Stefan Quandt (In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.)
Mediation Committee	
<ul style="list-style-type: none"> – proposal to Supervisory Board if resolution for appointment of Board of Management member has not been carried by the necessary two-thirds majority of Supervisory Board members' votes – committee required by law 	Norbert Reithofer (since 13.05.2015) Joachim Milberg (until 13.05.2015) Manfred Schoch Stefan Quandt Stefan Schmid (In accordance with statutory requirements, the Mediation Committee comprises the Chairman and Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives.)

¹ Chair.

² Independent financial expert within the meaning of §100 (5) AktG and §107 (4) AktG.

Composition objectives of the Supervisory Board

The Supervisory Board must be composed in such a way that its members as a group possess the knowledge, skills and experience required to properly complete its tasks.

To this end, the Supervisory Board has formally specified the following concrete objectives regarding its composition, taking into account the recommendations contained in the German Corporate Governance Code:

- If possible, four of the members of the Supervisory Board should have international experience or specialist knowledge with regard to one or more of the non-German markets important to the BMW Group.
- If possible, the Supervisory Board should include seven members who have acquired in-depth knowledge and experience from within the enterprise. The Supervisory Board should not, however, include more than two former members of the Board of Management.
- If possible, three of the shareholder representatives in the Supervisory Board should be entrepreneurs or persons who have already gained experience in the management or supervision of another medium or large-sized company.
- Ideally, three members of the Supervisory Board should be figures from the worlds of business, science or research who have gained experience in areas relevant to the BMW Group, e.g. chemistry, energy supply, information technology, or who have acquired specialist knowledge in subjects relevant for the future of the BMW Group, e.g. customer requirements, mobility, resources or sustainability.
- When seeking suitably qualified individuals for the Supervisory Board whose specialist skills and leadership qualities are most likely to strengthen the Board as a whole, consideration should also be given to diversity. When preparing nominations, the extent to which the work of the Supervisory Board would benefit from diversified professional and personal backgrounds (including international aspects) and from an appropriate representation of both genders should also be taken into account. It is the joint responsibility of all persons and groupings participating in the nomination and election process to ensure that the Supervisory Board includes an appropriate number of qualified women.
- At least twelve of the 20 members of the Supervisory Board should be independent members within the meaning of section 5.4.2 of the German Corporate Governance Code, including at least six members representing the Company's shareholders.

- Two independent members of the Supervisory Board should have expert knowledge of accounting or auditing.
- No persons carrying out directorship functions or advisory tasks for important competitors of the BMW Group may belong to the Supervisory Board. In compliance with prevailing legislation, the members of the Supervisory Board will strive to ensure that no persons will be nominated for election with whom a serious conflict of interests could arise (other than temporarily) due to other activities and functions carried out by them outside the BMW Group; this includes in particular advisory activities or directorships with customers, suppliers, creditors or other business partners.
- As a general rule, the age limit for membership of the Supervisory Board should be set at 70 years. In exceptional cases, members may be allowed to remain on the Board up until the end of the Annual General Meeting following their 73rd birthday, in order to fulfil legal requirements or to facilitate smooth succession in the case of persons with key roles or specialist qualifications.
- Supervisory Board members should not, as a general rule, hold office in the Supervisory Board for an overall period longer than up to the end of the Annual General Meeting at which the shareholders vote on the ratification of the member's activities for the 14th financial year since the beginning of the first period of office, excluding the financial year in which the first period of office began. This rule does not apply to natural persons, who either directly or indirectly hold significant investments in the Company. It may also be in the Company's interest to diverge from the general maximum period, e.g. in order to work towards another composition target, in particular gender diversity and diversified professional and personal backgrounds.

The time schedule set by the Supervisory Board for achieving the above-mentioned composition targets is the period up to 31 December 2016. Future proposals for nomination made by the Supervisory Board at the Annual General Meeting – insofar as they apply to shareholder Supervisory Board members – should take account of these objectives in such a way that they can be achieved with the support of the appropriate resolutions at the Annual General Meeting. The Annual General Meeting is not bound by nominations for election proposed by the Supervisory Board. The freedom of employees to vote for the employee members of the Supervisory Board is also protected. Under the

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procedural rules stipulated by the German Co-Determination Act, the Supervisory Board does not have the right to nominate employee representatives for election. The objectives which the Supervisory Board has set itself with regard to its composition are therefore not intended to be instructions to those entitled to vote or restrictions on their freedom to vote.

In the Supervisory Board's opinion, its composition as at 31 December 2015 fulfilled the composition objectives detailed above. In order to make it easier to assess actual composition and composition targets, brief *curricula vitae* of the current members of the Supervisory Board are available on the Company's website at www.bmwgroup.com. Information relating to members' practised professions and to mandates in other statutory supervisory boards and equivalent national or foreign company boards, including the length of their periods of service on the Supervisory Board, is provided in the section "Statement on Corporate Governance". Judging from this information, it is evident that the Supervisory Board of BMW AG is extremely diversified, with significantly more than the targeted four members having international experience or specialist knowledge with regard to one or more of the non-German markets important to the Company. In-depth knowledge and experience from within the enterprise are provided by seven employee representatives and the Supervisory Chairman himself. Only one previous Board of Management member holds office in the Supervisory Board. At least four members of the Supervisory Board have experience in managing another entity. The Supervisory Board also has three entrepreneurs as members. Most of the members of the Supervisory Board – including the employee representatives – have some experience in supervising another medium-sized or large company. Moreover, more than three members of the Supervisory Board have experience and specialist knowledge in subjects relevant for the future of the BMW Group, such as customer requirements, mobility, resources, sustainability and information technology. For the purpose of assessing the independence of its members, the Supervisory Board follows the recommendations of the German Corporate Governance Code. In the opinion of the Supervisory Board, the fact that a member has a substantial shareholding in the Company, or holds office as an employee representative, or was previously a member of the Board of Management, does not rule out that he or she is independent. A "substantial and not merely temporary conflict of interests" within the meaning of section 5.4.2 of the German Corporate Governance Code does not apply

to any of the Supervisory Board members. Employees holding office in the Supervisory Board are protected by law when performing their duties. At any rate, all other Supervisory Board members have a sufficient degree of economic independence from the Company. Business with entities, in which the members of the Supervisory Board carry out a significant function, is conducted on an arm's length basis. Overall, the Supervisory Board has concluded that all of its members are independent. At least three members meet the requirements for being designated as an independent financial expert. At the end of the reporting period, the Supervisory Board had six female members (30%), comprising three shareholder representatives and three employee representatives. The Supervisory Board has 14 male members (70%), comprising seven shareholder representatives and seven employee representatives. The Company therefore complies with the statutory gender quota of at least 30% female members applicable in Germany with effect from 1 January 2016. The Supervisory Board does not currently have any members more than 70 years old. The principles specified by the Supervisory Board regarding the length of office of its members will be taken into account in all future proposals for election.

Disclosures pursuant to the Act on Equal Gender Participation – targets for the proportion of women at executive management levels I and II

The Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector ("Act on Equal Gender Participation") was passed into German law in 2015.

Under the new legislation, the Supervisory Board of BMW AG is required to set a target for the proportion of women on its Board of Management and a time limit for meeting this target. Likewise, the Board of Management of BMW AG is required to establish targets and time limits for attaining these targets with respect to the two executive management levels below the Board of Management. In each case, the first of these time limits may be no later than 30 June 2017. Since the Company's financial year corresponds to the calendar year, the Supervisory Board and the Board of Management have each decided to set 31 December 2016 as the date of the first time limit for attaining these targets.

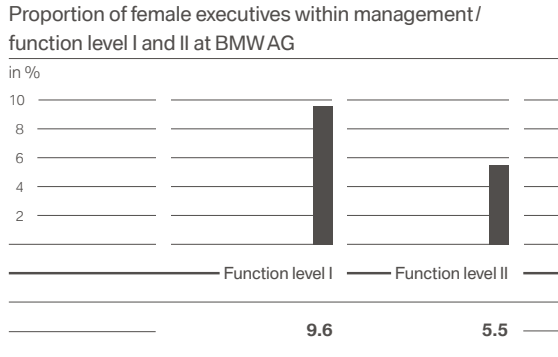
As its target for the proportion of women on the Board of Management by 31 December 2016, the Supervisory Board has stipulated that the Board of Management should continue to have at least one female member. Assuming that the Board of Management continues to

comprise eight members, this would correspond to a proportion of at least 12.5%. The Supervisory Board considers it desirable to increase the proportion of women on the board and supports the Board of Management's current raft of measures, which is also aimed at increasing the proportion of women at the highest executive management levels of the BMW Group.

The Board of Management has established target ranges of 10 to 12% for executive management level I and 6 to 8% for executive management level II, each to be reached by 31 December 2016. The targets set out are relatively modest in view of the imminence of the deadline.

Top management within the BMW Group is structured in terms of functions, following a cohesive job evaluation system based on Mercer.

At 31 December 2015, the proportion of female executives within management/function level I stood at 9.6% and within management/function level II at 5.5%.



The deployment of diverse, complementary talents in the workforce increases both the ability of a company to perform and its customer orientation. Sufficient diversity in the BMW Group makes a major contribution to improving competitiveness. Promoting an appropriate gender balance is a key part of this skill mix. The aim of the Board of Management therefore continues to be to increase the proportion of women at all management levels.

The proportion of women has risen further during the financial year 2015, both in the workforce as a whole and in management positions, accompanied also by a large number of programmes, dialogues and information events. Further information on the social di-

versity in the BMW Group can be found in the section "Workforce".

Information on corporate governance practices applied beyond mandatory requirements

Core principles

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

Customer focus

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

Peak performance

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

Responsibility

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

Effectiveness

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

Adaptability

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

Frankness

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

Respect, trust, fairness

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

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Employees

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

Leading by example

Every manager must lead by example.

Sustainability

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

Society

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

Independence

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

The core principles are also available at www.bmwgroup.com under the menu items "Careers" and "Working at the BMW Group".

Social responsibility towards employees and along the supplier chain

The BMW Group stands by its social responsibilities. Our corporate culture combines the drive for success with a willingness to be open, trustworthy and transparent. We are well aware of our responsibility towards society. Our models for sustainable social responsibility towards employees and for ensuring compliance with international social standards are based on various internationally recognised guidelines. The BMW Group is committed to adhering to the OECD's guidelines for multinational companies and the contents of the ICC Business Charter for Sustainable Development. Details of the contents of these guidelines and other relevant information can be found at www.oecd.org and www.iccwbo.org. The Board of Management signed the United Nations Global Compact in 2001 and, in 2005, together with employee representatives, issued a "Joint Declaration on Human Rights and Working Conditions in the BMW Group". This Joint Declaration was reconfirmed in 2010. With the signature of these documents, we have given our commitment to abide worldwide by internationally recognised human rights and with the fundamental working standards of the International Labour Organization (ILO). The most important of these are freedom of employment, the prohibition of discrimination, the freedom of association and the right

to collective bargaining, the prohibition of child labour, the right to appropriate remuneration, regulated working times and compliance with work and safety regulations. The complete text of the UN Global Compact and the recommendations of the ILO and other relevant information can be found at www.unglobalcompact.org and www.ilo.org. The Joint Declaration on Human Rights and Working Conditions in the BMW Group can be found at www.bmwgroup.com under the menu item "Responsibility" and "Supply Chain Management".

It goes without saying that the BMW Group abides by these fundamental principles and rights worldwide. Employees have therefore been sensitised to this issue since 2005 by means of regular internal communications and further training on recent developments in this area. Two dedicated helplines – the "Human Rights Contact" and the BMW Group SpeakUP Line – are available to employees wishing to raise queries or complaints relating to human rights issues. The UN Guiding Principles for Business and Human Rights provide a framework for critical reflection and continuous improvement in our endeavours to ensure that human rights are respected throughout the organisation.

Further information on social responsibility to employees can be found in the section "Workforce".

Activities can only be sustainable, however, if they cover the entire value-added chain. That is why the BMW Group not only sets high standards for itself, but also expects its suppliers and partners to meet the ecological and social standards it sets and strives continually to improve the efficiency of processes, measures and activities. For instance, we consistently require our dealers and importers to comply with ecological and social standards on a contractual basis. Moreover, corresponding criteria are embedded throughout the entire purchasing system – including in enquiries to suppliers, in the sector-wide OEM Sustainability Questionnaire, in our purchasing terms and in our evaluation of suppliers – in order to promote sustainability aspects in line with the BMW Group Sustainability Standard. The BMW Group expects suppliers to ensure that the BMW Group's sustainability criteria are also adhered to by their sub-suppliers. Purchasing terms and conditions and other information relating to purchasing can be found in the publicly available section of the BMW Group Partner Portal at <https://b2b.bmw.com>.

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