

## **Information relating to item 7 of the AGM agenda:**

### **Approval of the remuneration system for the Board of Management.**

Overview charts on the remuneration system.

# REVISED REMUNERATION SYSTEM FOR THE MEMBERS OF THE BOARD OF MANAGEMENT – GUIDELINES.

Aligned with requirements of the **German Corporate Governance Code**.

**Increased focus on ESG-goals<sup>1</sup>, sustainability and strategy** within the remuneration system.

New system enables the Supervisory Board to **monitor the strategy implementation more closely**.

Higher proportion of **share-based remuneration** (increase from approx. 14% to approx. 33% based on the CEO's target compensation).<sup>2</sup>

**Share Ownership Guidelines:** Investment commitment in BMW common shares and holding period of 4 years, including when leaving office.

**Simplification** of the remuneration system: **Elimination** of the **Performance cash plan** and the **matching component** within the share-based remuneration program.

A suitable comparison with group of competitors (**peer group comparison**) is taken into account in selected objectives.

**Maximum remuneration unchanged.**

**Clawback and Malus clauses** as well as **adjustment possibility** allowing for deviations within the remuneration system in case of extraordinary developments (e.g. M&A etc.).

**Further transparency regarding target achievement on ex-post basis.**

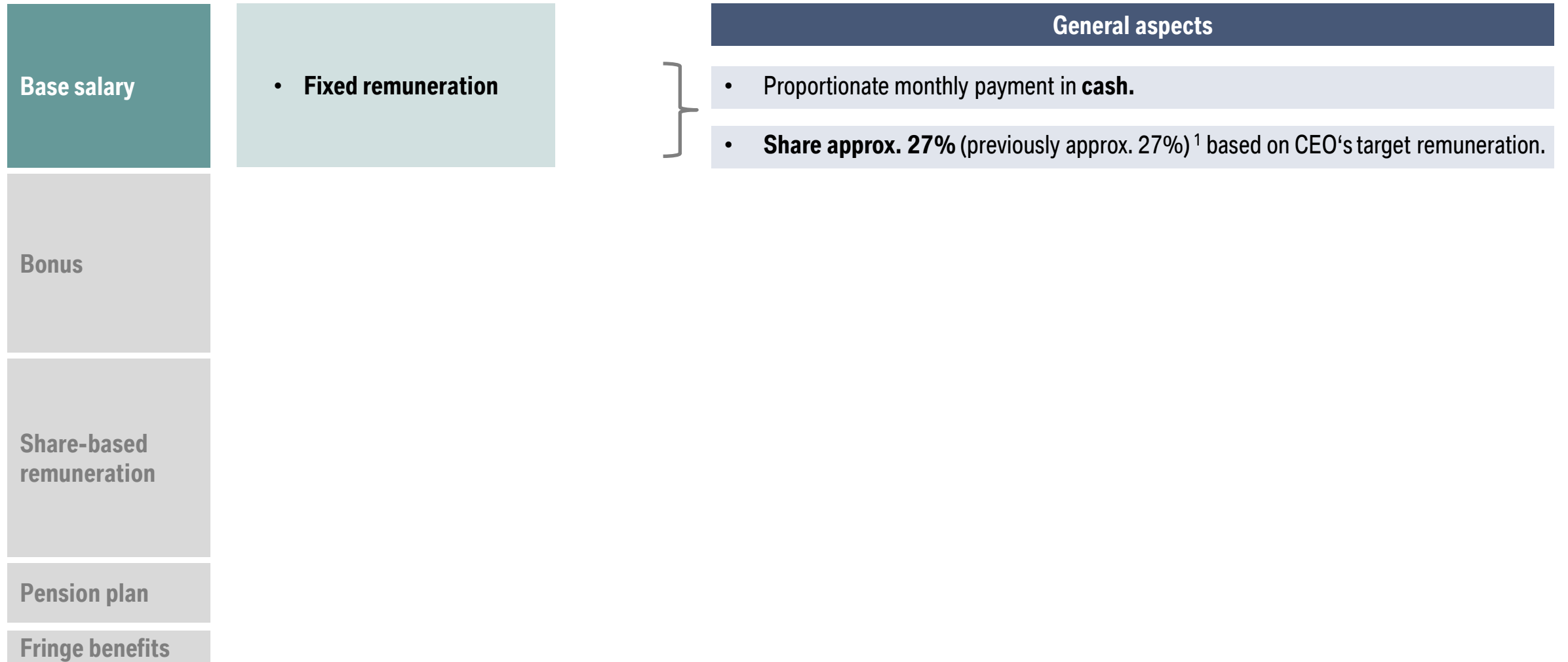
<sup>1</sup>Criteria from the areas of environment, social and responsible corporate governance (ESG).

<sup>2</sup>Schematic representation using the target remuneration for financial year 2020 based on the previous remuneration system and for financial year 2021 based on the new remuneration system as an example.

# REVISED REMUNERATION SYSTEM FOR THE MEMBERS OF THE BOARD OF MANAGEMENT – OVERVIEW OF COMPENSATION COMPONENTS.



# (1) BASE SALARY.



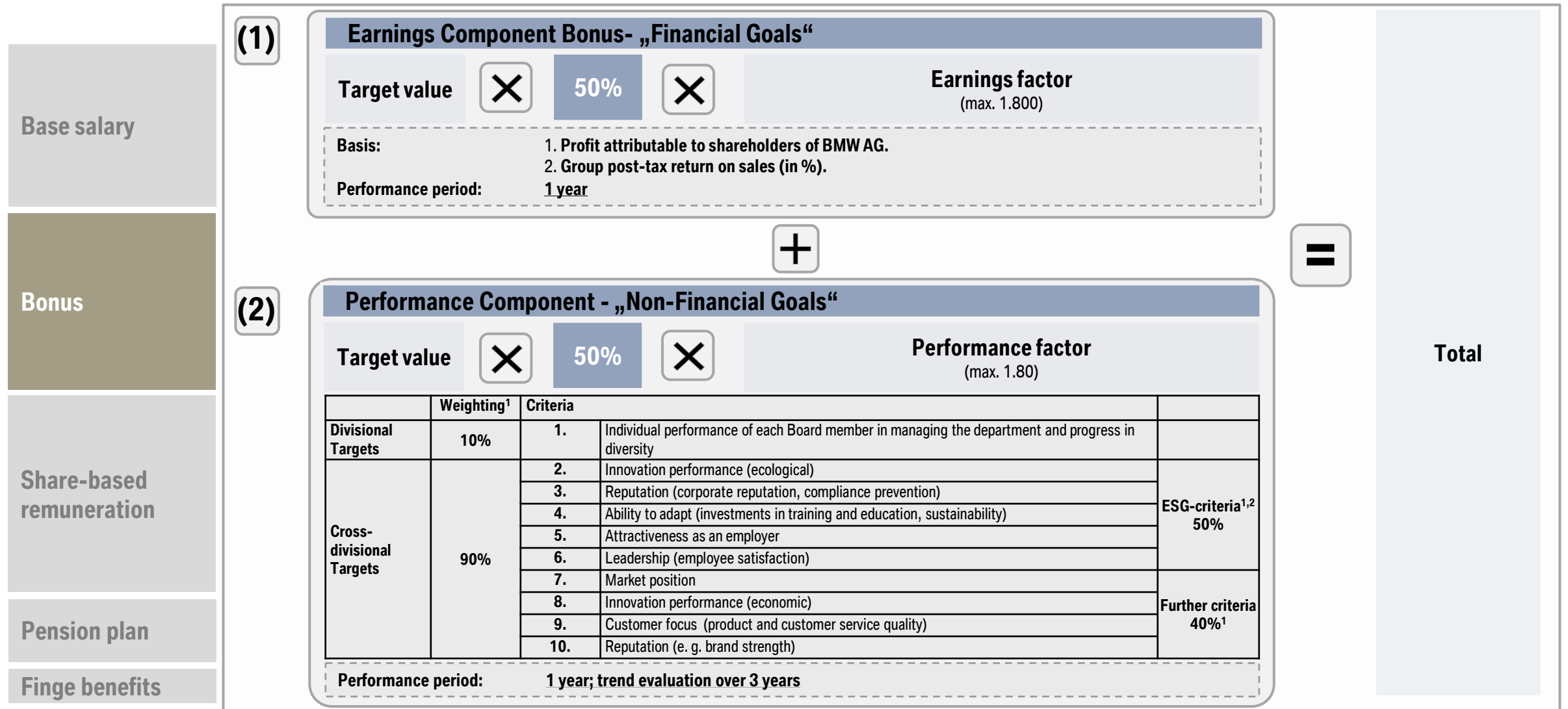
<sup>1</sup>)Schematic representation using the target remuneration for financial year 2020 based on the previous remuneration system and for financial year 2021 based on the new remuneration system as an example.

## (2) BONUS (OVERVIEW).

Base salary	<p><b>General aspects</b></p> <ul style="list-style-type: none"> <li>• Consisting of an <b>earnings-related (50%)</b> and a <b>performance-related component (50%)</b>.</li> <li>• Upper limit is set at 180%.</li> <li>• The bonus is <b>paid out after the Annual General Meeting</b>, at which the financial statements of respective financial year are presented.</li> <li>• <b>Target values and corridors are defined</b> and - unless they are commercially sensitive - <b>published retrospectively</b>.</li> <li>• <b>Variable compensation components</b> are subject to <b>special clawback and malus clauses</b>.</li> </ul>
Bonus	<p><b>(1) Earnings-related component</b></p> <ul style="list-style-type: none"> <li>• Basis for the <b>earnings factor</b>:             <ol style="list-style-type: none"> <li>1. <b>Profit attributable to shareholders of BMW AG.</b></li> <li>2. <b>Group post-tax return on sales (in %).</b></li> </ol> </li> <li>• <b>Underlying measurement values</b> for the bonus are being <b>determined in advance</b>.</li> <li>• The <b>earnings factor</b> is capped at a maximum <b>value of 1.800<sup>1</sup></b>.</li> <li>• <b>Performance period 1 year.</b></li> </ul>
Share-based remuneration	<p><b>(2) Performance-related component</b></p> <ul style="list-style-type: none"> <li>• Primarily <b>qualitative, non-financial criteria</b>, expressed in terms of a <b>performance factor</b> aimed at measuring the Board member's <b>contribution to the sustainable and long-term development and the future viability</b> of the Company.</li> <li>• <b>Performance period 1 year, with additional trend analysis over at least 3 fiscal years</b> to assess impact of past decisions and actions in the grant year and impact of decisions and actions in the grant year on future fiscal years.</li> </ul>
Pension plan	<ul style="list-style-type: none"> <li>• <b>Composition of the performance factor</b> in the target expression:             <ul style="list-style-type: none"> <li>- 10% individual targets.</li> <li>- 50% cross-divisional targets with <b>ESG criteria</b>.</li> <li>- 40% other cross-divisional targets.</li> </ul> </li> </ul>
Fringe benefits	<ul style="list-style-type: none"> <li>• <b>Target values and metrics</b> are defined at <b>the beginning of the fiscal year</b>.</li> <li>• The <b>individual performance factor</b> lies between zero and a <b>maximum of 1.80</b>.</li> </ul>

<sup>1)</sup>The maximum earnings factor of 1.800 is reached in the event of a profit attributable to shareholders of BMW AG of € 11 billion and a Group post-tax return on sales of 9 %.

## (2) BONUS (DETAILS).



<sup>1</sup>) Within the target structure.

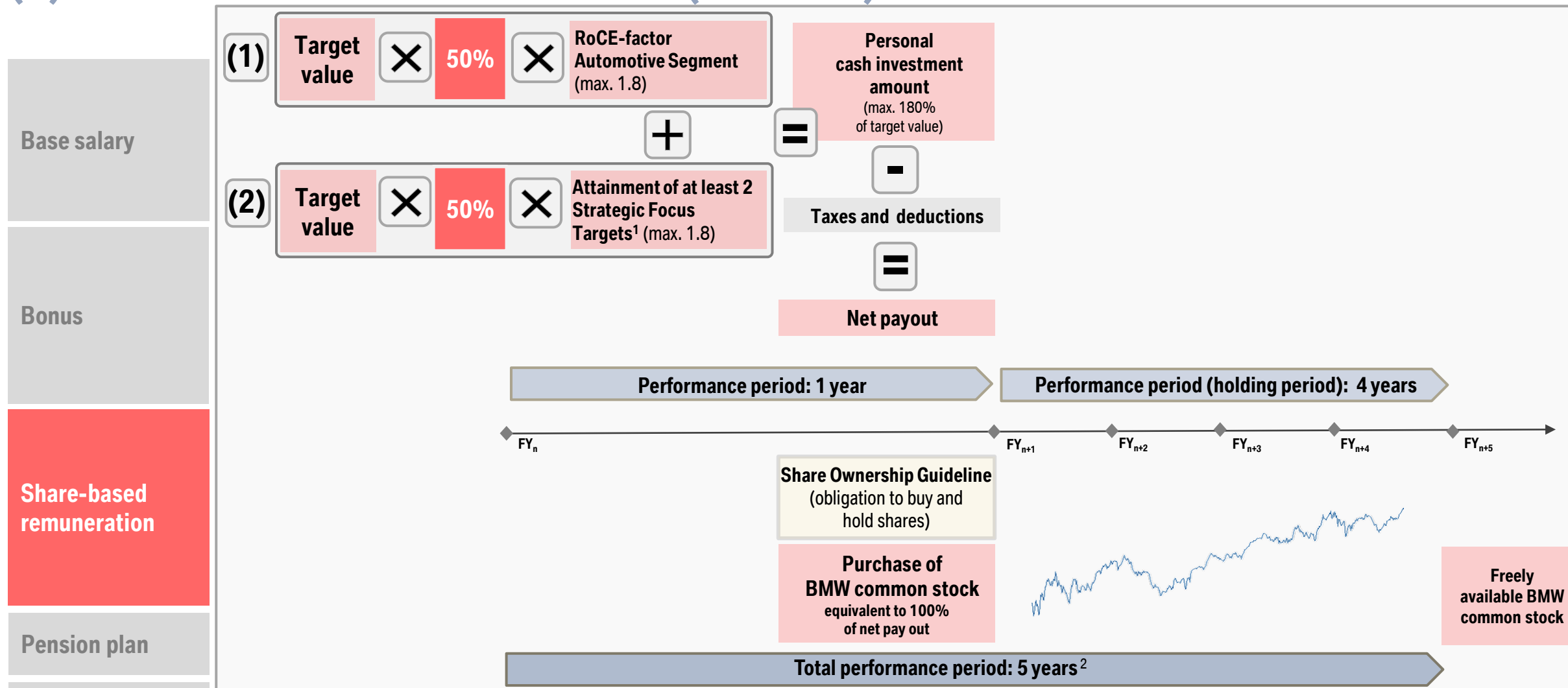
<sup>2</sup>) Criteria from the areas of environment, social and responsible corporate governance (ESG).

# (3) SHARE-BASED REMUNERATION (OVERVIEW).

	General aspects
Base salary	<ul style="list-style-type: none"> <li>• <b>Cash compensation</b> for the <b>specific purpose (personal cash investment amount)</b> of investment after tax and deductions in <b>common stock of BMW AG</b>.</li> <li>• These shares are required to be <b>held for 4 years</b> (Share Ownership Guidelines), <b>even if the Board member leaves office (including retirement)</b>.</li> <li>• <b>Determination period is 5 years in total:</b> 1 year for determining the <b>personal cash investment amount</b> and 4 years holding obligation.</li> </ul>
Bonus	<ul style="list-style-type: none"> <li>• <b>Determination of the personal cash investment amount</b> (2 components): <ul style="list-style-type: none"> <li>(1) „RoCE-component“: <ul style="list-style-type: none"> <li>– <b>50% of target value x RoCE-factor</b> derived from the RoCE (Automotive Segment)</li> <li>– Determination of <b>minimum, maximum and target values</b> for the RoCE before <b>the beginning of the financial year</b>.</li> <li>– The <b>RoCE-factor</b> is capped at a maximum <b>value of 1.8</b>.</li> </ul> </li> <li>(2) „Component Strategic Focus Targets“: <ul style="list-style-type: none"> <li>– <b>50% of target value x performance-factor</b> based on level of achievement of at least <b>2 predefined strategic focus targets of non-financial nature</b> derived from the corporate strategy and corporate planning (“Strategic Focus Targets”).</li> <li>– Weighting of Strategic Focus Targets at the <b>beginning of the fiscal year</b>.</li> <li>– Determination of <b>minimum, maximum and target values</b> for the Strategic Focus Targets before the <b>beginning of the fiscal year</b>.</li> <li>– The <b>factor</b> for every Strategic Focus Target is capped at a maximum <b>value of 1.8</b>.</li> </ul> </li> </ul> </li> </ul>
Share-based remuneration	<ul style="list-style-type: none"> <li>• BMW forewent implementing a <b>performance criteria on the BMW share price development in relation to competitors („relative TSR“)</b><sup>1</sup>. <ul style="list-style-type: none"> <li>– <b>No suitable and sufficiently large peer group of listed companies</b> available which fit with BMW’s focus on premium cars and motorbikes.</li> <li>– The Board of Management should be <b>exposed to the share price development</b> in a similar manner <b>as BMW shareholders</b> and not be privileged or put at a disadvantage due to developments within the peer group.</li> </ul> </li> </ul>
Pension plan	<ul style="list-style-type: none"> <li>• The <b>personal cash investment amount</b> is <b>paid out after the ordinary Annual General Meeting</b>, at which the financial statements of respective financial year are presented.</li> </ul>
Fringe benefits	<ul style="list-style-type: none"> <li>• <b>Variable compensation components</b> are subject to <b>special clawback and malus clauses</b>.</li> </ul>

<sup>1)</sup> Relative Total Shareholder Return (TSR) equivalent to the relative share price performance including dividend payments.

### (3) SHARE-BASED REMUNERATION (DETAILS).



<sup>1</sup> Following Strategic Focus Targets have been set for the year 2021:

(1) Reduction of CO<sub>2</sub>-fleet emissions in Europe and (2) global sales accounted for by plug-in hybrid vehicles (PHEVs) and battery electric vehicles (BEVs).

<sup>2</sup> 1 year for the determination of the Personal investment cash amount and 4 years holding period.



## (4) PENSION PLAN AND FRINGE BENEFITS (DETAILS).

### Pension plan

- **Retirement benefits as a defined contribution system with a guaranteed minimum return.**
- Commitments to make an annual contribution to the company pension scheme (pension agreements) are linked to the term of appointment as a member of the Board of Management.
- Pension entitlements **become vested** when the employment relationship has existed for one year.
- In the case of pension commitments, retired Executive Board members are entitled to retirement benefits at the earliest when they reach the age of 62.
- Separate regulations for death or invalidity if the mandate has ended.
- In the event of the death of an eligible Executive Board member before retirement, a **surviving spouse** or **registered partner** is entitled to a **survivor's benefit**; otherwise, depending on age and level of education, **surviving children** are entitled to a **survivor's benefit**.
- In the case of death or invalidity, a minimum benefit is payable based on the number of contributions possible up to the age of 60 (subject to maximum of ten contributions).

### Fringe benefits

- **Contractual agreement, main points:**  
non-cash benefits for the use of Company car, insurance premiums, contribution towards security system etc.

# FURTHER ASPECTS OF THE REMUNERATION SYSTEM.

<p><b>Clawback- and malus provision</b></p>	<ul style="list-style-type: none"> <li>• <b>Provisions on the withholding and clawback of remuneration as of financial year 2021:</b> <ul style="list-style-type: none"> <li>(a) <b>Malus</b> <ul style="list-style-type: none"> <li>– Agreement to withhold variable remuneration in the event of certain <b>serious compliance violations</b> or as provisional malus based on reasonable suspicion.</li> <li>– Malus is also possible after resigning from the Board of Management.</li> </ul> </li> <li>(b) <b>Clawback</b> <ul style="list-style-type: none"> <li>– Agreement on the <b>clawback of variable remuneration already paid out in the event of certain serious compliance violations</b>, incorrect calculation bases of remuneration or incorrect financial statements.</li> <li>– Clawback possible in principle even after resigning from the Board of Management.</li> </ul> </li> </ul> </li> </ul>
<p><b>Compensation payment</b></p>	<ul style="list-style-type: none"> <li>• In the case of new appointments, the Supervisory Board may grant payments to compensate for salary losses arising from a previous employment relationship and to cover relocation costs. Such Compensation is subject to the maximum remuneration.</li> </ul>
<p><b>Severance Pay</b></p>	<ul style="list-style-type: none"> <li>• Board of Management service contracts provide for <b>severance pay</b> to be paid to the Board member in the event of <b>premature termination by the Company without important reason</b>, the amount of which is <b>limited to a maximum of two years' compensation (severance payment cap)</b>.</li> <li>• If the remaining term of the contract is less than two years, the severance payment is reduced proportionately.</li> <li>• <b>Any severance payment will be counted towards compensation for postcontractual non-competition.</b></li> </ul>
<p><b>Change of Control</b></p>	<ul style="list-style-type: none"> <li>• <b>No commitments or agreements</b> exist for payment of compensation in the event of <b>early termination</b> of a Board member's mandate <b>due to a change of control</b> or a <b>takeover offer</b>.</li> </ul>
<p><b>Maximum limits in terms of amount</b></p>	<ul style="list-style-type: none"> <li>• The Supervisory Board has set <b>maximum amounts for all variable remuneration components and the remuneration of the members of the Board of Management as a whole</b>. The total caps are less than the sum of the maximum amounts from each component. The upper limits are shown in the presentation on page 11 or in the Annual Report.</li> </ul>
<p><b>Adjustment possibilities</b></p>	<ul style="list-style-type: none"> <li>• In the event of <b>exceptional developments</b> such as significant acquisitions and sales, changes in accounting standards or tax rules with significant impact, <b>the amount of remuneration components</b>, including the target remuneration of variable remuneration elements, their ratio to each other, <b>the respective payout amounts and the payout dates may be adjusted</b> even after the financial year has commenced, provided that the maximum remuneration and the limits set for the variable compensation components before the commencement of the financial year are not exceeded.</li> </ul>

# FURTHER DEVELOPED REMUNERATION SYSTEM FOR THE MEMBERS OF THE BOARD OF MANAGEMENT – TARGET REMUNERATION AND REMUNERATION CAPS.

## Target remuneration<sup>1</sup>

in thsd. €				Chairman of the Board of Management				Member of the Board of Management during the 1 <sup>st</sup> period of office				Member of the Board of Management during the 2 <sup>nd</sup> period of office or the 4 <sup>th</sup> year of mandate			
				Up to now <sup>2</sup>		New <sup>4</sup>		Up to now <sup>2</sup>		New <sup>4</sup>		Up to now <sup>2</sup>		New <sup>4</sup>	
				Share of total target remuneration				Share of total target remuneration				Share of total target remuneration			
<b>Base salary</b>				1,800	1,950	~ 27%	~ 27%	800	900	~ 24%	~ 26%	950	1,050	~ 25%	~ 26%
<b>Variable remuneration</b>	<b>Bonus</b>	<b>Up to now:</b>	<b>New:</b>												
		- Earnings component (30%)	- Earnings component (50%)	540	1,050	~ 8%	~ 15%	255	475	~ 8%	~ 14%	300	575	~ 8%	~ 14%
	- Performance component (70%)	- Performance component (50%)	1,260	1,050	~ 19%	~ 15%	595	475	~ 18%	~ 14%	700	575	~ 18%	~ 14%	
	<b>Performance Cash Plan (PCP)</b>	<b>&lt; abolished in new system &gt;</b>	1,600	-	~ 24%	-	850	-	~ 25%	-	950	-	~ 25%	-	
<b>Share-based remuneration</b>	- Investment component <sup>2</sup>	<b>Personal cash investment amount</b>		810	2,350	~ 12%	~ 33%	383	1,100	~ 11%	~ 32%	450	1,280	~ 12%	~ 32%
	- Matching component	<b>&lt; abolished in new system &gt;</b>		135	-	~ 2%	-	64	-	~ 2%	-	75	-	~ 2%	-
<b>Others</b>	<b>Pension plan<sup>3</sup></b>			500	700	~ 7%	~ 10%	350	400	~ 10%	~ 12%	350	400	~ 9%	~ 10%
	<b>Fringe benefits<sup>5</sup></b>			100	100	~ 1%	~ 1%	100	100	~ 3%	~ 3%	100	100	~ 3%	~ 3%
<b>= Total target remuneration</b>				<b>6,745</b>	<b>7,200</b>	<b>100%</b>	<b>100%</b>	<b>3,397</b>	<b>3,450</b>	<b>100%</b>	<b>100%</b>	<b>3,875</b>	<b>3,980</b>	<b>100%</b>	<b>100%</b>

## Remuneration Cap

in thsd. €				Chairman of the Board of Management		Member of the Board of Management during the 1 <sup>st</sup> period of office		Member of the Board of Management during the 2 <sup>nd</sup> period of office or the 4 <sup>th</sup> year of mandate	
				Up to now <sup>2</sup>	New	Up to now	New	Up to now	New
<b>Base salary</b>				1,800	1,950	800	900	950	1,050
<b>Variable remuneration</b>	<b>Bonus</b>	<b>Up to now:</b>	<b>New:</b>						
		- Earnings component (30%)	- Earnings component (50%)	972	1,890	459	855	540	1,035
	- Performance component (70%)	- Performance component (50%)	2,268	1,890	1,071	855	1,260	1,035	
	<b>Performance Cash Plan (PCP)</b>	<b>&lt; abolished in new system &gt;</b>	2,880	-	1,530	-	1,710	-	
<b>Share-based remuneration</b>	- Investment component	<b>Personal cash investment amount</b>		1,458	4,230	689	1,980	810	2,304
	- Matching component			729	-	345	-	405	-
<b>Others</b>	<b>Pension plan</b>			500	700	350	400	350	400
	<b>Fringe benefits</b>			100	100	100	100	100	100
<b>Maximum Remuneration (calculated)</b>				10,707	10,760	5,344	5,090	6,125	5,924
<b>Maximum Remuneration ("Cap")</b>				<b>9,850</b>	<b>9,850</b>	<b>4,925</b>	<b>4,925</b>	<b>5,500</b>	<b>5,500</b>

<sup>1</sup>) Schematic representation of the target remuneration structure. The specific target remuneration is not part of the remuneration system.

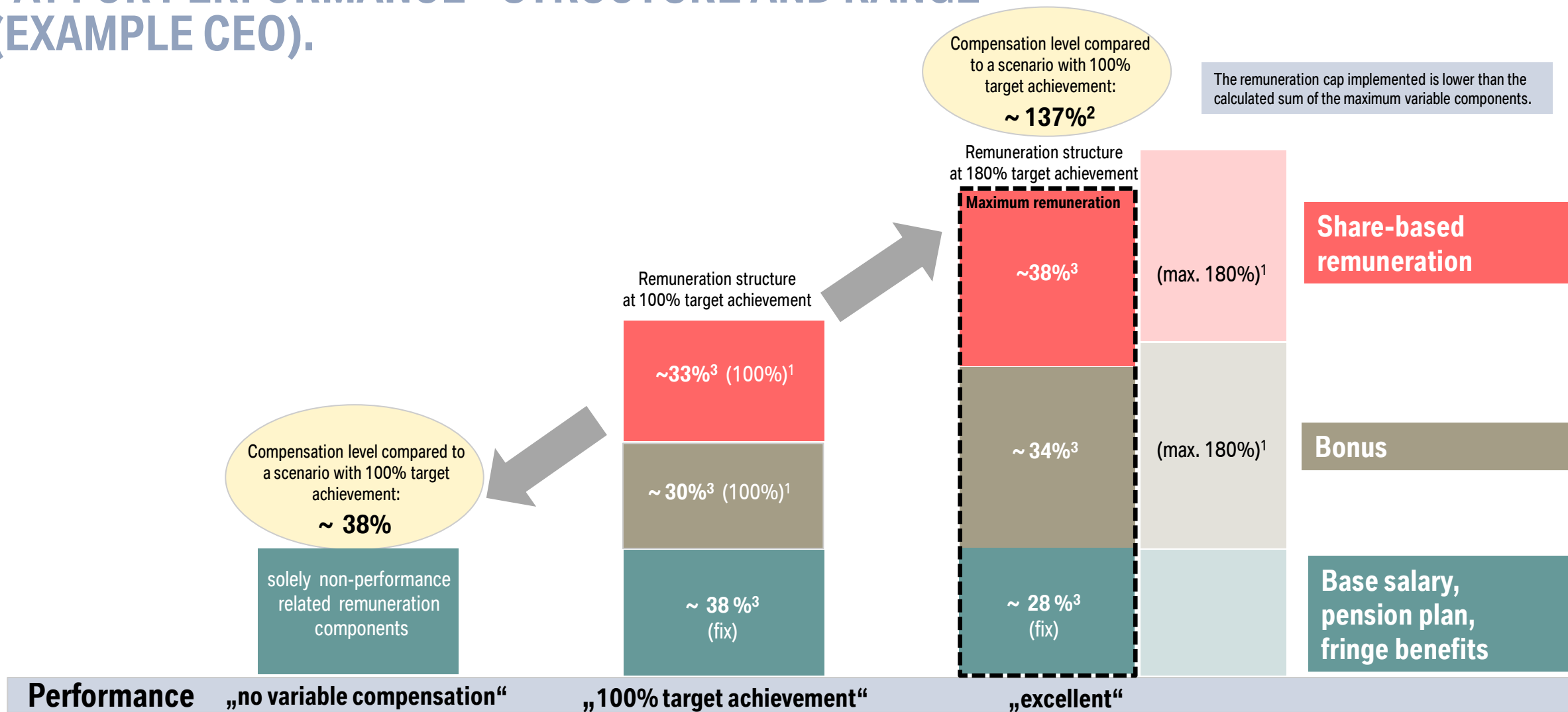
<sup>2</sup>) Published in the 2020 annual report.

<sup>3</sup>) Simplified calculation of the matching component regarding taxes and deductions. Assumption of a constant share price for the calculation of the matching component.

<sup>4</sup>) Due to roundings, percentage values may not add up to 100%.

<sup>5</sup>) Exemplary assumption.

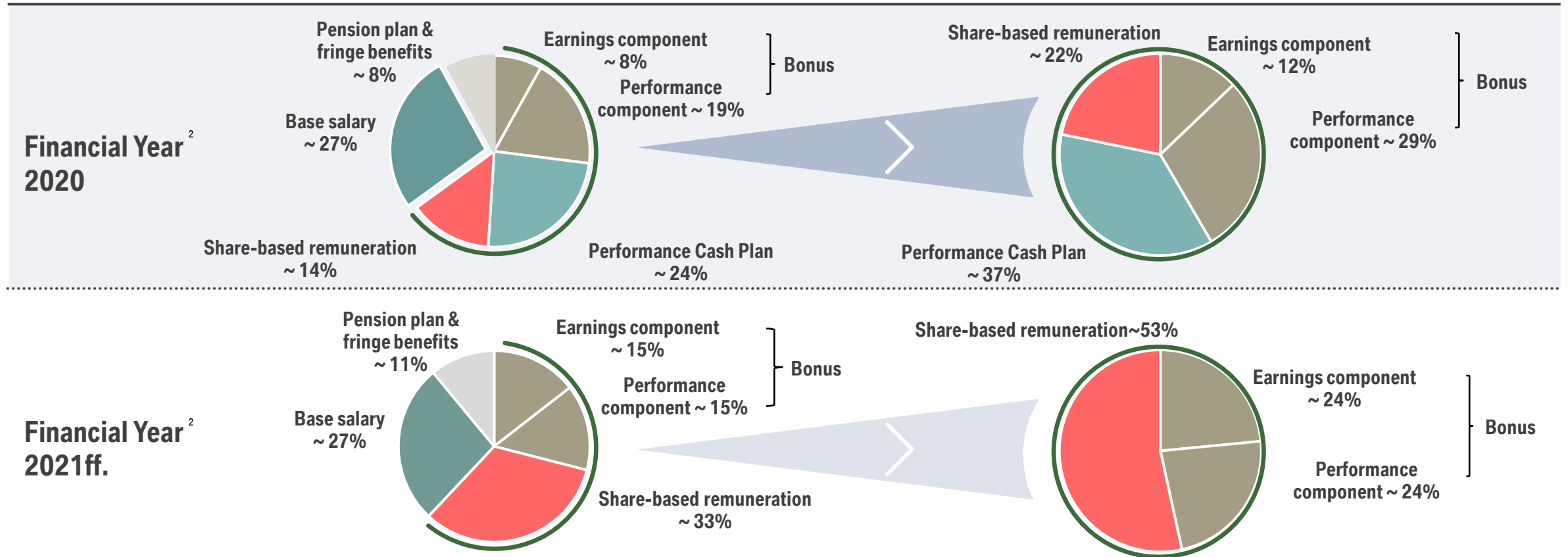
# PAY FOR PERFORMANCE - STRUCTURE AND RANGE (EXAMPLE CEO).



# REVISED REMUNERATION SYSTEM FOR THE MEMBERS OF THE BOARD OF MANAGEMENT – OVERVIEW COMPENSATION STRUCTURE.

## Structure total remuneration<sup>1</sup> Chairman of the Board of Management

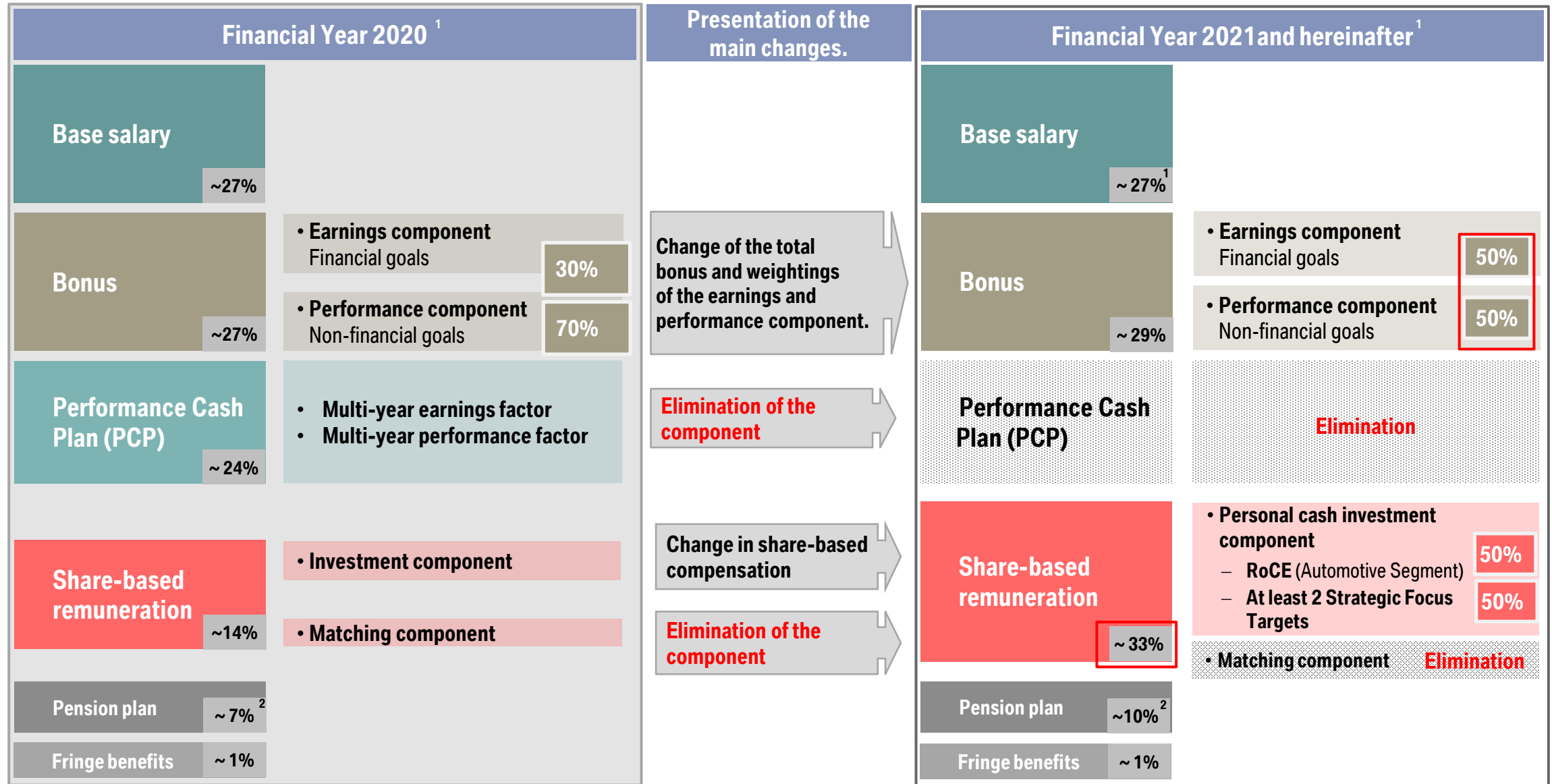
## Structure variable remuneration<sup>1</sup> Chairman of the Board of Management



1) Schematic representation of the proportions based on the target remuneration for the Chairman of the Board of Management for financial year 2020 and 2021 as an example. Simplified calculation of the matching component regarding taxes and deductions. Further, constant share price assumed.

2) Due to roundings, percentage values may not add up to 100%.

# COMPARISON REMUNERATION SYSTEM (UP TO NOW / NEW).



<sup>1</sup>) Schematic representation of the proportions based on the target remuneration for the Chairman of the Board of Management for financial year 2021.

<sup>2</sup>) Pension contribution.