

Bayerische Motoren Werke  
Aktiengesellschaft

# **Rules of Procedure for the Board of Management**

Version dated: 1 November 2020

For the purpose of linguistic simplification, in these Rules of Procedure, the generic masculine form has been used for natural persons. These Rules of Procedure always refer to persons of all gender identities.

## **§ 1 General principles of management**

- (1) The Board of Management shall conduct the Company's business in compliance with the law, the Articles of Association and these Rules of Procedure, taking into account any resolutions of the Supervisory Board regarding transactions requiring prior approval.
- (2) <sup>1</sup>The Board of Management shall ensure that all provisions of law and internal policies are complied with, and shall endeavour to achieve their compliance by the Company and its Group companies. <sup>2</sup>It shall ensure that appropriate compliance management, risk management, internal control and internal audit systems are in place.
- (3) The Board of Management shall comply with the recommendations of the German Corporate Governance Code (in German: DCGK) in accordance with the Declaration of Compliance in its currently valid version.

## **§ 2 Responsibilities of the Board of Management**

- (1) <sup>1</sup>As a collective body, the Board of Management shall deal with and decide upon all matters of major importance. <sup>2</sup>These include in particular:
- (2) Matters regarding which the law, the Articles of Association and/or these Rules of Procedure require a resolution to be taken by the full Board of Management, in particular
  - a) The preparation of the Company and Group Financial Statements, the combined Company and Group Management Report and other mandatory periodic reports
  - b) The convening of the Annual General Meeting as well as a separate meeting of holders of preferred stock, including the presentation of Board of Management resolutions and reports
  - c) Matters required to be submitted to the Supervisory Board
  - d) Amendments to these Rules of Procedure and to the Schedule of Responsibilities
- (3) Fundamental issues of corporate strategy, planning and organisation, in particular:
  - a) Group strategy, product portfolio, sustainability strategy
  - b) Commencement of, significant changes to, and discontinuation of a line of business
  - c) Allocation of capacities to production plants
  - d) The annual budget, long-term corporate planning and any significant deviations arising
  - e) Approval of major investments and their implementation if they cause the annual budget to be exceeded or result in significant deviations from approved investment plans
  - f) Fundamental technological specifications, e.g. technology road maps and vehicle modules

- g) Approval of vehicle project targets
  - h) Principles and general instructions of major importance to the Company or the Group
- (4) Significant measures relating to the management of the Group , in particular:
- a) The foundation, acquisition and disposal of companies, the acquisition and disposal of participations, the establishment and discontinuation of branches, unless these events are of minor business and strategic importance
  - b) Issues relating to the strategic management of subsidiaries and participations, in particular the issuing of guidelines, the determination of principles for the appointment of supervisory and administrative bodies (boards), the adoption of investment and financing measures that go beyond the ordinary course of business, as well as the conclusion, amendment and termination of corporate agreements pursuant to Sections 291 ff. German Stock Corporation Act (AktG)
- (5) Significant personnel-related matters, in particular:
- a) Principles of human resources strategy
  - b) The granting and revoking of general powers of attorney (Generalvollmachten) and authorisations to represent the Company (Prokuren) as well as promotion to functions directly below the level of the Board of Management
  - c) Positioning and measures to be taken in the event of collective bargaining disputes and industrial action, unless these are of minor business and strategic importance
- (6) Other measures of high importance, in particular:
- a) The acquisition, mortgage or collateral assignment, sale and disposal of property, rights in rem and rights equivalent to property ownership unless these are of minor business and strategic importance
  - b) The conclusion, substantial amendment and termination of cooperation agreements as well as agreements on intellectual property (e.g. technical protective rights, trademarks, design, software, know-how), unless these are of minor business and strategic importance
  - c) The issuance of bonds and assumption of long-term liabilities, provided that these go beyond the normal course of business or a framework defined by the Board of Management
  - d) The assumption of personal securities (e.g. sureties, letters of comfort, payment guarantees), unless these are of minor business and strategic importance
  - e) The granting of loans, credits and financial assistance (within the scope permitted by law), provided that these go beyond the normal course of business
  - f) The conclusion, substantial amendment and termination of other important contracts that go beyond the normal course of business, particularly those involving individuals or entities controlled by those individuals (e.g. non-standard consultancy contracts)
- (7) Other matters submitted by one Board of Management member to the full Board of Management for resolution

### **§ 3 Areas of responsibility and their allocation**

- (1) <sup>1</sup>In order to allocate tasks and responsibilities, the Board of Management shall define areas of responsibility and allocate these to its individual members. <sup>2</sup>The members of the Board of Management are individually authorised to manage the Company within the scope of their areas of responsibility.
- (2) <sup>1</sup>The allocation of areas of responsibility and lines of business to individual members of the Board of Management shall be based on the currently valid version of the Schedule of Responsibilities drawn up by the Board of Management. <sup>2</sup>The Board of Management shall decide on amendments to the Schedule of Responsibilities by unanimous vote.
- (3) <sup>1</sup>In exceptional circumstances, each member of the Board of Management shall be individually authorised to manage matters allocated to the Board of Management as a whole, to a committee or to another Board of Management member, if and to the extent deemed necessary – based on professional judgement – in order to avoid the imminent threat of serious disadvantages for the Company. <sup>2</sup>The full Board of Management shall be informed of any such occurrence without delay.
- (4) <sup>1</sup>The Chairman shall publicly represent the Board of Management and the Company, particularly in any dealings with authorities, associations, business organisations and the media. <sup>2</sup>With regard to certain specific matters or in individual cases, the Chairman may assign these responsibilities to another Board of Management member.
- (5) In the event of differences of opinion between individual members of the Board of Management regarding the allocation of responsibilities, the Chairman of the Board of Management shall request the Chairman of the Supervisory Board to reach a final decision.

### **§ 4 Joint responsibility and cooperation between Board of Management members**

- (1) <sup>1</sup>Members of the Board of Management bear joint responsibility for the overall management of the business. <sup>2</sup>They shall work cooperatively together and provide each other with information on an ongoing basis about important business matters and transactions within their area of responsibility. <sup>3</sup>Members of the Board of Management shall monitor all matters of significance for the business on a joint and ongoing basis in order to achieve desirable improvements, the prevention of impending disadvantages or bring about appropriate changes at any time by calling on the Board of Management, informing the Chairman of the Board of Management or in an otherwise suitable manner.
- (2) <sup>1</sup>Irrespective of the joint responsibility and scope of authority of the Board of Management pursuant to section 2 above, each member of the Board of Management is accountable for the area of responsibility allocated to them. <sup>2</sup>Each member of the Board of Management is responsible for implementing resolutions concerning their area of responsibility. <sup>3</sup>If measures affect more than one area of responsibility, the members of the Board of Management responsible for the relevant areas shall reach a joint decision. <sup>4</sup>If the Board of Management employs a cross-departmental project management for certain tasks, the responsibility of the Board of Management and its members shall be based on the arrangements made in each individual case.

- (3) Notwithstanding the allocation of individual business areas and the responsibility of the members of the Board of Management for the quality of the results in their specified areas of responsibility or in Board of Management committees, all members of the Board of Management shall support the process-related and cross-departmental orientation of all procedures and manage their business areas in the overall best interests of the Company.
- (4) <sup>1</sup>If the Chairman of the Board of Management is prevented from carrying out his responsibilities, the member of the Board of Management responsible for Finances shall exercise all the rights and duties of the Chairman of the Board of Management set out in these Rules of Procedure. <sup>2</sup>In addition, the members of the Board of Management shall agree on general or case-by-case deputising arrangements.

## **§ 5 Board of Management committees**

- (1) <sup>1</sup>The Board of Management may establish one or more committees. <sup>2</sup>The full Board of Management shall decide unanimously on the establishment, composition, chairmanship, transfer and/or amendment of duties and powers as well as the dissolution of a committee. <sup>3</sup>The Board of Management may also delegate representatives from specialised departments to attend committee meetings. <sup>4</sup>Any such representatives shall have an advisory function. <sup>5</sup>They shall not be entitled to vote. <sup>6</sup>Within this overall framework, the committees shall determine their own mode of operation.
- (2) <sup>1</sup>Committees shall pass resolutions independently and in place of the Board of Management with respect to matters relating to the committee's area of responsibility. <sup>2</sup>A committee matter shall be dealt with by the full Board of Management if a Board of Management member requests it. <sup>3</sup>The full Board of Management may amend or revoke the resolutions of a committee at any time.
- (3) <sup>1</sup>The members of a committee shall report regularly to the full Board of Management on committee work. <sup>2</sup>The agenda for committee meetings shall be sent to all members of the Board of Management. <sup>3</sup>The minutes of the meeting shall be made available to the members of the Board of Management upon request.
- (4) Section 6 of these Rules of Procedure shall apply mutatis mutandis to Board of Management committees unless the committees decide on other arrangements.

## **§ 6 Meetings and resolutions**

- (1) <sup>1</sup>As a rule, the Board of Management passes resolutions at its meetings. <sup>2</sup>In general, two days of meetings shall be scheduled for each month. <sup>3</sup>Extraordinary meetings shall be held when it is in the best interest of the Company.
- (2) <sup>1</sup>Meetings shall be convened and the agenda made known in good time so that members have sufficient opportunity to familiarise themselves with the items on the agenda. <sup>2</sup>Each member of the Board of Management may request the inclusion of specified items on the agenda. <sup>3</sup>Preparatory documents shall generally be made available to the members of the Board of Management four working days prior to the meeting. <sup>4</sup>The time limits may be shortened in the event of urgent matters or updates.

- (3) <sup>1</sup>The Chairman of the Board of Management shall determine the dates and the agenda of meetings, arrange for the meetings to be convened and chair the meetings. <sup>2</sup>He determines the order in which the items on the agenda are dealt with as well as the method and the sequence of voting. <sup>3</sup>He may determine that persons who are not members of the Board of Management may be called upon for consultation.
- (4) <sup>1</sup>Meetings of the Board of Management may also be held in the form of a telephone or video conference. <sup>2</sup>Individual members of the Board of Management may also join a meeting by telephone or video/audio transmission. <sup>3</sup>The decision on the format of the meeting shall be made by the Chairman, at his own dutiful discretion.
- (5) <sup>1</sup>In a meeting, the Board of Management has a quorum if all members have been invited and more than half of the members are present. <sup>2</sup>Board of Management members who join a meeting by telephone or video and audio transmission are deemed to be present. <sup>3</sup>Absent Members may cast their votes in writing, by e-mail, by text message or by fax, addressed for the attention of the Chairman of the Board of Management. <sup>4</sup>The Chairman of the Board of Management may also permit other electronic forms of communication for voting purposes. <sup>5</sup>The members of the Board of Management shall be informed immediately of any resolutions passed in their absence. <sup>6</sup>Except in urgent cases, any matters relating to an area of responsibility for which the respective Board of Management member is not present will only be discussed and decided upon with that member's consent.
- (6) <sup>1</sup>At the instigation of the Chairman of the Board of Management, resolutions may also be passed outside meetings. <sup>2</sup>Outside of a meeting, the Board of Management has a quorum if all members have been invited to participate in the vote on a resolution, no member immediately objects to this procedure and more than half of the members participate in the vote. <sup>3</sup>Votes may be cast in writing, by e-mail, SMS, fax, telephone, audio and video transmission or any other electronic means of communication permitted by the Chairman of the Board of Management. <sup>4</sup>The Chairman of the Board of Management may determine a specific form of voting.
- (7) <sup>1</sup>Resolutions of the Board of Management should be passed unanimously whenever possible. <sup>2</sup>If unanimity cannot be achieved, the Board of Management shall pass resolutions by a simple majority of the votes cast, unless other majorities are prescribed as mandatory by law, the Articles of Association or these Rules of Procedure. <sup>3</sup>In the event of a tied vote, the Chairman of the Board of Management shall have the casting vote.
- (8) <sup>1</sup>Minutes shall be kept of the meetings, indicating the place and date of the meeting, the participants, the items on the agenda and the wording of the resolutions. <sup>2</sup>The minutes shall be signed by the Chairman of the Board of Management and copies sent to all members of the Board of Management. <sup>3</sup>The minutes shall be deemed approved if no member of the Board of Management objects by the next meeting at the latest. <sup>4</sup>Resolutions passed outside of meetings shall be recorded in the minutes of the next meeting.
- (9) The members of the Board of Management shall inform the Chairman of the Board of Management in good time if they are unable to attend a meeting and state the reason for their inability to attend.

## **§ 7 Cooperation with the Supervisory Board**

- (1) <sup>1</sup>The Chairman of the Board of Management shall coordinate the cooperation between Board of Management members and the Supervisory Board and take the lead in communications. <sup>2</sup>He shall ensure that all reporting requirements are complied with and obtain the Supervisory Board's approval in those cases prescribed as mandatory by law, the Articles of Association, the Rules of Procedure or a resolution of the Supervisory Board. <sup>3</sup>In fulfilling these duties, the Chairman of the Board of Management shall be supported by all members of the Board of Management.
- (2) <sup>1</sup>The Board of Management shall report to the Supervisory Board in accordance with statutory provisions, the Articles of Association, these Rules of Procedure and the Rules of Procedure of the Supervisory Board, as well as at the request of the Supervisory Board in individual cases. <sup>2</sup>The reports of the Board of Management are to correspond to the principles of conscientious and faithful accounting. <sup>3</sup>Reporting shall be carried out in such a way that the Supervisory Board is informed regularly, promptly, comprehensively and, as a rule, in text form about all issues of corporate strategy, planning, business development, risk exposure, risk management and compliance relevant to the Company or the Group. <sup>4</sup>In doing so, the Board of Management shall address any deviations from agreed targets contained in planning documents, indicating the reasons for these deviations.
- (3) <sup>1</sup>Between Supervisory Board meetings, the Board of Management – in particular the Chairman of the Board of Management – shall maintain regular contact with the Chairman of the Supervisory Board and discuss key aspects of corporate strategy, business development, risk exposures, risk management and the compliance status of the Company and the Group. <sup>2</sup>The Chairman of the Board of Management shall inform the Chairman of the Supervisory Board without undue delay, either verbally or in text form, of any event that is of material importance for assessing the position and development of the Company and its management.

## **§ 8 Conflicts of interest, confidentiality, sideline activities**

- (1) <sup>1</sup>The Members of the Board of Management are bound to observe the enterprise's best interests. <sup>2</sup>In all their decisions, they must neither pursue personal interests nor exploit for themselves business opportunities to which the enterprise is entitled. <sup>3</sup>Each member of the Board of Management shall disclose any existing or foreseeable conflicts of interest to the Chairman of the Supervisory Board and the Chairman of the Board of Management without delay and inform the other members of the Board of Management accordingly.
- (2) <sup>1</sup>Transactions between the Company or its affiliated companies on the one hand and a member of the Board of Management or related parties as defined by IAS 24 on the other shall generally only be conducted in the ordinary course of business and be in line with standard market conditions. <sup>2</sup>Significant transactions or those entered into on the basis of individual terms with a member of the Board of Management or with related parties as defined by IAS 24 that do not comply with the terms applicable to third parties or employees require the prior approval of the Supervisory Board. <sup>3</sup>If Board of Management members become aware that related parties as defined by IAS 24 are conducting or intend to conduct any such transactions, they shall inform the Chairman of the Supervisory Board without delay.

- (3) <sup>1</sup>Each member of the Board of Management shall maintain secrecy of any confidential information and secrets of the Company and its affiliated companies, with particular regard to business and trade secrets. <sup>2</sup>This requirement shall also apply after the end of the term of office of a member of the Board of Management. <sup>3</sup>Upon expiry of the mandate, all documents that are confidential at that time shall be either returned to the Chairman of the Board of Management or their destruction confirmed. <sup>4</sup>Board of Management members shall ensure that their supporting staff also comply with the duty of confidentiality in the same manner.
- (4) The assumption of sideline activities, particularly supervisory board mandates outside the Group, requires the prior approval of the Supervisory Board (Personnel Committee).