
CORPORATE GOVERNANCE

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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 communication, corporate governance in the interest of all stakeholders, trustful cooperation both of the Board of Management and the Supervisory Board as well as among employees, and compliance with applicable law. The Board of Management and Supervisory Board report in this statement on important aspects of corporate governance pursuant to §§ 289 f, § 315 d 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) within the meaning of 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 powers 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 the Supervisory Board, the appointment of the external auditor, changes to the Articles of Incorporation and certain capital measures, and elects the shareholders' representatives to the Supervisory Board. The Board of Management is responsible for managing the Company and is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and can, for an important reason, revoke an appointment at any time. The Board of Management informs the Supervisory Board and reports to it regularly, promptly and comprehensively, in line with the principles of conscientious and faithful accounting and in accordance with the law and the reporting duties determined 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.

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

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 2016, BMW AG has complied with all of the recommendations published officially on 12 June 2015 in the Federal Gazette (Code version dated 5 May 2015), with the exception – as previously reported – of section 4.2.5 sentences 5 and 6.
2. BMW AG will in future comply with all of the recommendations published officially on 24 April 2017 in the Federal Gazette (Code version dated 7 February 2017), with the exception of section 4.2.3 sentence 9 and section 4.2.5 sentences 5 and 6.
3. It is recommended in section 4.2.3 sentence 9 of the Code that subsequent amendments to performance targets or comparison parameters for variable remuneration components be excluded. BMW AG remains committed to this principle. A one-off departure from the recommendation is, however, planned for the financial year 2018 in conjunction with the implementation of a new remuneration system for the Board of Management: in order to implement the new remuneration system with effect from the coming financial year 2018 – rather than with effect from the financial year 2020 – it is intended to cancel the targets previously set for the variable remuneration components for the financial years 2018 and 2019 and to replace them for the financial year 2018 onwards with targets based on the target system specified in the new remuneration system.

4. 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 as to whether the supplementary use of model tables – particularly in view of the transition from one remuneration system to a new system – 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 2017

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 (*1965)

Chairman

Milagros Caiña Carreiro-Andree (*1962)

Human Resources, Industrial Relations Director

Markus Duesmann (*1969)

Purchasing and Supplier Network

Klaus Fröhlich (*1960)

Development

Mandates

— HERE International B.V. (until 28 February 2018)

Pieter Nota (*1964)

Sales and Brand BMW, Aftersales BMW Group
(since 1 January 2018)

Dr. Nicolas Peter (*1962)

Finance

Mandates

- BMW Brilliance Automotive Ltd.
(Deputy Chairman)
- BMW Nederland B.V. (until 14 February 2017)

Dr. Ian Robertson (HonDSc) (*1958)

Sales and Brand BMW,
Aftersales BMW Group
(until 31 December 2017)

Mandates

- Weybourne Limited (from 3 January 2017
until 19 October 2017)
- Weybourne Group Limited
- Weybourne Investments Holdings
(until 19 October 2017)
- Weybourne Management Limited

Peter Schwarzenbauer (*1959)

MINI, Rolls-Royce, BMW Motorrad,
Customer Engagement and
Digital Business Innovation BMW Group

Mandates

- Scout24 AG (since 8 June 2017)
- Rolls-Royce Motor Cars Limited (Chairman)

Oliver Zipse (*1964)

Production

Mandates

- BMW (South Africa) (Pty) Ltd. (Chairman)
- BMW Motoren GmbH (Chairman)

General Counsel:

Dr. Jürgen Reul

MEMBERS OF THE SUPERVISORY BOARD

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

Member since 2015

Chairman

Former Chairman of the Board of

Management of BMW AG

Mandates

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

Manfred Schoch¹ (*1955)

Member since 1988

Deputy Chairman

Chairman of the European
and General Works Council

Industrial Engineer

Stefan Quandt (*1966)

Member since 1997

Deputy Chairman

Entrepreneur

Mandates

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

Stefan Schmid¹ (*1965)

Member since 2007

Deputy Chairman

Chairman of the Works Council, Dingolfing

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

Member since 2008

Deputy Chairman

Chairman of the Supervisory Board of the E.ON SE
and of the Deutsche Lufthansa Aktiengesellschaft

Mandates

- E.ON SE (Chairman)
- Deutsche Lufthansa Aktiengesellschaft
(Chairman, since 25 September 2017)
- Verizon Communications Inc. (until 3 May 2018)

Christiane Benner² (*1968)

Member since 2014

Second Chairman of IG Metall

Franz Haniel (*1955)

Member since 2004

Entrepreneur

Mandates

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

Ralf Hattler³ (*1968)

Member since 2017

Head of Purchasing Indirect Goods and Services,
Raw Material, Production Partner

Dr.-Ing. Heinrich Hiesinger (*1960)

Member since 11 May 2017

Chairman of the Board of Management
of thyssenkrupp AG

Mandates

- thyssenkrupp Elevator AG (Chairman)
- thyssenkrupp Steel Europe AG (Chairman)
- thyssenkrupp (China) Ltd. (Chairman)

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.

Prof. Dr. rer. nat. Dr. h.c. Reinhard Hüttl (*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** (*1947)

Member from 2010 until 11 May 2017

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

Mandates

- Deutsche Bank AG
- Deutsche Post AG
- Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München

Susanne Klatten (*1962)

Member since 1997

Entrepreneur

Mandates

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

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

Member since 2008

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

Mandates

- Allianz SE (until 3 May 2017)
- Infineon Technologies AG
- Nestlé Deutschland AG
- Robert Bosch GmbH

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

Member since 2009

Former Chairman and Chief Executive Officer of
Deere & Company

Mandates

- General Electric Company (until 8 October 2017)

Horst Lischka² (*1963)

Member since 2009

General Representative of IG Metall Munich

Mandates

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

Willibald Löw¹ (*1956)

Member since 1999

Chairman of the Works Council, Landshut

Simone Menne (*1960)

Member since 2015

Former Member of Management of
Boehringer Ingelheim Gruppe

Mandates

- Deutsche Post AG

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.

Dr. Dominique Mohabeer¹ (*1963)

Member since 2012

Member of the Works Council, Munich

Brigitte Rödiger¹ (*1963)

Member since 2013

Member of the Works Council, Dingolfing

Jürgen Wechsler² (*1955)

Member since 2011

Regional Head of IG Metall Bavaria

Mandates

— Schaeffler AG (Deputy Chairman)

— Siemens Healthcare GmbH (Deputy Chairman)

Werner Zierer¹ (*1959)

Member since 2001

Chairman of the Works Council, Regensburg

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.

COMPOSITION AND WORK PROCEDURES OF THE BOARD OF MANAGEMENT OF BMW AG AND ITS COMMITTEES

The Board of Management manages 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.

In the financial year 2017, the Board of Management made its decisions at meetings generally held on a weekly basis which were 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 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: Purchasing and Supplier Network; Production; Sales and Brand BMW, Aftersales BMW Group (until 28 February 2018); and MINI, Rolls-Royce, BMW Motorrad, Customer Engagement and Digital Business Innovation BMW Group (until 28 February 2018). 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 up to 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-making 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 six 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 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 resolved that a specific approval from the Supervisory Board is required. 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 business development and plans and targets, and the relevant reasons.

COMPOSITION AND WORK PROCEDURES OF THE SUPERVISORY BOARD OF BMW AG AND ITS COMMITTEES

BMW AG's Supervisory Board is composed of ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected in accordance with the Co-Determination Act). 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 Supervisory Board has the task of advising and supervising the Board of Management in its management 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.

The Supervisory Board holds a minimum of two meetings per calendar half-year. Normally, five plenary meetings are held per calendar year. One meeting each year is planned to extend to several days and is used, among other things, to enable an in-depth exchange on strategic and technological matters. The main topics of meetings in the period under report are summarised in the Report of the Supervisory Board. Shareholder representatives and employee representatives generally prepare Supervisory Board meetings separately and occasionally with members of the Board of Management. Members of the Supervisory Board are specifically legally bound to maintain secrecy with respect to confidential reports they receive and confidential discussions in which they partake.

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

The Supervisory Board is quorate if all members have been invited to the meeting and at least half the members of whom it is required to comprise participate in the vote. 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.

Resolutions of the Supervisory Board are generally passed by a simple majority. The German Co-determination Act contains specific legal requirements with regard to majorities and technical procedures, particularly with regard to the appointment and removal of management Board members and the election of Chairman or Deputy Chairman of the Supervisory Board. 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 regularly passed by the Supervisory Board and its committees at meetings. Supervisory Board members who are not present can submit their vote via another Supervisory Board member in written, fax or electronic form. This rule also applies for the second vote of the Chairman of the Supervisory Board. The Chairman of the Supervisory Board can also grant a period of time in which all members not present at a meeting may retrospectively vote. In special cases, resolutions may also be passed outside of meetings, in particular in writing, by fax or by electronic means. Resolutions and meetings are recorded in minutes, which are signed by the relevant Chairman.

Following its meetings, the Supervisory Board generally requests 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 main framework for performing duties, in particular the BMW Group Corporate Governance Code and individual contributions required in circumstances which trigger reporting obligations or are subject to Supervisory Board approval.

Members of the Supervisory Board of BMW AG take care 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 three mandates on non-BMW Group supervisory boards of listed companies or in other bodies with comparable requirements.

The Supervisory Board regularly assesses the efficiency of its activities. To this end, shared discussion is conducted within the Supervisory Board and individual meetings held with the Chairman, prepared on the basis of a questionnaire sent in advance, which is drawn up by the Supervisory Board.

Members of the Supervisory Board of BMW AG are obliged to act in the best interest of the organisation as a whole. They 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 Supervisory Board of any conflicts of interest, in particular those resulting from a consulting or executive role with clients, suppliers, lenders or other business partners, so that the Supervisory Board can report to the shareholders at the Annual General Meeting on its treatment of the issue. Material and non-temporary conflicts of interest of a Supervisory Board member result in a termination of mandate.

In proposing candidates for election as members of the Supervisory Board, care is taken that the Supervisory Board collectively has the required knowledge, skills and expertise to perform its tasks appropriately.

→ The Supervisory Board has stated specific targets for its composition, agreed to a diversity concept and determined a competency profile.

Members of the Supervisory Board are responsible for undertaking any training required for the performance of their duties. The Company provides them with appropriate assistance therein.

→ 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: the Personnel Committee, the Audit Committee, the Nomination Committee and the Mediation Committee. These serve to raise the efficiency of the Supervisory Board's work and facilitate handling of complex issues. Establishment and function of a mediation committee is prescribed by law. Committee chairpersons report in detail on committee work at each plenary meeting of the Supervisory Board.

Composition of the Presiding Board and the committees is based on legal requirements, the Articles of Incorporation, rules of procedure and corporate governance principles, while taking into particular account the expertise of Board members.

According to the rules of procedure, the Chairman of the Supervisory Board is, by virtue of this function, member and Chairman of the Presiding Board, the Personnel Committee and the Nomination Committee.

→ The number of meetings held by the Presiding Board and committees depends on requirements. The Presiding Board, the Personnel Committee and the Audit Committee generally hold several meetings in the course of the year.

In line with the rules of procedure for the activities of the plenum, the Supervisory Board has set out procedural rules for the Presiding Board and committees. Committees are quorate only when all members participate. Committee resolutions are passed by a simple majority, unless otherwise stipulated by law.

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

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

BMWAG ensures that the Supervisory Board and its committees are appropriately equipped to carry out their duties. This includes providing a central Supervisory Board office to support the chairpersons in their coordination work.

In accordance with rules of procedure, the Presiding Board comprises the Chairman of the Supervisory Board and Deputies. The Presiding Board prepares Supervisory Board meetings to the extent that the subject matter does not fall within the remit of a committee. This includes, for example, preparing the annual Declaration of Compliance with the German Corporate Governance Code and assessment of Supervisory Board efficiency.

→ see Report of the Supervisory Board for the number of meetings during the year 2017

→ see section "Composition targets for the Supervisory Board"

→ see "Overview of Supervisory Board committees and their composition"

The Personnel Committee prepares decisions of the Supervisory Board with regard to the appointment and, where applicable, removal of members of the Board of Management and, together with the full Supervisory Board and the Board of Management, ensures long-term succession planning. The Personnel Committee also prepares decisions of the Supervisory Board with regard to Board of Management compensation and the regular review of the compensation system for the Board of Management. In conjunction with 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 employment contracts or, when necessary, to prepare and conclude other relevant contracts with members of the Board of Management. In certain cases, the Personnel Committee is also authorised to grant the necessary approval of a business transaction on behalf of the Supervisory Board. This includes cases of providing loans to members of the Board of Management or Supervisory Board, certain contractual arrangements with members of the Supervisory Board, taking into account related parties, as well as ancillary activities of members of the Board of Management, in particular acceptance of non-BMW Group supervisory board mandates.

The Audit Committee deals in particular with the supervision of the financial reporting process, effectiveness of the internal control system, the risk management system, internal audit system and compliance as well as the performance of Supervisory Board duties in connection with audits pursuant to § 32 of the German Securities Trading Act (WpHG). It also oversees the audit of financial statements, auditor independence and any additional work performed by the auditor. It prepares the proposal for the election of the auditor at the Annual General Meeting, makes a relevant recommendation, issues the audit engagement and agrees on additional areas 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. Additionally, the Audit Committee deals with the non-financial reporting, prepares the audit of the Supervisory Board and the engagement of an external auditor and issues the audit engagement. The Audit Committee also decides on the Supervisory Board's agreement on the use of 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 special knowledge and experience in the application of financial reporting standards and internal control procedures. He also fulfils the requirement of being a 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 to propose them to the Supervisory Board for election at the Annual General Meeting. In line with the recommendations of the German Corporate Governance Code, the Nomination Committee is exclusively composed of 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.

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 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 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 § 32 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 additional 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 — preparation of the Supervisory Board's audit of the non-financial reporting, preparation of the selection of the auditor for non-financial reporting and engagement of the auditor — 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 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 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 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) and 107 (4) AktG, no. 5.3.2 GC/GC.

Board of Management succession planning, diversity concept

The Supervisory Board, in collaboration with the Personnel Committee and the Board of Management, ensures long-term succession planning. In their assessment of candidates for Board of Management positions, the underlying suitability criteria applied by the Supervisory Board are expertise in the relevant function, outstanding leadership qualities, proven track record and knowledge of the Company. The Supervisory Board has adopted a diversity concept for the composition of the Board of Management, which is also aligned with recommendations of the German Corporate Governance Code. In considering which individuals would best complement the Board of Management, the Supervisory Board also takes diversity into account. The criteria diversity is taken by the Supervisory Board to encompass in particular different, mutually complementary profiles, professional and life experiences also at the international level and an appropriate gender representation. In reaching its decisions, the Supervisory Board also considers the following:

- The members of the Board of Management should have a long-standing track record of management experience, ideally with experience in different professional fields.
- At least two members should have international management experience.
- At least two members of the Board of Management should have a technical background.
- The Board of Management should collectively have extensive experience in the fields of development, production, sales and marketing, finances and human resources.
- The Supervisory Board has stipulated a target for the proportion of women on the Board of Management. This is outlined in the section “Disclosures pursuant to the Act on Equal Gender Participation”. The Board of Management reports to the Personnel Committee and the Supervisory Board at regular intervals on the proportion and development of women in senior management positions, in particular at executive levels.

- In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board has set a standard age limit for Board of Management membership. This aims at a retirement age of 60. Consideration is also given to achieving an appropriate age mix within the Board of Management.

When selecting an individual for a particular Board of Management position, the Supervisory Board decides in the best interests of the Group and after due consideration of all relevant circumstances. The Personnel Committee takes into account the diversity concept described above when selecting candidates, in order to ensure that the Board of Management has a diverse composition. In the Supervisory Board’s opinion, the composition of the Board of Management as at 31 December 2017 is in line with the defined diversity concept. For ease of comparison with the diversity concept, the curricula vitae of members of the Board of Management are available on the internet. In particular, the Board of Management has one female member and the various work, educational and life experiences of the members of the Board of Management complement each other.

Composition objectives of the Supervisory Board, competency profile, diversity concept

The Supervisory Board is to be composed in such a way that its members collectively possess the knowledge, skills and experience required to properly perform its tasks.

To this end, the Supervisory Board of BMW AG has approved the following objectives for its composition, including a competency profile. These objectives also describe the concept for achieving diversity in the composition of the Supervisory Board (diversity concept):

- Four members of the Supervisory Board should if possible have international experience or specialist knowledge of one or more non-German markets important to the BMW Group.

- The Supervisory Board should include if possible seven members who have acquired in-depth knowledge and experience within the BMW Group, though no more than two former members of the Board of Management.
- Three of the shareholder representatives in the Supervisory Board should if possible be entrepreneurs or persons who have previous experience in the management or supervision of another medium or large-sized company.
- Three members of the Supervisory Board should if possible be persons from the fields of business, science or research who have experience in areas relevant to the BMW Group, for example chemistry, energy supply, information technology, or who have specialist knowledge in fields relevant for the future of the BMW Group, for example customer requirements, mobility, resources or sustainability.
- When seeking qualified individuals for the Supervisory Board whose specialist skills and leadership qualities are most likely to strengthen the Board as a whole, consideration is also to be given to diversity. When preparing nominations, the extent to which the work of the Supervisory Board benefits from diversified professional and personal backgrounds (including international aspects) and from an appropriate gender representation is also to be taken into account. It is the joint responsibility of all those participating in the nomination and election process to ensure that qualified women are considered for Supervisory Board membership.
- Of the 20 members of the Supervisory Board at least 12 should be independent members within the meaning of section 5.4.2 of the German Corporate Governance Code, including at least six as representatives of 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 applicable law, members of the Supervisory Board are to take care that no persons will be nominated for election for whom a significant, non-temporary conflict of interests could arise due to other activities and functions carried out by them outside the BMW Group, in particular advisory activities or directorships with customers, suppliers, creditors or other business partners.
- An age limit for membership of the Supervisory Board of 70 years is generally to be applied. In exceptional cases, members may remain on the Board until the end of the next Annual General Meeting after reaching the age of 73, in order to fulfil legal requirements or to facilitate smooth succession in the case of key roles or specialist qualifications.
- As a general rule, members of the Supervisory Board should not hold office for longer than until the end of the Annual General Meeting at which the resolution is passed ratifying the member's activities for the 14th financial year after the beginning of the member's first period of office. This excludes 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. In the Company's interest, deviation from the general maximum period is possible, for instance in order to work towards another composition target, in particular diversity of gender and technical, professional and personal backgrounds.

**Statement on
Corporate
Governance**

- Composition and Work Procedures of the Supervisory Board of BMW AG and its Committees
- Disclosures pursuant to the Act on Equal Gender Participation – Targets for the Proportion of Women on the Board of Management and at Executive Management Levels I and II

The time schedule set by the Supervisory Board for achieving the above-mentioned composition targets is the period up to 31 December 2018. The nomination committee of the Supervisory Board already takes into account the composition targets in its proposal of potential candidates as representatives of the shareholders. This enables diversity in the composition of the Supervisory Board and ensures that the Supervisory Board collectively possesses the knowledge, skills and experience required to properly perform its duties. Proposals for nomination made by the Supervisory Board to 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 of the Annual General Meeting. The Annual General Meeting is not bound by proposed nominations for election. The voting freedom of employees in the vote for the employee members of the Supervisory Board is also protected. Under the 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 voting freedom.

In the Supervisory Board's opinion, its composition as at 31 December 2017 fulfilled the composition objectives detailed above. For ease of comparison with 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 mandates in other statutory supervisory boards and equivalent national or foreign company boards, including the length of periods of service on the Supervisory Board, is provided in the section Statement on Corporate Governance. Based on this information, it is evident that the Supervisory Board of BMW AG is highly 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 BMW Group. In-depth knowledge and experience from within the Company are provided by seven employee representatives, as well as the Chairman of the Supervisory Board. 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 company. The Supervisory Board also has three entrepreneurs as members. Most of the members of the Supervisory Board – including employee representatives – have 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, neither ownership of a substantial shareholding in the Company, or office as an employee representative, or previous membership of the Board of Management, rules out independence of a Supervisory Board member. 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 applicable law when performing their duties. 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. The Supervisory Board has therefore concluded that all of its members are independent. These are: Dr.-Ing. Norbert Reithofer, Manfred Schoch, Stefan Quandt, Stefan Schmid, Dr. Karl-Ludwig Kley, Christiane Benner, Franz Haniel, Ralf Hattler, Dr.-Ing. Heinrich Hiesinger, Prof. Dr. Reinhard Hüttl, Susanne Klatten, Prof. Dr. Renate Köcher, Dr. Robert W. Lane, Horst Lischka, Willibald Löw, Simone Menne, Dr. Dominique Mohabeer, Brigitte Rödiger, Jürgen Wechsler and Werner Zierer. At least two members meet the requirements of an independent financial expert. These are Dr. Karl-Ludwig Kley and Simone Menne. 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 since 1 January 2016. At present, no member of the Supervisory Board is older than 70 years.

DISCLOSURES PURSUANT TO THE ACT ON EQUAL GENDER PARTICIPATION – TARGETS FOR THE PROPORTION OF WOMEN ON THE BOARD OF MANAGEMENT AND 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.

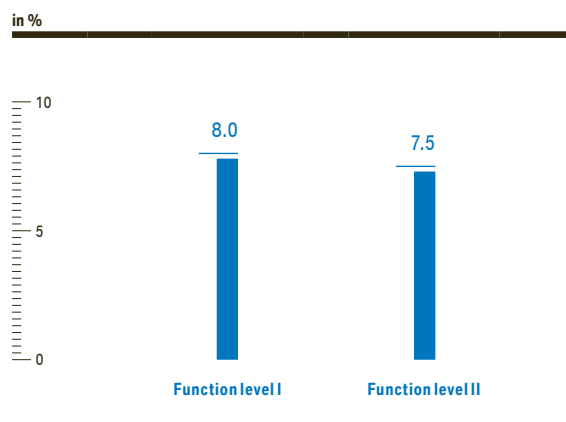
In accordance with this legislation, the Supervisory Board of BMW AG is required to set a target for the proportion of women on its Board of Management and a time frame for meeting this target. Likewise, the Board of Management of BMW AG is required to establish targets for the two executive management levels below the Board of Management and a time frame for attaining these targets. As its target for the Board of Management for the time frame from 1 January 2017 to 31 December 2020, 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%. At 31 December 2017, the Board of Management had one female member (12.5%). The Supervisory Board considers it desirable to increase the proportion of women on the Board of Management and fully supports the Board of Management’s endeavours to increase the proportion of women at the highest executive management levels within the BMW Group.

For the time frame from 11 January 2017 to 31 December 2020, the Board of Management has set a target range of 10.2% to 12.0% for the first level of executive management and 8.0% to 10.0% for the second. At 31 December 2017, the proportion of women within the first executive management level stood at 8.0% and at 7.5% within the second.

Management level is defined in terms of functional level and follows a comprehensive job evaluation system based on Mercer.

Proportion of female executives within management / function levels I and II at BMW AG

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Diversity contributes to greater competitiveness and innovation at the BMW Group. Working together in mixed, complementary teams raises performance levels and increases customer focus. Promoting an appropriate gender ratio is seen as an essential component of the BMW Group’s diversity concept. Increasing the proportion of women therefore remains an objective of the Board of Management.

The proportion of women in the workforce as a whole increased again during the financial year under report, as a result of long-term measures, dialogue and information events. Further information on the topic of diversity within the BMW Group can be found in the section “Workforce”.

INFORMATION ON CORPORATE GOVERNANCE PRACTICES APPLIED BEYOND MANDATORY REQUIREMENTS

Core values

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

Responsibility

We take consistent decisions and commit to them personally. This allows us to work freely and more effectively.

Appreciation

We reflect on our actions, respect each other, offer clear feedback and celebrate success.

Transparency

We acknowledge concerns and identify inconsistencies in a constructive way. We act with integrity.

Trust

We trust and rely on each other. This is essential if we are to act swiftly and achieve our goals.

Openness

We are excited by change and open to new opportunities. We learn from our mistakes.

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 openness, trust and transparency. We are well aware of our responsibility towards society. Socially sustainable human resource policies and compliance with social standards are based on various internationally recognised guidelines. The BMW Group is committed 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). These include in particular freedom of employment, the principle of non-discrimination, freedom of association and the right to collective bargaining, the prohibition of child labour, 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 items "Downloads" and "Responsibility".

For the BMW Group, worldwide compliance of these fundamental principles and rights is self-evident. Since 2005 employees' awareness of this issue has therefore been raised by means of regular internal communications and training on recent developments in this area. The "Compliance Contact" helpline and the BMW Group SpeakUP Line are available to employees wishing to raise queries or complaints relating to human rights issues. With effect from 2016, human rights have been incorporated as an integral component of the BMW Group's worldwide Compliance Management System, representing a further step in the systematic implementation of the UN Guiding Principles on Business and Human Rights.

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

Sustainable business management can only be effective, however, if it covers 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. A spot check of supplier facilities is conducted with sustainability audits and assessments. In 2017, the Human Rights Contact Supply Chain was established for reporting of sustainability infringements in the supply chain. 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.

COMPLIANCE IN THE BMW GROUP

Responsible and lawful conduct is fundamental to the success of the BMW Group. It is an integral part of our corporate culture and the reason why customers, shareholders, business partners and the general public place their trust in us. The Board of Management and all employees of the BMW Group are obliged to act responsibly and in compliance with applicable laws and regulations. The BMW Group expects its competitors and business partners to do the same.

In order to protect itself systematically against compliance-related and reputational risks, the Board of Management created a Compliance Committee several years ago and mandated the establishment of a Compliance Management System within the BMW Group.

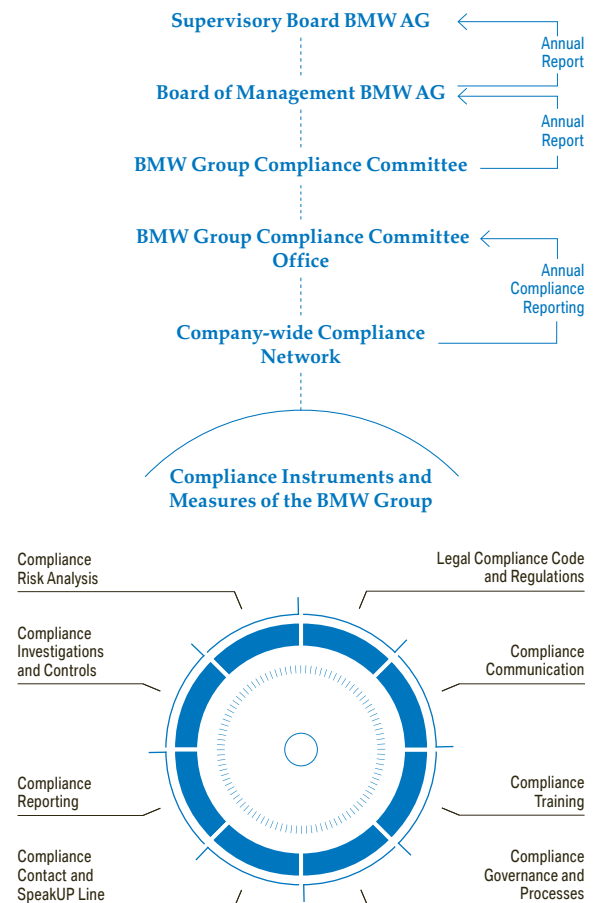
The BMW Group Compliance Management System consists of a programme of instruments and measures, employed to ensure that the BMW Group, its representative bodies, its managers and staff act in a lawful manner. Particular emphasis is placed on measures to avoid risks relating to antitrust legislation, corruption and money laundering.

The BMW Group Compliance Committee comprises the heads of the following departments: Legal Affairs, Corporate and Governmental Affairs, Corporate Audit, Group Reporting, Organisational Development and Corporate Human Resources. It manages and monitors activities necessary to avoid violations of the law. These include communication and training measures, compliance controls and subsequent sanctions in cases of non-compliance.

The BMW Group Compliance Committee reports regularly to the Board of Management on all compliance-related issues, including the progress made in refining the BMW Group Compliance Management System, details of investigations performed, known infringements of the law, sanctions imposed and corrective or preventative measures implemented. This also ensures that the Board of Management is immediately notified of any cases of particular significance.

BMW Group Compliance Management System

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The Board of Management keeps track of and analyses compliance-related developments and trends on the basis of the Group's compliance reporting and advice from the BMW Group Compliance Committee. Measures to improve the Compliance Management System are initiated on the basis of identified requirements.

The Chairman of the BMW Group Compliance Committee reports to the Audit Committee of the Supervisory Board on the current status of compliance activities within the BMW Group, both on a regular and a case-by-case basis.

The decisions taken by the BMW Group Compliance Committee are drafted in concept, and implemented operationally, by the BMW Group Compliance Committee Office. The BMW Group Compliance Committee Office comprises 14 employees and reports organisationally to the Chairman of the Board of Management.

The BMW Group Compliance Committee Office is supported by local compliance functions, especially in connection with operational implementation of compliance topics. Establishment of 72 local compliance functions was completed in 2017. Their activities follow a standardised management process with clearly defined tasks and responsibilities. The heads of these functions serve as the Compliance Officer for the respective organisational unit.

The various elements of the BMW Group Compliance Management System are shown in the diagram on the previous page and are applicable to all BMW Group organisational units worldwide. The BMW Group Legal Compliance Code forms the core of the Group's Compliance Management System, in which the Board of Management affirms its joint commitment to compliance ("tone from the top"). The Code also explains the significance of legal compliance and provides an overview of the various areas of relevance for the BMW Group. It is available both as a printed brochure and for download in German and English. In addition, translations into nine other languages are available in the BMW Group intranet.

The BMW Group Legal Compliance Code is supplemented by a range of internal policies, guidelines and instructions, which in part reflect applicable legal requirements. The BMW Group Policy "Corruption Prevention" and the BMW Group Instruction "Corporate Hospitality and Gifts" deserve particular mention: these documents explain lawful handling of gifts and benefits and define appropriate assessment criteria and approval procedures. The BMW Group Policy "Antitrust Compliance" establishes binding rules of conduct for all employees across the BMW Group to prevent unlawful restriction of competition. In response to the entry into force of the EU's Fourth Anti-Money-Laundering Directive, specific anti-money-laundering rules have been revised or introduced locally in 13 organisational units.

Compliance measures are determined and prioritised on the basis of a group-wide compliance risk assessment that is updated annually. Measures are realised with the aid of a regionally structured compliance management team, covering all parts of the BMW Group and oversees a network of more than 210 compliance responsables with 72 local compliance functions.

More than 41,000 managers and staff worldwide have received training in essential compliance matters since the introduction of the BMW Group Compliance Management System. The training material is available on an Internet-based training platform in German and English and includes a final test. Successful completion of the training programme, which is documented by a certificate, is mandatory for all BMW Group managers. Appropriate human resources processes are in place to ensure that all newly recruited managers and promoted staff undergo compliance training. In this way, the BMW Group ensures full training coverage for its managers in compliance matters.

In addition to basic learning, training for specific target groups is also provided on special compliance issues, such as antitrust compliance. Since 2011, a total of more than 24,000 managers and staff whose functions or specific tasks involve exchange with competitors have completed online training in antitrust compliance.

Additional classroom training has also been provided to make employees who participate in meetings with competitors or work with suppliers or sales partners sufficiently aware of antitrust risks. In 2017, over 1,900 managers and staff attended these face-to-face training sessions.

Additional compliance coaching has also been implemented for international sales and financial service units in local markets. These multi-day classroom seminars strengthen the awareness in selected organisational units and enhance cooperation between the central BMW Group Compliance Committee Office and the local compliance functions. In 2017, market coaching was conducted in Australia, Belgium, China, Ireland, the Netherlands, Austria, Poland, Switzerland, Thailand, the UK and the US.

The BMW Group held its first global Compliance Conference in 2017. The event was attended by around 120 Compliance Officers and staff with compliance-related responsibilities from roughly 50 organisational units. The main focus was on strengthening the compliance network and sharing ideas on current and future compliance topics.

Any member of staff with questions or concerns relating to compliance may discuss these matters with their managers and with the relevant departments within the BMW Group, in particular Legal Affairs, Corporate Audit and Corporate Security. The BMW Group Compliance Contact serves as a further point of contact for both employees and external partners for any questions regarding compliance. Communication with the BMW Compliance Contact may remain anonymous, if preferred.

Employees also have the opportunity to submit information about possible compliance violations within the company – anonymously and confidentially – via the BMW Group SpeakUP Line. The BMW Group SpeakUP Line is available in a total of 34 languages and can be reached via local toll-free numbers in all countries in which BMW Group employees are in operation.

All compliance-related queries and concerns are documented and processed by the BMW Group Compliance Committee Office using an electronic Case Management System. If necessary, Corporate Audit, Corporate Security, the legal departments or the Works Council may be consulted to assist with investigations.

Various internal channels and means of communication, including newsletters, employee newspapers and intranet portals, are used to keep BMW Group employees fully up-to-date with the instruments and measures employed by the Compliance Management System. The central communications channel is the compliance website within the BMW Group intranet, where employees can find compliance-related information, training materials and where they can access trainings in both German and English. The website contains a special service area where various practical tools are made available to employees to help them deal with typical compliance-related situations. A group-wide communications campaign was launched in 2017 to boost employee awareness of the importance of creating a culture of transparency and trust.

In addition to these communications measures, appropriate IT systems also support BMW Group employees with the assessment, approval and documentation of compliance-relevant matters.

For example, since 2017, all exchanges with competitors must be documented and approved in a special compliance IT system. All employees can also use IT tools to verify legal admissibility and documentation of benefits, especially in connection with corporate hospitality.

The BMW Group also uses an IT-based Business Relations Compliance programme aimed at ensuring the reliability of its business relations. Relevant business partners are checked and evaluated with a view to identifying potential compliance risks. These procedures are particularly relevant for relations with sales partners and service providers, such as agencies and consultants. Depending on the results of the evaluation, appropriate measures are taken to prevent compliance risks, such as communication measures, training and possible monitoring.

As part of expanded anti-money-laundering measures, an IT system has been developed to verify customer integrity and introduced in around 30 organisational units.

Through the group-wide compliance reporting system, compliance responsables throughout the BMW Group provide information on compliance-relevant issues to the Compliance Committee on a regular basis, and, if necessary, on an ad hoc basis. This includes reporting on the compliance status of the relevant organisational units, on identified legal risks or incidences of non-compliance, as well as sanctions and corrective or preventative measures implemented.

Observation and implementation of compliance rules and processes are audited regularly by Corporate Audit and subject to control checks by Corporate Security and the BMW Group Compliance Committee Office. As part of its regular activities, Corporate Audit carries out on-site audits. The BMW Group Compliance Committee also engages Corporate Audit to perform compliance-specific checks. In addition, two BMW Group Compliance spot checks – sample tests specifically designed to identify potential corruption and antitrust risks – were carried out in 2017. Compliance control activities are coordinated by the BMW Group Panel Compliance Controls. Any necessary follow-up measures are organised by the BMW Group Compliance Committee Office.

Managers have a particular responsibility and role model function with regard to preventing infringements. Managers throughout the BMW Group acknowledge this principle by signing a written declaration and undertaking to inform their staff of the content and significance of the Legal Compliance Code, to convey the values it embodies and make employees aware of legal risks. Managers must, at regular intervals and on their own initiative, verify compliance with the law and communicate with staff on this issue. They signal to employees that they take compliance risks seriously and that relevant information is extremely valuable. In their dealings with staff members, managers remain open to discussion and listen to differing opinions. Any indication of non-compliance with the law must be rigorously investigated.

It is essential for compliance in the BMW Group that employees are aware of and comply with applicable legal requirements. The BMW Group does not tolerate any violations of the law by its employees. Culpable violations of the law result in employment law-related sanctions and may lead to personal liability of relevant employees.

The BMW Group is committed to respecting internationally recognised human rights, in particular as set out in the ten principles of the UN Global Compact and the ILO Core Labour Conventions. The Company's due diligence process is aligned with the UN Guiding Principles on Business and Human Rights, focusing on topics and areas of activity where it can leverage its influence as a commercial enterprise.

The BMW Group clarified its position back in 2005, with the Joint Declaration on Human Rights and Working Conditions at the BMW Group. This was followed by systematic introduction and continuous upgrading of measures to protect human rights. These measures, which were already firmly established within the organisation, were integrated into the BMW Group's group-wide Compliance Management System in 2016. A group-wide human rights compliance assessment was conducted in 2017.

Compliance is also an important factor in safeguarding the future of the BMW Group workforce. With this in mind, the Board of Management and the national and international employee representative bodies of the BMW Group have agreed on a binding set of Joint Principles for Lawful Conduct. In doing so, all parties involved made a commitment to the principles contained in the BMW Group Legal Compliance Code and to trustful cooperation in matters relating to compliance. Employee representatives are therefore regularly consulted in the process of refining compliance measures within the BMW Group.

To ensure that the BMW Group complies with regulations relating to insider information, the Board of Management established an Ad-hoc Committee back in 1994, consisting of representatives of various specialist departments, whose members determine whether information displays the characteristics of insider information, which is required to be disclosed, and handle the publication and legal notices required by law. All persons who perform duties on behalf of BMWAG through which they have access to insider information are included on an insider list and informed of the duties arising from insider rules.

Reportable securities transactions ("Managers' transactions")

Pursuant to Article 19 of the EU Market Abuse Regulation (MAR), members of the Board of Management and the Supervisory Board and any persons closely related to those members are required to give notice to BMW AG and the Federal Agency for the Supervision of Financial Services (BaFin) of transactions with equity or debt instruments of BMW AG or with related derivatives or other financial instruments, if the total sum of such transactions reaches or exceeds an amount of €5,000 during any given calendar year. BMW AG publishes such information without delay and communicates it to the Companies Register for archiving. Notice of publication is issued to the Federal Agency for the Supervision of Financial Services. Securities transactions notified to BMW AG during the financial year 2017 are also reported on the Company's website.

Share-based compensation programmes for employees and members of the Board of Management

Three share-based remuneration schemes were in place at BMW AG during the year under report, namely the Employee Share Programme (under which entitled employees of BMW AG have been able to participate in the enterprise's success since 1989 in the form of non-voting shares of preferred stock), a share-based remuneration programme for Board of Management members, and a share-based remuneration programme for senior heads of department (relating in both cases to shares of common stock). The share-based remuneration programme for Board of Management members is described in detail in the Compensation Report (see also the "Share-based remuneration" section in the Compensation Report and → note 39 to the Group Financial Statements).

→ see
note 39

The share-based remuneration programme for qualifying heads of department, introduced with effect for financial years beginning after 1 January 2012, is closely based on the programme for Board of Management members and is aimed at rewarding a long-term, entrepreneurial approach to running the business on a sustainable basis.

Under the terms of the programme, participants give a commitment to invest an amount equivalent to 20% of their performance-based bonus in BMW common stock and to hold the shares so acquired for a minimum of four years. In return for this commitment, BMW AG pays 100% of the investment amount as a net subsidy. Once the four-year holding period requirement has been fulfilled, the participants receive – for each three common stock shares held and at the Company's option – one further share of common stock or the equivalent amount in cash.

Under the terms of the Employee Share Programme, in 2017 employees were entitled to acquire packages of between seven and 17 shares of non-voting preferred stock with a discount of €20.00 (2016: €22.72) per share compared to the market price (average closing price in Xetra trading during the period from 8 to 13 November 2017: €75.05). All employees of BMW AG and its (directly or indirectly) wholly owned German subsidiaries (if agreed to by the directors of those entities) were entitled to participate in the programme. Employees were required to have been in an uninterrupted employment relationship with BMW AG or the relevant subsidiary for at least one year at the date on which the allocation for the year was announced. Shares of preferred stock acquired in conjunction with the Employee Share Programme are subject to a blocking period of four years, starting from 1 January of the year in which the employees acquired the shares. A total of 491,114 (2016: 305,018) shares of preferred stock were acquired by employees under the programme in 2017; 491,000 (2016: 305,000) of these shares were drawn from Authorised Capital 2014, the remainder were acquired via the stock exchange or as a result of cancelled employee purchases relating to the previous year. Every year the Board of Management of BMW AG decides whether the scheme is to be continued. Further information is provided in → notes 29 and 39 to the Group Financial Statements.

→ see
notes
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COMPENSATION REPORT (PART OF THE COMBINED MANAGEMENT REPORT)

The following section describes the principles governing the compensation of the Board of Management for the financial year 2017 and, in its revised form, for financial years from 2018 onwards. A description of the stipulations set out in the statutes relating to the compensation of the Supervisory Board is also provided. In addition to explaining the system of compensation, details of components of compensation are also provided with figures. Furthermore, the compensation of each individual member of the Board of Management and the Supervisory Board for the financial year 2017 is disclosed with its component parts.

1. Board of Management compensation

Responsibilities

The full Supervisory Board is responsible for determining and regularly reviewing Board of Management compensation. The preparation for these tasks is undertaken by the Supervisory Board's Personnel Committee.

Principles of compensation

The compensation system for the Board of Management at BMW AG is designed to encourage a management approach focused on the sustainable development of the BMW Group. A further principle of the remuneration system at BMW Group is that of consistency. This means that compensation systems for the Board of Management, senior management and employees of BMW AG are composed of similar elements. The Supervisory Board performs an annual review to ensure that all Board of Management compensation components are appropriate, individually and in total, and do not encourage the Board of Management to take inappropriate risks for the BMW Group. At the same time, the compensation model for the Board of Management needs to be attractive for highly qualified executives in a competitive environment.

The compensation of members of the Board of Management is determined by the full Supervisory Board on the basis of performance criteria and after taking into account any remuneration received from Group companies. The principal performance criteria are the tasks and exercise of mandate of the member of the Board of Management, the economic situation and the performance and future prospects of the BMW Group. The Supervisory Board sets ambitious

and relevant parameters as the basis for variable compensation. It also ensures that variable components based on multi-year criteria take account of both positive and negative developments and that the overall incentive is on the long term. As a general rule, targets and comparative parameters may not be changed retrospectively. In conjunction with the revised compensation system for the Board of Management (see the section "Revised Board of Management compensation system for financial years from 2018 onwards"), the targets originally set for the variable compensation components for the financial years 2018 and 2019 were revoked exceptionally and replaced by the more ambitious targets stipulated in the new compensation system. The Supervisory Board reviews the appropriateness of the compensation system annually. In preparation, the Personnel Committee also consults remuneration studies. In order to check that the compensation system is in line with peers, the Supervisory Board compares compensation paid by other DAX companies. For a vertical view, it compares Board compensation with the salaries of executive managers and with the average salaries of employees of BMW AG based in Germany, also with regard to the development over time. Recommendations made by an independent external remuneration expert and suggestions made by investors and analysts are also considered in the consultative process.

Compensation system, compensation components up to the financial year 2017

The compensation of the Board of Management comprises both fixed and variable elements as well as a share-based component. Provisions are also in place for retirement and surviving dependants' entitlements.

Fixed remuneration

Fixed remuneration consists of a base salary, which is paid monthly, and fringe benefits (other remuneration elements such as the use of company cars, insurance premiums and contributions towards security systems). Members of the Board of Management are also entitled to purchase vehicles and other products and services of the BMW Group at conditions that also apply for employees.

The base salary of members of the Board of Management remained unchanged in 2017 from the previous year. The base salary is €0.75 million p.a. for a Board member during the first period of office, €0.9 million p.a. for a Board member from the second period of office or the fourth year of mandate and €1.5 million p.a. for the Chairman of the Board of Management.

Variable remuneration

The variable remuneration of Board of Management members comprises variable cash remuneration and a share-based remuneration component.

Variable cash remuneration, in particular bonuses

Variable cash remuneration consists of a bonus and a cash component for investment in BMW AG common stock equivalent to 20% of a Board member's total bonus after taxes, which the Board member receives from the Company along with the related taxes and social insurance. Furthermore, up to 31 December 2017, the Supervisory Board could, in justified cases, stipulate the payment of a discretionary additional bonus.

The bonus comprises two components, each equally weighted: an earnings-related bonus and a performance-related bonus. The target bonus (100%) for a Board of Management member in the first period of office is €1.5 million p.a. in total for the two components of variable compensation and €1.75 million p.a. from the second period of office or the fourth year of mandate. For the Chairman of the Board of Management the amount is €3 million p.a. The bonus is capped for all Board of Management members at 200% of the respective target bonus.

The earnings-related bonus is based on Group net profit and post-tax return on sales, which are combined in a single earnings factor, and – up to the financial year 2017 – on the dividend (common stock). The earnings-related bonus is derived from a target amount defined for each member of the Board of Management multiplied by the earnings factor and the dividend factor. In exceptional circumstances, for instance major acquisitions or disposals, the Supervisory Board may adjust the earnings-related bonus.

An earnings factor and dividend factor of 1.0 would give rise to an earnings-related bonus of €0.75 million for a member of the Board of Management in the first period of office, €0.875 million from the second period of office or the fourth year of mandate and €1.5 million for the Chairman of the Board of Management. The earnings factor is 1.0 for example in the event of a Group net profit of €3.1 billion and a post-tax return on sales of 5.6%. The dividend factor is 1.0 when the dividend paid on shares of common stock is between 101 and 110 cents. If the Group net profit were below €2 billion or the post-tax return on sales below 2%, the earnings factor for 2017 would be zero. In this case, no earnings-related bonus would be payable.

The performance-related bonus is derived by multiplying the target amount set for each member of the Board of Management by a performance factor. The Supervisory Board sets the performance factor on the basis of a detailed assessment of the contribution made by members of the Board of Management to sustainable and long-term oriented business development. In setting the factor, consideration is given to performance and decisions over the previous three financial years, as well as strategic decisions affecting the future development of the business, the effectiveness and efficiency of measures taken in response to changing external conditions and other activities aimed at safeguarding the future viability of the business which cannot be directly measured in values. Accordingly, performance factor criteria include innovation (economic and ecological, for example the reduction of carbon dioxide emissions), customer focus, ability to adapt, leadership, corporate culture, promotion of compliance and integrity, contributions to the Group's attractiveness as an employer, progress in implementing the diversity concept and activities that foster corporate social responsibility. The target bonus and the criteria used to determine the earnings-related bonus are fixed in advance for a period of three financial years. During this time, as a general rule, target bonuses and the key criteria applied may not be amended retrospectively.

Share-based remuneration programme

The compensation system also includes a share-based remuneration programme, which is based on the amount of bonus paid. The system is aimed at creating further long-term incentives to encourage sustainable governance.

This programme specifies that each member of the Board of Management is required to invest in BMW AG common stock an amount equivalent to 20% of the Board member's total bonus after taxes, which the Board member receives as an additional cash component from the Company with the related taxes and social insurance. As a general rule, the shares must be held for four years. Under a matching plan, at the end of the holding period the Board of Management members receive from the Company, for every three shares of common stock held, either one additional share of common stock or an equivalent cash amount, to be decided at the discretion of the Company (share-based remuneration component/matching component). Special rules apply in the case of death or invalidity of a Board of Management member or premature termination of the contractual relationship before fulfilment of the holding period.

Revised system of Board of Management compensation for financial years from 2018 onwards

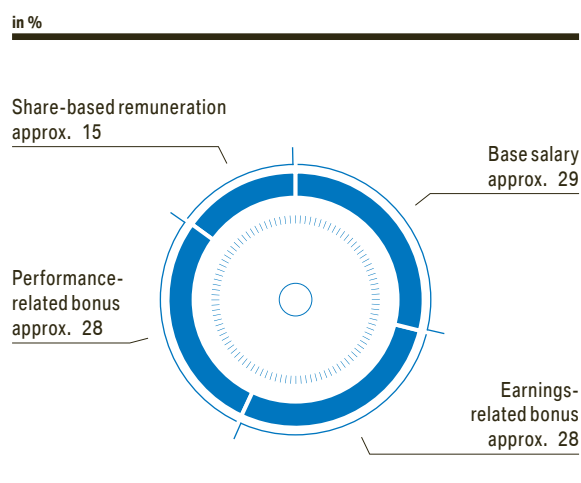
In December 2017, the Supervisory Board resolved to revise the compensation system for financial years from 2018 onwards. A focus was to align the remuneration structure even more strongly with sustainable Company development. The base salary, which had remained at the same level since 1 January 2012, was raised. The bonus was revised, both in terms of its structure and target setting. Targets values for the parameters Group net income and post-tax return on sales used to determine the earnings-related bonus were adjusted in line with the Group's current business plan and revised. The dividend is no longer included as a parameter, thus ensuring that the earnings-related bonus is even more closely aligned to business performance. A new multi-year and future-oriented component was introduced in the form of a performance cash plan, in order to further strengthen the long-term orientation of the compensation system. The overall upper limits remain unchanged. The appropriateness of the planned levels of compensation was reviewed by an independent external compensation expert. The changes apply to all members of the Board of Management with effect from the financial year 2018. Service contracts of the Board of Management have been modified in agreement with Board members with effect from 1 January 2018.

Compensation system, compensation components for financial years from 2018 onwards

As previously, Board of Management compensation comprises fixed and variable cash elements as well as a share-based component. The compensation components are described in more detail below. Retirement and surviving dependants' benefits remain unchanged in the new compensation system applicable from 1 January 2018.

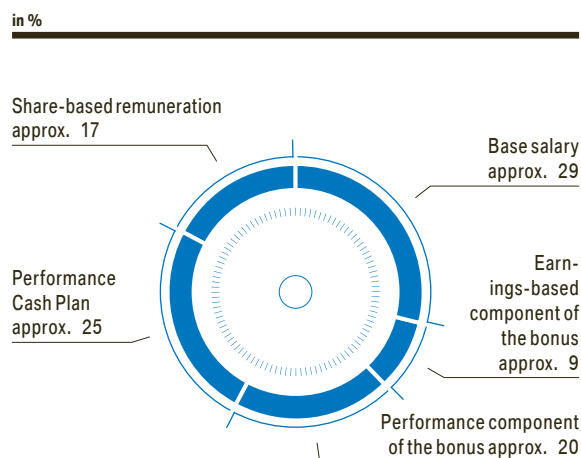
Overview of compensation system financial year 2017: simplified depiction of split of cash remuneration (target remuneration)*

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Overview of compensation system financial year 2018: simplified depiction of split of cash remuneration (target remuneration)*

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* Simplified depiction of target amounts for the cash remuneration of the Chairman of the Board of Management. Excludes other remuneration. Based on the assumption that the share price remains unchanged for the calculation of the matching component.

Fixed remuneration

Fixed remuneration consists, as before, of a base salary, which is paid monthly, and fringe benefits (other remuneration elements such as the use of company cars, the payment of insurance premiums and contributions towards security systems). From the financial year 2018, the base salary of Board of Management members amounts to €0.8 million p.a. during the first period of office, €0.95 million p.a. from the second period of office or the fourth year of mandate and €1.8 million p.a. for the Chairman of the Board of Management.

Variable remuneration

The variable remuneration of the Board of Management comprises in future three components:

- bonus,
- Performance Cash Plan and
- share-based remuneration.

The weighting of individual components included in the target is shown in the overview. The new compensation system does not include the option of paying a discretionary additional bonus. An upper limit has been set for each component of variable remuneration (see “Overview of compensation system and compensation components for financial years from 2018 onwards”).

Bonus

The structure and target amounts of the previous bonus system have been revised and the weighting of the earnings-related and performance-related components included in the target changed. In future, for 100% target achievement, the bonus will comprise an earnings-related component of 30% and performance-related component of 70%. Compared to the bonus payable in the previous compensation system, the target bonus (100%) for a member of the Board of Management in the first period of office has been reduced for both components of the bonus to a total of €0.85 million p.a. and to a total of €1.0 million p.a. from the second period of office or the fourth year of mandate. In future, the bonus payable to the Chairman of the Board of Management will amount to €1.8 million p.a. The upper limit has been reduced for all Board members to 180% of the respective target bonus.

In order to calculate the earnings-related component, an earnings factor is determined on the basis of the target parameters and multiplied by 30% of the target bonus amount. The level of the earnings-related component depends on the degree to which the targets set by the Supervisory Board for Group net profit and post-tax return on sales are achieved. The degree of achievement is expressed in an earnings factor. The underlying measurement values are determined in advance for a period of three financial years and may not be changed retrospectively. The earnings factor is capped at a maximum value of 1.8.

An earnings factor of 1.0 would give rise to an earnings-related component of €0.255 million for a member of the Board of Management in the first period of office, €0.3 million from the second period of office or the fourth year of mandate, and €0.54 million for the Chairman of the Board of Management. The earnings factor is 1.0, for instance, in the event of Group net profit of €5.3 billion and a post-tax return on sales of 5.6%. If the Group net profit were below €3 billion or the post-tax return on sales below 3%, the earnings factor would be zero. In this case, an earnings-related component would not be paid. The maximum value of the earnings factor is reached in the event of a Group net profit of €11 billion and a post-tax return on sales of 9%. As before, in exceptional circumstances, for instance major acquisitions or disposals, the Supervisory Board may adjust the earnings factor.

The performance-related component is calculated using a performance factor which the Supervisory Board sets for each member of the Board of Management and which is multiplied by 70 % of the target bonus amount. The Supervisory Board sets the performance factor on the basis of a detailed evaluation of the contribution made by Board members to sustainable and long-term business development over a period of at least three financial years. The evaluation by the Supervisory Board is based on predefined criteria that take into account the Group's long-term success, the interests of shareholders, the interests of employees and social responsibility.

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The criteria correspond to the measurement values used previously for the performance bonus and include in particular innovation (economic and ecological, for example in the reduction of carbon dioxide emissions), the Group's market position compared to its competitors, customer focus, ability to adapt, leadership, corporate culture, promotion of compliance and integrity, contribution to the Group's attractiveness as an employer, progress in implementing the diversity concept, and activities that foster corporate social responsibility. The performance factor lies between zero and a maximum of 1.8.

Bonus overview

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<u>EARNINGS COMPONENT BONUS</u>	+	<u>PERFORMANCE COMPONENT</u>	=	<u>TOTAL</u>
Earnings factor x 0.3 of target amount		Performance factor x 0.7 of target amount		— Cash payment — Capped at 180 % of target amount
Basis for earnings factor:		Basis for performance factor:		
— Group net profit		— Contribution to sustainable and long-term business development over a period of at least three financial years		
— Group post-tax return on sales		— Qualitative, mainly non-financial parameters		
— Value between 0–1.8		— Value between 0–1.8		

Performance Cash Plan

With effect from the financial year 2018, variable cash compensation will include a multi-year and future-oriented Performance Cash Plan (PCP). The PCP is calculated at the end of a three-year evaluation period, by multiplying a predefined target amount by a factor that is based on multi-year target achievement (the PCP factor). PCP entitlements are paid in cash. The PCP target amount (100 %) amounts to €0.85 million p.a. for a Board member in the first period of office, €0.95 million p.a. for a Board member from the second period of office or the fourth year of mandate. The target amount for the Chairman of the Board of Management is €1.6 million p.a. The maximum amount that can be paid to a Board member is capped at 180 % of the PCP target amount p.a.

The PCP evaluation period comprises three years, the grant year and the two subsequent years. The PCP is paid out after the end of the three-year evaluation period.

In order to determine the PCP factor, a multi-year earnings factor is multiplied by a multi-year performance factor. The PCP factor is capped at a maximum value of 1.8.

In order to determine the multi-year earnings factor, an earnings factor is calculated for each year of the three-year evaluation period and an average is then calculated for the evaluation period. As for the earnings-related component of the bonus, the earnings factor for each individual year within the evaluation period is determined on the basis of Group net profit and post-tax return on sales for the relevant year. The maximum earnings factor is 1.8.

In addition to the multi-year earnings factor, the Supervisory Board also determines a multi-year performance factor after the end of the evaluation period. To this end, the Supervisory Board takes account in particular of the business development during the evaluation period, the forecast trend in the business development, the Board member's individual contribution to profitability and the status of compliance within the Board member's area of responsibility. The multi-year performance factor can be between 0.9 and 1.1.

Performance Cash Plan overview

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PCP FACTOR	X	TARGET AMOUNT	=	CASH PAYMENT
				<ul style="list-style-type: none"> — Cash payment at end of evaluation period — Capped at 180 % of target amount

PCP factor overview

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MULTI-YEAR EARNINGS FACTOR	X	MULTI-YEAR PERFORMANCE FACTOR	=	PCP FACTOR
<ul style="list-style-type: none"> — Average earnings factor — Based on Group net profit and Group post-tax return on sales — Value between 0–1.8 		Measurement based on multi-year performance factor: <ul style="list-style-type: none"> — Trend in business development — Status of compliance in each Board member's area of responsibility — Individual contribution to profitability — Forecast trend in business development — Value between 0.9–1.1 		

In accordance with a mutually agreed modification to their contracts with effect from 1 January 2018, Board members will receive advance payments out of the Performance Cash Plan 2018 and the Performance Cash Plan 2019 in the years 2019 and 2020. At the end of the evaluation period, the advance payment will be set off or reclaimed, depending on the amount then determined. The advance payment for each year will be €0.5 million for a member of the Board of Management in the first period of office and €0.6 million from the second period of office or the fourth year of mandate. For the Chairman of the Board of Management the amount is €0.9 million p.a.

Share-based remuneration

Members of the Board of Management continue to receive a cash compensation (investment component) for the specific purpose of investment after tax and contributions in BMW AG common stock. In future, the investment component will correspond to 45% of the gross bonus. Shares of common stock purchased in this way by members of the Board of Management are to be held, as before, for a period of four years.

As before, at the end of the holding period, Board members receive from the Company, for every three shares of common stock held, either one additional share of common stock or the cash equivalent, to be decided at the Company's discretion (matching component). Upper limits have been defined for both the investment component and the matching component (see "Compensation system and compensation components for financial years from 2018 onwards").

Other

In the event of death or invalidity, special rules apply for early payment of performance cash plans and share-based remuneration components based on the target amounts. Insofar as the service contract is prematurely terminated and the Company has an extraordinary right of termination, or if the Board member resigns without the Company's agreement, entitlements to amounts as yet unpaid relating to performance cash plans and share-based remuneration are forfeited.

A one-year post-contractual non-competition clause has been agreed with Board members for specified cases. During that one-year period, the former Board member is entitled to receive monthly compensation equivalent to 60% of his or her previous monthly basic remuneration, reduced by any amount of other income exceeding 40% of the basic remuneration. The Company may unilaterally waive the requirement to comply with the post-contractual non-competition clause.

Retirement and surviving dependants' benefits

With effect already from 1 January 2010, the provision of retirement and surviving dependants' benefits for Board of Management members was changed to a defined contribution system with a guaranteed minimum return. Commitments previously made are in part subject to legal protection, therefore Board members appointed for the first time prior to 1 January 2010 were given the option to choose between the previous system and the new one. Retirement and surviving dependants' benefits remain unchanged as part of the new compensation system from 1 January 2018 onwards, as they are appropriate and in line with customary market practice.

In the event of termination of mandate, a member of the Board of Management appointed for the first time prior to 1 January 2010 has pension entitlements based on the older (defined benefit) pension plan. The entitlement to receive benefits under the defined benefit plan arises at the earliest on reaching the age of 60 or in the case of invalidity. The amount of the pension comprises a basic monthly amount of €8,000 plus an additional fixed amount. The fixed amount is €400 for each full year of service on the Board up to a maximum of 15 years. Pension payments are adjusted in line with the adjustment of civil servants' pensions following an increase of more than 5% in the pay group B6 (excluding allowances) or in accordance with the Company Pension Act.

Overview of compensation system and compensation components for the financial year 2017

Component	Parameter / measurement base
BASE SALARY P.A.	
	Member of the Board of Management: — €0.75 million (1st period of office) — €0.90 million (from 2nd period of office or 4th year of mandate)
	Chairman of the Board of Management: — €1.50 million
VARIABLE REMUNERATION	
Bonus (sum of earnings-related bonus and performance-related bonus)	Target amount p.a. (at 100 % target achievement): — €1.50 million (1st period of office) — €1.75 million (from 2nd period of office or 4th year of mandate) — €3.00 million (Chairman of the Board of Management) — Capped at 200 % of target amount
a) Earnings-related bonus (at 100 % target achievement corresponds to 50 % of target amount)	— Quantitative criteria, fixed in advance for a period of three financial years — Formula: 50 % target amount x earnings factor x dividend factor (common stock) — Earnings factor is derived from Group net profit and Group post-tax return on sales — The earnings factor is 1.0, for instance in the event of a Group net profit of €3.1 billion and a post-tax return on sales of 5.6 %
b) Performance-related bonus (at 100 % target achievement corresponds to 50 % of target amount)	— Primarily qualitative, non-financial criteria, expressed in terms of a performance factor aimed at measuring the Board members' contribution to sustainable and long-term business development over a period of at least three financial years — Formula: 50 % target amount x performance factor — Criteria for the performance factor include: innovation (economic and ecological, for example in the reduction of carbon dioxide emissions), the Group's market position compared to its competitors, customer focus, ability to adapt, leadership, corporate culture, promotion of compliance and integrity, contribution to the Group's attractiveness as an employer, progress in implementing the diversity concept, and activities that foster corporate social responsibility
Possible special bonus payment	Payment possible in justified cases on basis of appropriateness, contractual basis, no entitlement
Share-based remuneration programme	
a) Cash compensation component	— Requirement for Board of Management members to each invest an amount equivalent to 20 % of their total bonus (after tax) in BMW AG common stock
b) Share-based remuneration component (matching component)	— Earmarked cash remuneration equivalent to the amount required to be invested in BMW AG shares, plus taxes and social insurance contributions — Once the four-year holding period requirement is fulfilled, Board of Management members receive for each three common stock shares held either – at the Company's option – one further share of common stock or the equivalent amount in cash
OTHER REMUNERATION	
	Contractual agreement, main points: use of Company cars, insurance premiums, contributions towards security systems

Overview of compensation system and compensation components for the financial year 2018 onwards

Component	Parameter / measurement base
BASE SALARY P.A.	
	Member of the Board of Management: — €0.80 million (1st period of office) — €0.95 million (from 2nd period of office or 4th year of mandate)
	Chairman of the Board of Management: — €1.8 million
VARIABLE REMUNERATION	
Bonus (sum of earnings component and performance component)	Target amount p.a. (at 100 % target achievement): — €0.85 million (1st period of office) — €1.0 million (from 2nd period of office or 4th year of mandate) — €1.8 million (Chairman of the Board of Management) — Capped at 180 % of target amount
a) Earnings-related bonus (at 100 % target achievement corresponds to 30 % of target amount)	— Quantitative criteria fixed in advance for a period of three financial years — Formula: 30 % target amount x earnings factor — Earnings factor is derived from Group net profit and Group post-tax return on sales — The earnings factor is 1.0 in the event of a Group net profit of €5.3 billion and a post-tax return on sales of 5.6 % — Earnings factor may not exceed 1.8
b) Performance component (at 100 % target achievement corresponds to 70 % of target amount)	— Primarily qualitative, non-financial criteria, expressed in terms of a performance factor aimed at measuring the Board member's contribution to the sustainable and long-term development and the future viability of the Company over a period of at least three financial years — Criteria for the performance factor include: innovation (economic and ecological, for example in the reduction of carbon dioxide emissions), the Group's market position compared to its competitors, customer focus, ability to adapt, leadership, corporate culture, promotion of compliance and integrity, contribution to the Group's attractiveness as an employer, progress in implementing the diversity concept, and activities that foster corporate social responsibility — Formula: 70 % target amount x performance factor — Performance factor may not exceed 1.8
Possible special bonus payments	No longer applicable
Performance Cash Plan	
	Target amount p.a. (at 100 % target achievement): — €0.85 million (1st period of office) — €0.95 million (from 2nd period of office or 4th year of mandate) — €1.6 million (Chairman of the Board of Management) — 3-year evaluation period — Capped at 180 % of target amount
	— Formula: PCP factor x target amount — PCP factor: multi-year earnings factor x multi-year performance factor — PCP factor may not exceed 1.8
a) Multi-year earnings factor	— Earnings factor for each year of three-year evaluation period derived from Group net profit and Group post-tax return on sale — Earnings factor for each year may not exceed 1.8 — Average for evaluation period calculated
b) Multi-year performance factor	— Determined by Supervisory Board at end of evaluation period — Criteria include in particular the trend in business development during the evaluation period, the forecast trend in business development, individual contribution to profitability and the status of compliance within the Board member's area of responsibility — Multi-year performance factor can be between 0.9 and 1.1
Share-based remuneration programme	
a) Cash remuneration component	— Requirement for Board of Management members to invest an amount of 45 % of the gross bonus after tax and contributions in BMW AG common stock — Earmarked cash remuneration amounting to 45 % of the gross bonus
b) Share-based remuneration component (matching component)	— Once the four-year holding period requirement is fulfilled, Board of Management members receive for each three common stock shares held either – at the Company's option – one further share of common stock or the equivalent amount in cash
OTHER REMUNERATION	
	Contractual agreement, main points: use of Company car, insurance premiums, contributions towards security systems

Overview of compensation system and compensation components for the financial year 2017

RETIREMENT AND SURVIVING DEPENDANTS' BENEFITS

Model	Principal features
a) Defined benefits (only applies to Board members appointed for the first time before 1 January 2010; based on legal right to receive the benefits already promised to them, this group of persons is entitled to opt between (a) and (b))	Pension of € 120,000 p. a. plus fixed amounts based on length of Company and Board service
b) Defined contribution system with guaranteed minimum rate of return	Pension based on amounts credited to individual savings accounts for contributions paid and interest earned, various forms of disbursement Pension contributions p. a.: Member of the Board of Management: €350,000 – €400,000 Chairman of the Board of Management: €500,000

REMUNERATION CAPS (MAXIMUM REMUNERATION)

in € p. a.	Bonus	Share-based compensation programme			Total*
		Cash compensation for share acquisition	Monetary value of matching component	Possible special bonus	
Member of the Board of Management in the first period of office	3,000,000	700,000	700,000	1,000,000	4,925,000
Member of the Board of Management in the second period of office or from fourth year of mandate	3,500,000	800,000	800,000	1,200,000	5,500,000
Chairman of the Board of Management	6,000,000	1,400,000	1,400,000	1,500,000	9,850,000

*Including base salary, other fixed remuneration elements and pension contribution. The overall cap is lower than the sum of the maximum amounts for each of the individual components.

If a mandate is terminated, the new defined contribution system provides, in the case of death or invalidity, for amounts accumulated on individual pension accounts to be paid out as a one-off amount or in instalments. The option to receive payment as a lifelong pension or in a combined form only applies to entitlements arising before 2016. Former members of the Board of Management are entitled to receive the retirement benefit at the earliest upon reaching the age of 60, or in the case of entitlements awarded after 1 January 2012, upon reaching the age of 62.

The amount of the benefits to be paid is determined on the basis of the amount accrued in each Board member's individual pension savings account. The amount on this account results from annual contributions paid in, plus interest earned depending on the type of investment.

If a member of the Board of Management with a vested entitlement dies prior to the commencement of benefit payments, a surviving spouse or registered partner, or otherwise surviving children – in the latter case depending on their age and education – are entitled to receive benefits as surviving dependants.

In the case of death or invalidity, a minimum benefit is payable based on the number of annual contributions possible up to the age of sixty (up to a maximum of ten). Furthermore, in the case of a commitment made before 2016 and election of a lifelong pension, a 60% widow's pension is paid following the death of a retired member of the Management Board. Pensions are increased annually by at least 1%.

Depending on the length of membership in the Board of Management and previous activities, the annual contribution paid by the Company for each member of the Board of Management is between €350,000 and €400,000, and €500,000 for the Chairman of the Board of Management. The guaranteed minimum rate of return p.a. corresponds to the maximum interest rate used to calculate insurance reserves for life insurance policies (guaranteed interest on life insurance policies). When granting pension entitlements, the Supervisory Board considers the targeted level of pension provision in each case as well as the resulting expense for the BMW Group.

Overview of compensation system and compensation components for the financial year 2018 onwards

RETIREMENT AND SURVIVING DEPENDANTS' BENEFITS

Model	Principal features
a) Defined benefit (only applies to Board members appointed for the first time before 1 January 2010; based on legal right to receive the benefits already promised to them, this group of persons is entitled to opt between (a) and (b))	Pension of € 120,000 p. a. plus fixed amounts based on length of Company and Board service
b) Defined contribution system with guaranteed minimum rate of return	Pension based on amounts credited to individual savings accounts for contributions paid and interest earned, various forms of disbursement Pension contributions p. a.: Member of the Board of Management: €350,000 – €400,000 Chairman of the Board of Management: €500,000

REMUNERATION CAPS (MAXIMUM REMUNERATION)

in € p. a.	Bonus	Performance Cash Plan	Share-based compensation programme		Total*
			Cash compensation for share acquisition	Monetary value of matching component	
Member of the Board of Management in the first period of office	1,530,000	1,530,000	688,500	344,500	4,925,000
Member of the Board of Management in the second period of office or from fourth year of mandate	1,800,000	1,710,000	810,000	405,000	5,500,000
Chairman of the Board of Management	3,240,000	2,880,000	1,458,000	729,000	9,850,000

*Including base salary, other fixed remuneration elements and pension contribution. The overall cap is lower than the sum of the maximum amounts for each of the individual components.

Contributions falling due under the defined contribution model are paid into an external fund in conjunction with a trust model that is also used to fund pension obligations to employees.

Income earned on an employed or a self-employed basis up to the age of 63 may be offset against pension entitlements. In addition, certain circumstances have been specified, in the event of which the Company no longer has any obligation to pay benefits. Transitional payments are no longer provided.

In the event of the death of a member of the Board of Management during the service contract term, the base salary for the month of death and a maximum of three further calendar months are paid to entitled surviving dependants.

Board of Management members who retire immediately after their service on the Board are entitled to acquire vehicles and other BMW Group products and services at conditions that also apply to BMW pensioners and to lease BMW Group vehicles in accordance with the guidelines applicable to senior heads of department. Retired Chairmen of the Board of Management are entitled to use a BMW Group vehicle as a company car on a similar basis to senior heads of department, and depending on availability and against payment, use BMW chauffeur services.

Termination benefits on premature termination of Board activities, benefits paid by third parties

In conjunction with the agreed early termination of Dr Robertson's Board of Management mandate with effect from 31 December 2017, the Company also agreed with Dr Robertson on an amendment to his service contract, which ends on 30 June 2018. For the period from the termination of his Board mandate through to 30 June 2018, he continues to receive fixed compensation totalling €0.45 million. During this time, Dr Robertson is supporting the Company as a BMW Group ambassador in the UK. An amount of €0.875 million, payable in 2018, was agreed to settle all further compensation entitlements for the remainder of the contractual period. The Company will make a final pension contribution of €0.2 million on behalf of Dr Robertson for the financial year 2018.

In accordance with the recommendation of the German Corporate Governance Code, Board of Management service contracts provide for severance pay to be paid to the Board member in the event of premature termination by the Company without important reason, the amount of which is limited to a maximum of two years' compensation (severance payment cap). If the remaining term of the contract is less than two years, the severance payment is reduced proportionately. For these purposes, annual compensation comprises the basic remuneration, the target bonus amount and the target PCP amount for the last full financial year before termination.

↵

No commitments or agreements exist for payment of compensation in the event of early termination of a Board member's mandate due to a change of control or a takeover offer. No members of the Board of Management received any payments or relevant commitment from third parties in 2017 on account of their activities as members of the Board of Management.

Remuneration caps

The Supervisory Board has stipulated upper limits for all variable remuneration components and for the remuneration of Board of Management members in total. These upper limits are shown in the tables Overview of compensation system and compensation components for the financial year 2017 and Overview of compensation system and compensation components for financial years from 2018 onwards. The overall upper limits have not been changed in conjunction with the revised compensation system for financial years from 2018 onwards.

Total compensation of the Board of Management for the financial year 2017 (2016)

The total compensation of the current members of the Board of Management of BMW AG for the financial year 2017 amounted to €40.3 million (2016: €37.6 million), of which €7.7 million (2016: €7.8 million) relates to fixed components including other remuneration. Variable components amounted to €31.7 million (2016: €29.0 million) and the share-based remuneration component amounted to €0.9 million (2016: €0.8 million). As in the previous year, the option of paying a special bonus in 2017 was not exercised.

in € million	2017		2016	
	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	7.7	19.1	7.8	20.8
Variable cash compensation	31.7	78.7	29.0	77.1
Share-based compensation component*	0.9	2.2	0.8	2.1
Total compensation	40.3	100.0	37.6	100.0

* Matching component; provisional number or provisional monetary value calculated at grant date (date on which the entitlement became binding in law). The final number of matching shares is determined in each case when the requirement to invest in BMW AG common stock has been fulfilled.

Compensation of the individual members
of the Board of Management for the
financial year 2017 (2016)

in € or number of matching shares	Fixed compensation			Variable cash compensation	Share-based compensation component (matching component) ¹		Compensation Total	Total value of benefits allocated in financial year ²
	Base salary	Other compensation	Total		Number	Monetary value		
Harald Krüger	1,500,000	21,464	1,521,464	6,679,776	2,017	181,490	8,382,730	8,295,070
	(1,500,000)	(18,719)	(1,518,719)	(5,947,178)	(1,752)	(161,622)	(7,627,519)	(7,545,122)
Milagros Caiña Carreiro-Andree	900,000	75,775	975,775	3,896,565	1,263	113,645	4,985,985	4,915,446
	(900,000)	(74,461)	(974,461)	(3,469,214)	(1,097)	(101,198)	(4,544,873)	(4,443,675)
Markus Duesmann	750,000	102,468	852,468	3,339,913	1,083	97,448	4,289,829	4,192,381
	(187,500)	(13,929)	(201,429)	(743,403)	(288)	(21,629)	(966,461)	(944,832)
Klaus Fröhlich	750,000	65,883	815,883	3,339,888	1,008	90,700	4,246,471	4,155,771
	(750,000)	(57,311)	(807,311)	(2,973,589)	(876)	(80,811)	(3,861,711)	(3,780,900)
Nicolas Peter	750,000	92,250	842,250	3,339,888	1,008	90,700	4,272,838	4,182,138
	–	–	–	–	–	–	–	–
Ian Robertson³	900,000	17,158	917,158	3,896,565	1,263	113,645	4,927,368	4,914,391
	(900,000)	(18,735)	(918,735)	(3,469,214)	(1,097)	(101,198)	(4,489,147)	(4,483,005)
Peter Schwarzenbauer	900,000	40,954	940,954	3,896,565	1,263	113,645	4,951,164	4,837,519
	(862,500)	(32,689)	(895,189)	(3,345,313)	(1,058)	(97,601)	(4,338,103)	(4,240,502)
Oliver Zipse	750,000	25,752	775,752	3,339,888	1,008	90,700	4,206,340	4,115,640
	(750,000)	(114,694)	(864,694)	(2,973,589)	(876)	(80,811)	(3,919,094)	(3,838,283)
Total⁴	7,200,000	441,704	7,641,704	31,729,048	9,913	891,973	40,262,725	39,608,356
	(7,425,000)	(385,391)	(7,810,391)	(28,992,624)	(8,964)	(821,990)	(37,625,005)	(37,172,944)

¹ Provisional number or provisional monetary value calculated at grant date (date on which the entitlement became binding in law). The final number of matching shares is determined in each case when the requirement to invest in BMW AG common stock has been fulfilled. See note 39 to the Group Financial Statements for a description of the accounting treatment of the share-based compensation component.

² Value of benefits granted for work performed on the Board of Management during the financial year 2017 plus the amount falling due for payment in conjunction with a share-based remuneration component granted in a previous year and for which the holding period requirements were met.

³ Member of the Board of Management until 31 December 2017.

⁴ Disclosures for the previous year include amounts relating to members of the Board of Management who left office during the financial year 2016.

An expense of €3.1 million (2016: €2.8 million) was recognised in the financial year 2017 for current members of the Board of Management for the period after the end of their service relationship. This relates to the expense for allocations to pension provisions.

Total benefits paid to former members of the Board of Management and their surviving dependants for the financial year 2017 amounted to €6.7 million (2016: €6.5 million).

Pension obligations to former members of the Board of Management and their surviving dependants are covered by pension provisions amounting to €90.1 million (2016: €86.4 million), recognised in accordance with IAS 19.

Share-based component of the individual members
of the Board of Management for the
financial year 2017 (2016)

in €	Expense in 2017 in accordance with HGB and IFRS	Provision at 31.12. 2017 in accordance with HGB and IFRS ¹
Harald Krüger	54,038	515,677
	(279,932)	(557,844)
Milagros Caiña Carreiro-Andree	63,120	303,169
	(15,276)	(284,247)
Markus Duesmann	41,001	43,131
	(2,130)	(2,130)
Klaus Fröhlich	162,436	273,688
	(76,878)	(111,253)
Nicolas Peter	29,175	29,175
	–	–
Ian Robertson²	141,903	474,439
	(68,865)	(435,753)
Peter Schwarzenbauer	186,278	382,640
	(95,615)	(196,362)
Oliver Zipse	122,484	193,769
	(61,370)	(71,285)
Total³	800,435	2,215,688
	(829,579)	(2,614,266)

¹ Provisional number or provisional monetary value calculated on the basis of the closing price of BMW common stock in the Xetra trading system on 29 December 2017 (€86.83) (fair value at reporting date)

² Member of the Board of Management until 31 December 2017.

³ Disclosures for the previous year include amounts relating to members of the Board of Management who left office during the financial year 2016.

Pension entitlements

in €	Service cost in accordance with IFRS for the financial year 2017 ¹	Service cost in accordance with HGB for the financial year 2017 ¹	Present value of pension obligations (defined benefit plans), in accordance with IFRS ²	Present value of pension obligations (defined benefit plans), in accordance with HGB ²
Harald Krüger	505,281	510,702	5,558,607	5,558,200
	(507,444)	(510,811)	(4,764,941)	(4,763,838)
Milagros Caiña Carreiro-Andree	355,527	359,275	2,347,166	2,346,906
	(358,490)	(360,785)	(1,879,851)	(1,879,263)
Markus Duesmann	355,840	359,521	1,020,053	1,018,857
	(87,500)	(87,500)	(622,236)	(620,307)
Klaus Fröhlich	353,136	356,949	2,373,842	2,373,842
	(354,365)	(356,743)	(1,935,142)	(1,935,142)
Nicolas Peter	350,000	350,000	1,757,459	1,757,454
	(-)	(-)	(-)	(-)
Ian Robertson³	508,865	407,941	4,965,162	4,052,788
	(424,411)	(408,564)	(4,469,741)	(3,502,860)
Peter Schwarzenbauer	354,117	357,918	1,893,252	1,893,216
	(357,203)	(359,548)	(1,481,134)	(1,480,940)
Oliver Zipse	353,536	357,339	2,071,748	2,071,560
	(355,045)	(357,410)	(1,621,507)	(1,620,978)
Total⁴	3,136,302	3,059,645	21,987,289	21,072,823
	(2,634,212)	(2,849,067)	(23,630,940)	(21,425,612)

¹ Service cost differs due to the different valuation bases used to measure pension obligations for HGB purposes (expected settlement amount) and for IFRS purposes (present value of the defined benefit obligation).

² Based on a legal right to receive the benefits already promised to them, one member of the Board of Management appointed for the first time prior to 1 January 2010 was given the option of choosing between the previous defined benefit model and the new defined contribution model.

³ Member of the Board of Management until 31 December 2017.

⁴ Disclosures for the previous year include amounts relating to a member of the Board of Management who left office during the financial year 2016.

2. Supervisory Board compensation

Responsibilities, provisions of Articles of Incorporation

The compensation of the Supervisory Board is specified by resolution of the shareholders at the Annual General Meeting or in the Articles of Incorporation. The compensation provisions valid for the financial year under report were resolved by shareholders at the Annual General Meeting on 14 May 2013 and are set out in Article 15 of BMW AG's Articles of Incorporation, which can be viewed and/or downloaded at → www.bmwgroup.com/ir under the menu items "Facts about the BMW Group" and "Corporate Governance".

Compensation principles, compensation components

The Supervisory Board of BMW AG receives a fixed compensation component as well as an earnings-related compensation component, which is oriented toward sustainable growth. The earnings-related component is based on average earnings per share of common stock for the remuneration year and the two preceding financial years.

The fixed and earnings-related components in combination are intended to ensure that the compensation of Supervisory Board members is appropriate in relation to the tasks of Supervisory Board members and the Company's financial condition and also takes account of the Company's performance over several years.

In accordance with the Articles of Incorporation, each member of BMW AG's Supervisory Board receives, in addition to the reimbursement of reasonable expenses, a fixed amount of €70,000, payable at the end of the year, as well as earnings-related compensation of €170 for each full €0.01 by which the average amount of (undiluted) earnings per share (EPS) of common stock reported in the Group Financial Statements for the remuneration year and the two preceding financial years exceed a minimum amount of €2.00, payable after the Annual General Meeting held in the following year. An upper limit corresponding to twice the amount of the fixed compensation is in place for the Group performance-related compensation. The limit for a member of the Supervisory Board with no additional compensation-relevant function is therefore set at €140,000.

With fixed compensation elements and an earnings-related compensation component oriented toward sustainable growth, the compensation structure in place for BMW AG's Supervisory Board complies with the recommendation on supervisory board compensation contained in section 5.4.6 paragraph 2 sentence 2 of the German Corporate Governance Code, in the version dated 7 February 2017.

The German Corporate Governance Code also recommends in section 5.4.6 paragraph 1 sentence 2 that the exercising of chair and deputy chair positions in the Supervisory Board as well the chair and membership of committees should also be considered in the compensation.

Accordingly, the Articles of Incorporation of BMW AG stipulate that the Chairman of the Supervisory Board shall receive three times the amount and each Deputy Chairman shall receive twice the amount of the remuneration of a Supervisory Board member. Each chairman of the Supervisory Board's committees receives twice the amount and each member of a committee receives one-and-a-half times the amount of the remuneration of a Supervisory Board member, provided the relevant committee convened for meetings on at least three days during the financial year. If a member of the Supervisory Board exercises more than one of the functions referred to above, the compensation is measured only on the basis of the function that is remunerated with the highest amount.

In addition, each member of the Supervisory Board receives an attendance fee of €2,000 for each full meeting of the Supervisory Board (Plenum) which the member has attended, payable at the end of the financial year. Attendance at more than one meeting on the same day is not remunerated separately.

The Company also reimburses to each member of the Supervisory Board reasonable expenses and any value-added tax arising on the member's remuneration. The amounts disclosed below are net amounts.

In order to perform his duties, the Chairman of the Supervisory Board has the use of an office, with administrative support, as well as access to the BMW car service.

Total compensation of the Supervisory Board for the financial year 2017

In accordance with Article 15 of the Articles of Incorporation, the compensation of the Supervisory Board for activities during the financial year 2017 totalled €5.6 million (2016: €5.4 million). This includes fixed

compensation of €2.0 million (2016: €2.0 million) and variable compensation of €3.6 million (2016: €3.4 million). The earnings-related compensation for the financial year 2017 was capped at the maximum amount stipulated in the Articles of Incorporation.

in € million	2017		2016	
	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	2.0	35.7	2.0	37.0
Variable compensation	3.6	64.3	3.4	63.0
Total compensation	5.6	100.0	5.4	100.0

Supervisory Board members did not receive any further compensation or benefits from the BMW Group for advisory or agency services personally rendered.

Compensation of the individual members of the Supervisory Board for the financial year 2017 (2016)

in €	Fixed compensation	Attendance fee	Variable compensation	Total
Norbert Reithofer (Chairmann)	210,000	10,000	420,000	640,000
	(210,000)	(10,000)	(390,660)	(610,660)
Manfred Schoch (Deputy Chairmann)¹	140,000	10,000	280,000	430,000
	(140,000)	(10,000)	(260,440)	(410,440)
Stefan Quandt (Deputy Chairmann)	140,000	10,000	280,000	430,000
	(140,000)	(10,000)	(260,440)	(410,440)
Stefan Schmid (Deputy Chairmann)¹	140,000	10,000	280,000	430,000
	(140,000)	(10,000)	(260,440)	(410,440)
Karl-Ludwig Kley (Deputy Chairmann)	140,000	10,000	280,000	430,000
	(140,000)	(8,000)	(260,440)	(408,440)
Christiane Benner¹	70,000	6,000	140,000	216,000
	(70,000)	(10,000)	(130,220)	(210,220)
Franz Haniel	70,000	10,000	140,000	220,000
	(70,000)	(8,000)	(130,220)	(208,220)
Ralf Hattler	70,000	10,000	140,000	220,000
	(-)	(-)	(-)	(-)
Heinrich Hiesinger²	44,785	6,000	89,570	140,355
	(-)	(-)	(-)	(-)
Reinhard Hüttl	70,000	10,000	109,780⁴	189,780
	(70,000)	(10,000)	(130,220)	(210,220)
Henning Kagermann³	25,403	2,000	50,806	78,209
	(70,000)	(8,000)	(130,220)	(208,220)
Susanne Klatten	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(130,220)	(210,220)
Renate Köcher	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(130,220)	(210,220)
Robert W. Lane	70,000	8,000	140,000	218,000
	(70,000)	(8,000)	(130,220)	(208,220)
Horst Lischka¹	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(130,220)	(210,220)
Willibald Löw¹	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(130,220)	(210,220)
Simone Menne	70,000	8,000	140,000	218,000
	(70,000)	(10,000)	(130,220)	(210,220)
Dominique Mohabeer¹	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(130,220)	(210,220)
Brigitte Rödiger¹	70,000	10,000	140,000	220,000
	(70,000)	(8,000)	(130,220)	(208,220)
Jürgen Wechsler¹	70,000	8,000	140,000	218,000
	(70,000)	(8,000)	(130,220)	(208,220)
Werner Zierer¹	70,000	10,000	140,000	220,000
	(70,000)	(10,000)	(130,220)	(210,220)
Total⁵	1,820,188	188,000	3,610,156	5,618,344
	(1,820,000)	(188,000)	(3,385,720)	(5,393,720)

¹ These employee representatives have – in line with the guidelines of the Deutsche Gewerkschaftsbund – requested that their remuneration be paid into the Hans Böckler-Stiftung.

² Member of Supervisory Board since 11 May 2017.

³ Member of Supervisory Board until 11 May 2017.

⁴ Due to the requirements of his employer, Prof. Dr. Hüttl has waived his Supervisory Board compensation until further notice, to the extent that this would exceed the amount of €200,000 (excluding value added tax) p.a. The share of the Supervisory Board compensation for the 2016 financial year, which exceeds this amount and should therefore be reimbursed, has been offset against the earnings-related component of Supervisory Board compensation for the 2017 financial year.

⁵ Disclosures for the previous year include amounts relating to a member of the Supervisory Board who left office during the financial year 2016.

3. Other

Apart from vehicle lease and financing contracts entered into on customary market conditions, no advances or loans were granted to members of the

Board of Management and the Supervisory Board by BMW AG or its subsidiaries, nor were any contingent liabilities entered into on their behalf.

RESPONSIBILITY STATEMENT BY THE COMPANY'S LEGAL REPRESENTATIVES

**Statement pursuant to § 37y No. 1 of the
Securities Trading Act (WpHG) in conjunction
with § 297 (2) sentence 4 and § 315 (1) sentence
6 of the German Commercial Code (HGB)**

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Munich, 15 February 2018

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree Markus Duesmann

Klaus Fröhlich

Pieter Nota

Dr. Nicolas Peter

Peter Schwarzenbauer

Oliver Zipse

INDEPENDENT AUDITOR'S REPORT

To Bayerische Motoren Werke
Aktiengesellschaft, Munich

Report on the Audit of the Consolidated Financial Statements and the Group Management Report

Opinions

We have audited the consolidated financial statements prepared by Bayerische Motoren Werke Aktiengesellschaft, Munich, and its subsidiaries (Group or BMW Group, respectively), comprising the balance sheet for group, income statement for group and statement of comprehensive income for group, group statement of changes in equity, cash flow statement for group and the notes to the group financial statements including accounting principles and policies. In addition, we have audited the combined management report (subsequently referred to as group management report) for the financial year from 1 January to 31 December 2017. In accordance with the German legal requirements we have not audited the content of the statement on Corporate Governance which is included in section "Statement on Corporate Governance (§ 289 f HGB)" [Handelsgesetzbuch: German Commercial Code] of the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315 e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the contents of the corporate governance statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of residual values of leased products

The “accounting principles and policies” are disclosed in the notes to the consolidated financial statements in note 4. Disclosure of “leased products” is provided in the notes to the consolidated financial statements in note 21.

Financial statement risk

BMW Group leases vehicles to end customers as part of operating leases. As at the reporting date, the value of leased products amounted to EUR 36,257 million.

The key estimated value for the purposes of subsequent measurement is the expected residual value at the end of the lease term.

The estimation of future residual values is subject to judgement and complex due to the large number of assumptions to be made and the amount of data incorporated in the determination. For the residual value forecasts, BMW Group uses internally available data on historical values, current market data as well as forecasts from external market research institutes.

There is a risk for the financial statements that the residual values expected for the end of the lease terms are not appropriately assessed and the impairment losses or reversal of impairment losses required for the leased products are not recognised in sufficient amounts.

Our audit approach

By means of inquiries, inspecting internal calculation methods and analysing the disposal proceeds of vehicles, among other methods, we obtained an understanding of the development of leased products, the underlying residual value risks as well as the business processes for the identification, management, monitoring and measurement of residual value risks.

We reviewed the appropriateness and effectiveness of the internal control system, particularly in relation to the determination of expected residual values. This included the audit of the compliance of the relevant IT systems as well as the implemented interfaces therein by our IT specialists.

In addition, we evaluated the appropriateness of the forecasting methods, the model assumptions as well as the parameters used for the determination of the residual values based on the validations carried out by BMW Group. For this purpose, we inquired with BMW Group’s experts responsible for the management and monitoring of residual value risks and inspected the internal analysis on residual value

developments and residual value forecasts as well as the validation results. Furthermore, we evaluated the processes for processing external forecast values from market research institute. We ensured the computational accuracy of the forecast values by verifying key calculation steps.

Our conclusions

The methods and processes for determining the expected residual values of the leased products underlying the valuation are appropriate. The assumptions and parameters incorporated in the forecast model for the residual value are appropriate as a whole.

Valuation of receivables from sales financing

The “accounting principles and policies” as well as the assumptions, judgements and estimations made are disclosed in the notes to the consolidated financial statements in note 4. Disclosure of “sales financing” is provided in the notes to the consolidated financial statements in note 23.

Financial statement risk

BMW Group offers end customers, dealerships and importers various financing models for vehicles and other assets. In this regard, current and non-current receivables from sales financing totalling EUR 80.434 million were recognised as at the reporting date. Impairment losses amounting to EUR 1,147 million were recognised on these receivables as at the reporting date.

The determination of impairment losses requires considerable judgement due to a number of value determinants such as risk classifications, the determination of default probabilities as well as loss rates.

There is a risk for the financial statements that the creditworthiness of the dealerships, importers and end customers, as well as any loss rates, is estimated incorrectly, the risk provisioning parameters are derived incorrectly and an impairment loss required on receivables from sales financing is not recognised or not recognised in a sufficient amount.

Our audit approach

By means of inquiries, inspecting internal calculation methods and analysis, among other methods, we obtained a comprehensive understanding of the development of credit portfolios, the associated counterparty-related risks and the business processes for the identification, management, monitoring and measurement of counterparty risks.

We audited the appropriateness and effectiveness of the internal control system in relation to the risk classification procedures. In addition, we evaluated the relevant IT systems and internal processes. The audit included a review by our IT specialists of the appropriateness of the systems concerned and associated interfaces to ensure the completeness of data as well as the audit of automated controls for data processing.

A key component of our audit was to assess the appropriateness of the risk classification procedures as well as the risk provisioning parameters used, which are derived from historical default probabilities and loss rates. We also analysed the validations of parameters that are regularly conducted. To assess the default risk, we also used purposive sampling of individual cases to verify that the attributes for assignment to the respective risk categories were suitably available and the impairment losses had been calculated using the parameters defined for these risk categories.

Our conclusions

The assumptions and parameters incorporated in the determination of receivables from sales financing are appropriate as a whole.

Valuation of provisions for statutory and non-statutory warranty obligations and product guarantees

The "accounting principles and policies" as well as the assumptions, judgements and estimations made are disclosed in the notes to the consolidated financial statements in note 4. Disclosure of "Other provisions" is provided in the notes to the consolidated financial statements in note 31.

Financial statement risk

Provisions for statutory and non-statutory warranty obligations and product guarantees are included in the consolidated financial statements of BMW Group as a significant component in "Other provisions". The provisions for statutory and non-statutory warranty obligations and product guarantees amounted to EUR 4,825 million on 31 December 2017.

BMW Group is responsible for the legally prescribed product liability and the warranty in the respective sales market. Moreover, additional warranties are granted to differing extents. In order to assess the liabilities arising from warranty, guarantee and goodwill for vehicles sold, information on the type and volume of damages arising and on remedial measures is recorded and evaluated at vehicle model level. The expected amount of obligations arising from warranty claims is extrapolated from costs of the past and provided for. For specific or anticipated individual circumstances, for example recalls, additional provisions are set aside provided they have not already been taken into account. The determination

of provisions is associated with unavoidable estimation uncertainties, is complex and is subject to a high degree of risk of change, depending on factors such as detected deficiencies becoming known and claims made by vehicle owners.

There is a risk for the financial statements that the valuation of provisions for statutory and non-statutory warranty obligations and product guarantees is not appropriate.

Our audit approach

In order to evaluate the appropriateness of the valuation method used for the determination of the provisions for statutory and non-statutory warranty obligations and product guarantees including the assumptions and parameters, through discussions with the departments responsible, we primarily obtained an understanding of the process for determining the assumptions and parameters. We audited the appropriateness and effectiveness of controls to determine the assumptions and parameters. With the involvement of our IT specialists, we reviewed the IT systems utilised to verify their appropriateness.

We compared the amount of provisions from prior year with expenses selected according to risk and which actually arose for damage claims, as well as with technical measures, in order to arrive at a conclusion on the forecast accuracy.

Selecting specific vehicle models, the computational accuracy of the valuation model used across the Group including a tool for rate-based planning was verified with the support of our actuaries. The measurement parameters included therein, such as cost items, were reconciled with actual costs. We evaluated the assumptions concerning the extent to which the historical values are representative for the expected damage susceptibility, for the expected value of damage per vehicle in terms of material and labour cost and for the anticipated claim.

Our conclusions

The method for the valuation of provisions for statutory and non-statutory warranty obligations and product guarantees is appropriate and has been applied consistently. The measurement parameters and assumptions applied are appropriate as a whole.

Valuation for current income tax liabilities in relation to transfer pricing risks

The "accounting principles and policies" as well as the assumptions, judgements and estimations made are disclosed in the notes to the consolidated financial statements in note 4. Disclosure of "income tax liabilities" is provided in the notes to the consolidated financial statements in note 32.

Financial statement risk

In the consolidated financial statements of BMW Group, current income tax liabilities in the amount of EUR 1,124 million are reported as at 31 December 2017, which also include risks arising from transfer pricing.

The business operations of BMW Group in respect of the production and sale of vehicles require extensive cross-border relationships with affiliated companies. In this regard, the varying requirements under tax legislation as well as the specifications of the responsible tax authorities for the respective countries must be observed; the corresponding tax determinations are subject to review by the competent tax authorities over several years.

Transfer pricing is calculated by exercising judgement on the determination of the related parameters and requires discretionary interpretation of the prevailing-regulatory frameworks of countries concerned in respect of the transfer pricing utilised.

There is a risk for the financial statements that the current income tax liabilities in relation to transfer pricing were not measured at an appropriate amount.

Our audit approach

In order to audit the current income tax liabilities in relation to transfer pricing, we involved staff specialising in transfer pricing law and those specialising in national and international tax law.

Using inquiries, we obtained an understanding of the parameters set. We compared arm's length values with available benchmark studies, empirical values and the results of past tax audits, as well as with completed mutual agreement procedures. Furthermore, we inspected the correspondence with tax authorities related to concluded mutual agreement procedures and tax audits and evaluated whether their consideration in the determination of transfer pricing was appropriate.

For sales companies selected according to risk, we examined whether risks that had not previously been considered in the determination of the current income tax liabilities could be identified on the basis of the margins generated. We mathematically verified the income tax liabilities amount resulting from the difference between the margin and the arm's length values.

Our conclusions

The parameters underlying the measurement for current income tax liabilities in relation to transfer pricing risk are appropriate as a whole.

Other information

The legal representatives are responsible for the other information. Other information includes:

- the Statement on Corporate Governance and
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report as well as our Independent Auditor's Report

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 11 May 2017 for the financial year from 1 January to 31 December 2017 and on 22 June 2017 we were engaged by the audit committee of the supervisory board. Taking into consideration the Article 41 (1) EU APrVO we have been the group auditor of the Bayerische Motoren Werke Aktiengesellschaft without interruption for more than 30 years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Certified Public Auditor Responsible for the Engagement

The Certified Public Auditor responsible for the engagement is Andreas Feege.

Munich, 26 February 2018

KPMG AG

Wirtschaftsprüfungsgesellschaft

Sailer

Wirtschaftsprüfer

[Certified Public Auditor]

Feege

Wirtschaftsprüfer

[Certified Public Auditor]