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EXECUTIVE SUMMARY

With its Climate Engagement Report, the BMW Group presents a concise overview of its most important climate policy positions and activities to its stakeholders. The first part of the report presents the Code of Conduct for the Company's global advocacy organisation and the policy concerning cooperation with trade associations. An overview of the BMW Group's policy organisation and existing transparency registers is also provided. The subsequent section explains the BMW Group's key climate policy positions. This is done against the backdrop of an integrated objective for reducing carbon emissions across the entire value chain, focussing on the most effective reduction of real emissions.

The BMW Group is fundamentally committed to a technology-open approach to reduce CO₂ emissions. To ensure the successful ramp-up of electrified vehicles, the BMW Group is strongly set on establishing the necessary framework conditions, with a focus on creating a charging and H₂ refuelling infrastructure that meets the needs of customers. It also advocates for the expansion of renewable energies, effective CO₂ price mechanisms and the use of secondary raw materials in a circular economy. An overview of the Company's global commitment is presented in this context, starting with the major markets of Europe, the US and China. The BMW Group has committed to following the 1.5°C pathway of the Paris Agreement and represents its climate policy positions in the most important associations as well as towards climate-related interest groups. It describes activities in the relevant automotive associations in the world regions referred to above.

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OUR STRATEGY – A HOLISTIC AND EFFECTIVE APPROACH TO CO₂ REDUCTION

OVERVIEW OF BMW GROUP INTEGRATED STRATEGY

The BMW Group operates at the intersection of challenging, increasingly complex and differentiated conditions around the world. This includes:

- rising geopolitical uncertainty,
- global supply chain disruptions,
- global competition,
- megatrends such as electrification and connectivity,
- sustainability,
- diverging social expectations in the face of climate change.

The BMW Group strategy is developed considering the global megatrends that are crucial to the transformation of the automotive industry. The most important megatrends with long-term implications for the BMW Group's business model are currently climate change and the reduction of carbon dioxide (CO₂) emissions, electromobility, digitalisation and connectivity – including automated and autonomous driving, as well as mobility patterns within society.

OVERVIEW OF CO₂ TARGETS – HOLISTIC APPROACH INVOLVING ALL SCOPES

We see the consequences of climate change as a major challenge for the future. As governments around the world work to translate the goals of the Paris Climate Agreement into national laws, investors are increasingly evaluating companies and their business models according to ESG criteria (Environment, Social, Governance).

The European Union (EU) sees itself as a global leader in achieving these climate goals. The governments of the United States and China have also proposed ambitious climate-protection targets.

In the transport sector, a swift transition to electromobility is an important prerequisite on the road to climate neutrality. Today, a broad array of electric vehicles in terms of both product diversity and range is available. Growing demand is additionally strengthened by the benefits of lower running costs and framework conditions such as government subsidies.

The BMW Group is pursuing a clear strategy of decarbonisation across the entire life cycle of its vehicles and has defined ambitious targets in order to do so. With this holistic approach, we are moving forward on a path that actively contributes to the climate protection targets designed to limit global warming enshrined in the Paris Climate Agreement.

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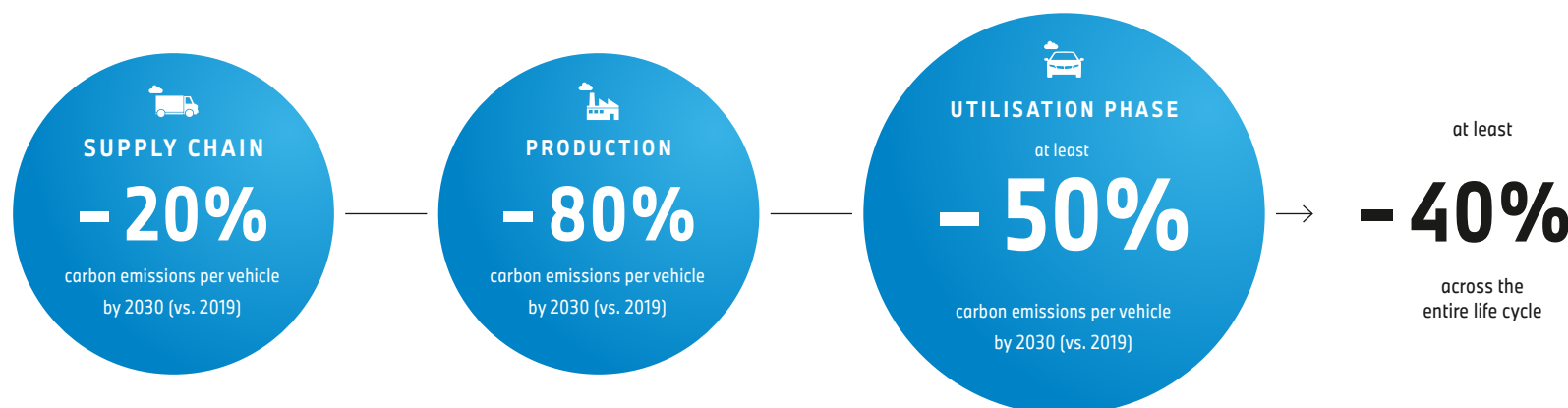
The BMW Group intends to leverage its holistic management system to substantially improve its carbon footprint from one vehicle generation to the next across the entire life cycle. Electrification is making a powerful contribution to CO₂ reduction. However, counteracting effects must be taken into account. Although the increase of electromobility reduces carbon emissions during the utilisation phase, it has an opposite effect in the supply chain. The reason for this lies primarily in the carbon-intensive components needed to power electric mobility, such as high-voltage batteries in particular. With the BMW Group's target of increasing e-shares, supply chain emissions (Scope 3 upstream) will account for the largest share of our carbon footprint. Our strategy focuses on maximising the net benefit of e-mobility. With this point in mind, the BMW Group defines specific decarbonisation targets for its vehicles right from the outset. The targets encompass the supply chain, production and the subsequent usage of the vehicle by the customer.

Together with suppliers, we are committed to decarbonisation and the exclusive use of green energy. We were the first German automaker to join the Science Based Targets Business Ambition for 1.5°C initiative.

We have set ourselves the following CO₂ reduction targets to be achieved by 2030 (base year 2019):

- An average of 80 % carbon reduction at our own production sites and locations (Scope 1 and 2) per vehicle produced. From 2021, carbon emissions in accordance with Scope 1 and 2 include not only production-specific emissions, but also those generated at locations not directly related to production.
- An average of at least 20 % carbon reduction in the supply chain (Scope 3 upstream) per vehicle produced. This data also provides us with a scientifically tested and confirmed target for reducing carbon emissions in the supply chain.
- Carbon reduction during the use phase (Scope 3 downstream) by an average of at least 50 % per kilometre driven. Thus we again significantly raised the original target of more than 40 % that we had set ourselves. The main reason for this is the dynamic growth in demand for our electrified vehicles.

REDUCTION IN CO₂ EMISSIONS BY 2030



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OUR POSITION – SUCCESSFUL TRANSFORMATION REQUIRES THE RIGHT FRAMEWORK CONDITIONS

SUMMARY OF MAJOR BMW GROUP CLIMATE FRAMEWORK POSITIONS (EXAMPLE OF EU)



Key recommendations for the revision of CO₂ fleet reduction targets proposed by the EU Commission (base line 2021):

- Leave target for 2025 (– 15%) unchanged.
- 2030 target (– 55%) must be fully consistent with AFIR targets.
- Comprehensive review of the entire framework in 2028 with a view to setting targets beyond 2030 before defining a long-term target for 2035.

CO₂ legislation & AFIR must be viewed as a comprehensive package.
CO₂ targets must be coupled with equally ambitious and binding targets for charging stations & hydrogen refuelling stations in all 27 EU member states.

Key AFIR recommendations (public charging)

	European Commission proposal	Necessary to cover customer value
Charging capacity per BEV	1 kW	3 kW
Charging capacity per PHEV	0.66 kW	2 kW
Total charging points	3.9 million	7 million

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TECHNOLOGY-OPEN APPROACH AND AMBITIOUS CO₂ REDUCTION

There is no one-size-fits-all approach for customers' mobility requirements. As early as this year, the company will have 15 all-electric models (including pre-series vehicles) in production, which covers around 90 percent of its current segments. However, the transformation of mobility through alternative drive trains and digitalisation will take place at different speeds in different regions of the world. Openness to different types of technologies is crucial for future mobility.

Projections for 2030 EU fleet targets in all major markets are highly ambitious, and achieving them will be dependent on a number of different factors. Policy-makers will need to play a major role in shaping the environment to ensure all the necessary conditions are, and will remain, in place. This will be especially important with regard to developing charging and H₂ refuelling infrastructure to meet customers' needs, as well as for ensuring sufficient availability of renewable energy. Currently, there is a direct correlation between infrastructure density and market shares of electric vehicles. In large parts of Europe, particularly in the south and east, there is currently an insufficient density. In other parts of the world, such as the US and China, there are also widely differing framework conditions.



COMBUSTION-
ENGINE
DRIVE SYSTEMS.

PLUG-IN HYBRID
DRIVE SYSTEMS



BATTERY-
ELECTRIC
DRIVE SYSTEMS

FUEL-CELL
ELECTRIC DRIVE
SYSTEMS



ALL DRIVES CAN MAKE A CONTRIBUTION TO CO₂ REDUCTION –
THE SHARE OF FULLY ELECTRIC VEHICLES IS GROWING RAPIDLY.

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It is too early to rule out one technology due to major uncertainties regarding the necessary framework conditions. Regular substantial reviews should be the basis for setting further goals, considering the level of infrastructure development as well as the new geopolitical situation with all relevant dependencies.

We must be aware that the upcoming electrification rate will create a high demand for raw materials used in batteries (e.g. lithium, cobalt). Mining and refining of these materials is mainly located outside Europe, some of it heavily concentrated in regions with higher risk-factors.

In contrast, the raw material and supply chains for fuel-cell vehicles can be easily transformed, since a fuel-cell system consists of readily available materials such as steel, polymers, aluminum and the platinum quantity of about one to two exhaust catalysts. These already have established recycling industries and high volumes of recycled material.

A shift to zero-emission mobility can only happen with holistic framework conditions. A technology-open approach with a diverse offering of low- and zero-emission drive train options provides strategic resilience. Focusing on a single technology, with its individual limitations, creates geopolitical dependencies and could lead to bottlenecks, for example, in critical raw materials, which would prevent all customers from switching naturally. The BMW Group views hydrogen-electric vehicles as the ideal technology to complement battery-powered vehicles. With two complementary all-electric drive systems that have a comparable lifetime carbon footprint, it will be possible to convince more customers to switch to these vehicles. The reduction of carbon emissions in fuels, ongoing efficiency improvements in combustion engines and plug-in hybrids as an easy entry into electromobility can also make strong contributions to greater sustainability.

EXPANSION OF THE CHARGING INFRASTRUCTURE

To promote the ramp-up of electromobility, charging infrastructure needs to be expanded rapidly – if customers are not able to charge their electric vehicle, they will not purchase one in the first place.

At this stage, it is impossible to predict whether the necessary charging infrastructure will be in place in every region, country and market. A well-balanced deployment of private and public recharging infrastructure is key.

The BMW Group is actively developing convenient charging solutions for our customers. For example with BMW charging services, customers gain access to a large multinational charging network. As part of IONITY we are building charging infrastructure along major roads and urban hubs. Additionally, private charging at work is a key enabler for electromobility. Therefore, the BMW Group in Germany, for example, as employer has established one of the largest company charging networks with over 5,000 charging points.

In future, charging must be intelligent and digital in order to benefit the power grid and customers alike. A better integration of renewable power can be supported using electric vehicles as mobile storages.

INCREASING SHARES OF RENEWABLES & CARBON-PRICING MECHANISMS

To achieve the transport sector targets, enough carbon-neutral energy must be made available to all technologies in transport. This requires a rapid growth of renewable energy generation. The CO₂ content of fuels must be drastically reduced by using advanced bio-fuels and e-fuels to address the vehicle stock.

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Establishing national and multinational carbon cap and trade schemes as leading instruments for decarbonisation across all sectors should be the long-term goal for a CO₂-free and secure energy supply.

It is key for policy makers to seek international cooperation on CO₂-pricing. If the price per ton of emitted CO₂ is not aligned globally, at least in the major economic blocks, it will foster protectionism and trade conflicts.

Emissions trading systems such as the EU ETS (Emissions Trading System), followed by internationalisation and harmonisation, are a suitable instrument from an economic point of view. This also facilitates the integration of cross-border adjustment mechanisms such as the CBAM.

INCENTIVES FOR QUICKER ADOPTION

To support the necessary uptake of zero emission mobility, supply- and demand-side measures should be combined. Purchase incentives and tax advantages will stimulate customer demand. Countries with comprehensive incentives and tax cuts for EVs have proven to be the leading markets for e-mobility. In parallel, public funds should also be used to promote the rapid expansion of infrastructure for electric charging points and hydrogen refuelling stations.

EU-TAXONOMY – ADVOCATING A HOLISTIC APPROACH

The BMW Group strongly supports the overall objective of the EU Taxonomy to channel financing towards environmentally sustainable activities. This will be a key instrument to make Europe the world's first climate-neutral continent by 2050.

We also support the objective of delegated regulation (EU) 2021/2178 (Article 8 DA) to specify a harmonised framework with common, transparent and comparable reporting and disclosure obligations.

For the automotive industry, the EU Taxonomy does not provide a holistic approach along the value chain – rather, it focuses exclusively on the carbon emissions of passenger vehicles in the use phase. It does not consider how sustainably a vehicle is produced. To receive a comprehensive view of a company's sustainability approach and to be able to account for the related efforts in the supply chain and circular economy, sustainability reporting must also be taken into consideration (for instance, within the framework of the Corporate Sustainability Reporting Directive [CSRD]).

A CIRCULAR ECONOMY IS FUNDAMENTAL FOR SUSTAINABILITY

The BMW Group has set ambitious targets for the use of secondary materials. As a target, our aim is to use at least 50 % secondary materials for vehicles, up from about 30 % today. In this context, the BMW Group also supports the EU's ambitions to address the entire life cycle of this strategically important vehicle component through pending battery legislation, to increase material efficiency and to promote the use of secondary materials.

Our significant investment in the Catena-X Automotive Network will enable us to create the necessary end-to-end value chain transparency.

Using secondary materials saves CO₂ and also protects valuable resources and their respective environment. The circular economy makes a significant contribution to achieving the 1.5°C target along the entire value chain.

The development and integration of sophisticated recycling technologies must be supported to enable industrial scaling of recycling in high-wage economies through improved automation, sorting and separation technologies.

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OUR ACTIVITIES – OUR ENGAGEMENT IS GLOBAL

Many governmental standards and regulations relating to safety, fuel efficiency, emissions control, noise control, vehicle recycling, substances of concern, vehicle damage and theft prevention are applicable to new motor vehicles, engines, and equipment manufactured for sale in the United States, Europe and Asia. In addition, manufacturing and other automotive assembly facilities in the United States, Europe and Asia are subject to stringent standards regulating air emissions, water discharges, and the handling and disposal of hazardous substances.

With respect to CO₂ emissions from new vehicles, medium- to long-term targets have already been set in Europe, North America, Japan, China and other countries. However, these cannot be directly compared at an

international level, as the test cycles and the test procedures in the individual countries are different, and segment and drive train mixes also tend to vary considerably.

EUROPEAN UNION

The current CO₂ fleet regulation was passed in 2018 and includes a further reduction in CO₂ emissions from the EU new vehicle fleet of 15 % by 2025, and 37.5 % by 2030 (as compared to 2021 WLTP measured values on EU fleet average). The CO₂ fleet regulation is currently being reviewed and a first legislative proposal by the European Commission was introduced on July 14, 2021, as part of the so-called “Fit for 55 package”. This proposal aims to increase the EU passenger car fleet target to a reduction of at least 55 % for 2030 (compared to the 2021 sales weighted average WLTP measured values of the EU fleet). The legislative draft is under discussion in the European Parliament and the European Council and is expected to be finalised by the end of 2022. This target of reducing CO₂ emissions by 55 % will require a huge increase in the number of electric vehicles in the new vehicle fleet and is equivalent to around two out of every three vehicles sold in the EU in 2030. In 2021, the BMW Group outperformed its carbon emission targets in the European Union.

The BMW Group – in line with ACEA – shares the 2030 ambition of the EU Commission provided that the necessary framework conditions – especially with regard to the infrastructure for electric charging points and hydrogen refuelling stations – are put in place. The targets for 2035 are to be set as part of a comprehensive revision in 2028. Since it is currently not foreseeable that the necessary preconditions can be established with the required speed, from a macroeconomic perspective, the



Photo: Oliver Zipse, Chairman of the Board of Management of BMW AG, at the presentation of the company's intensified climate targets in the run-up to IAA Mobility 2021.

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BMW Group does not support a target of 100 % CO₂ reduction in 2035. Electric drive trains are already scaling up and need progressive framework conditions, not bans.

In his role as President of ACEA, the Chairman of the Board of Management of the BMW Group, Oliver Zipse, held talks with several EU Commissioners concerning the “Fit for 55” package. Topics included the need to accompany CO₂ fleet targets in the EU with appropriate infrastructure build-up.

The BMW Group also affirms that achieving the climate targets requires a holistic approach to CO₂ reduction across the entire value chain and that efforts to develop a circular economy must be increased. The framework conditions to achieve the transformation towards sustainable mobility should be further promoted politically, while maintaining technology openness.

UNITED STATES

The regulation of vehicle emissions and related fuel economy standards in the United States involves both federal and state agencies. The US Environmental Protection Agency (“EPA”) regulates vehicle emission criteria, including CO₂, pursuant to authority granted by the federal Clean Air Act (“CAA”). The National Highway Traffic and Safety Administration (“NHTSA”) regulates motor vehicle fuel efficiency standards pursuant to authority granted under the Energy Policy and Conservation Act of 1975 (“EPCA”).

In 2019, under the Trump administration, the EPA and NHTSA adopted new regulations entitled “The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021–2026 Passenger Cars and Light Trucks”. SAFE Rule Part 1 included a finding that federal law preempted state law on the regulation of GHG and resulted in a withdrawal of the prior preemption waiver granted to California under the CAA. SAFE Rule Part 2 resulted in GHG and Corporate Average Fuel Economy (“CAFE”) standards for model years 2021 to 2026 light-duty vehicles



that were less stringent than prior regulations. Effective as of June 29, 2020, CAFE and GHG emissions standards stringency increased 1.5 % annually from 2021 to 2026, thereby replacing the former target of 163 g CO₂/mile (101 g CO₂/km) by model year 2025 set by the Obama administration.

In July 2019, BMW Group among three other OEMs, and the State of California announced a general agreement on a framework for the reduction of fleet emissions at levels that are more stringent than under SAFE rule part 2. At the time, this position was not shared by the Alliance of Automobile Manufacturers. In August 2020, these OEMs and a further OEM signed final individual agreements with the State of California (“California Framework Agreement”). This demonstrates clearly that the BMW Group takes progressive decisions independent of associations if necessary. The settlement agreements are also binding on

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those states that follow California's regulatory authority as provided by the Clean Air Act.

In 2020, the Biden administration instructed federal agencies to consider revising vehicle fuel economy and emissions standards. At the end of 2021, EPA published a new rule that repealed SAFE Rule Part 1 and instituted new fleet GHG emission targets from MY 2023, starting with 199g/mile, onwards reaching 161 g/mile in MY 2026.

BMW of North America continues to be in alliance with the State of California in adherence to the California Framework Agreement, which put into place significantly higher stringency levels than the Trump EPA GHG levels. This cooperation with California has allowed the BMW Group to maintain a constructive working-level dialogue with both the California Air Resources Board (CARB) and the EPA of the Biden administration.



Photo: BMW Group Senior Vice President Bernhard Kunt meeting EPA Administrator Michael Reagan, June 2021.

During the transition to sustainable mobility, the industry was pivotal in determining the path forward on electric vehicle consumer incentives. The sector has lobbied for the extension of tax benefits for electrified vehicles while working to ensure all makes, models and consumers would be eligible for the incentives.

CHINA

In China, the fuel efficiency of the vehicle fleet is also regulated. For 2020, an average fleet consumption target of 5 litres per 100 kilometres was set. These figures were calculated based on the number of vehicles produced and imported. The consumption limits refer to the standardised test cycle NEDC. A fuel consumption standard for 2021 to 2025 in China was released in 2019. 4.6 litres per 100 kilometres is set as the target in 2025, under the test cycle of WLTC. From 2021 onwards, the test cycle for internal combustion engine vehicles and PHEVs will switch from NEDC to Worldwide Harmonized Light-duty Test Cycle (WLTC). BEVs will switch from NEDC to China cycle (CLTC). The introduction of a new energy vehicle (NEV) mandate started in 2019. The NEV mandate for 2021 to 2023 was officially released and set the NEV quota to 14 % in 2021, 16 % in 2022 and 18 % in 2023, but the credit earned for each NEV is reduced by up to 50 %. The NEV volume in new car sales is expected to reach 20 % in 2025 in the passenger vehicle segment as national target.

Above and beyond national regulations, measures are increasingly being taken at regional and municipal levels. Varying requirements for drive train technologies will start to have considerable influence on product strategy (e.g., the limited quota on ICE vehicle registration plates in Chinese metropolitan areas while offering waivers for NEVs).

At several meetings, the BMW Group spoke with representatives of the Chinese government about climate policy, e.g., with the Ministry of Industry and Information Technology and the Ministry of Commerce. The main focus was on the further expansion of fast charging stations,

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incentives for increasing the market acceptance of electric vehicles and the decarbonisation of supply chains.

At the EV100 2022 annual conference, a global initiative to promote the scaling up of electromobility and the expansion of charging infrastructure, the BMW Group outlined its perspective and actions towards a sustainable future at a Chinese and international level, sharing its carbon reduction targets throughout the entire vehicle lifecycle and the company's vision on circular economy. The BMW Group also advocated for a predictable decarbonisation policy scheme, for a collaboration amongst policy makers, businesses and research institutes, and government's enhanced efforts in infrastructure for e-mobility. During the 2021 World NEV Congress, the BMW Group suggested policies on continuing government incentives for NEVs to support the market uptake, remove unnecessary technical requirements for such vehicles and advocated for transparent local requirements for a swift and reliable NEV ramp up. The BMW Group also supported a clear direction for a

high-power charging roadmap in China to further support acceptance and usability of New Energy Vehicles.

The BMW Group also officially co-chaired the 2021 China Development Forum that gathered executives of over one hundred foreign corporations. Oliver Zipse, Chairman of the Board of Management of BMW AG, represented the international delegation, where he proposed the establishment of a joint platform to promote low-carbon supply chains, which has been implemented.