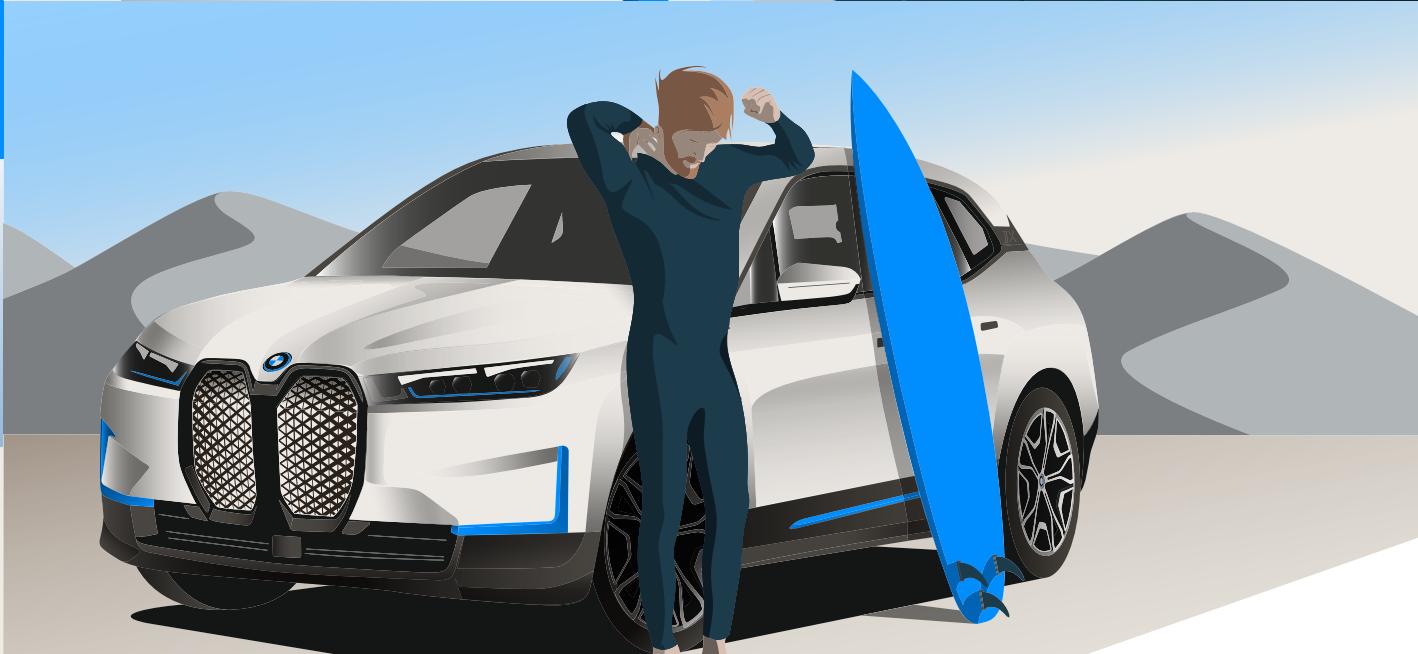


OUR RESPONSIBILITY. OUR FUTURE.

Report on the BMW Group's economic performance and its ecological and social contributions.

 [LINK TO THE ONLINE REPORT](#)



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ABOUT THIS REPORT (PART OF THE COM- BINED MANAGEMENT REPORT)

This report represents a new approach to reporting for the BMW Group. For the reporting year 2020, the BMW Group has combined its Annual Report and its Sustainability Report (formerly the Sustainable Value Report) in a single document. It is therefore important for us to begin by briefly explaining the structure and rationale behind the new approach so that you, as a stakeholder in the company, can make the best possible use of the report. Above all, this means being able to find and categorise the information you are looking for both quickly and reliably. Integrated reporting is a dynamic process for the BMW Group that works in both directions. For this reason, we are not only seeking a dialogue based on assertions underpinned by content, we are equally convinced that it enables us to report in the most effective way.

This version of the Annual Report is a translation from the German version. Only the original German version is binding.

SYMBOLS AND OTHER INFORMATION

↰ ... ↳ The contents of these sections were subjected to a separate limited assurance engagement by the independent auditor. All other audited sections of the report underwent a reasonable assurance audit engagement by the independent auditor.

The following symbols help the reader to navigate through the report:

↰ Return to previous page

☰ Go to table of contents

» Continued on next page

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OBJECTIVE

As a premium manufacturer, the BMW Group aspires to lead the way in terms of sustainability. It is therefore taking responsibility and placing this topic at the core of its corporate strategy moving forward. This change has involved taking a major step, as the BMW Group is including sustainability as a prime factor in its corporate decision-making processes. This integrated approach obviates the need to pursue a separate sustainability strategy. Sustainability principles – such as the prudent use of resources – are increasingly playing a key role in shaping the BMW Group's corporate strategy and serving as key parameters for an integrated and multidimensional approach.

As it embraces this process, the BMW Group is building on a solid foundation, given that it has repeatedly set itself ambitious sustainability targets and assumed a pioneering role in this area over decades. For example, the BMW Group was the first company in the automotive sector to appoint an environmental protection officer back in 1973. Under the umbrella of Efficient Dynamics, the BMW Group proceeded to innovate in the field of electrified drivetrains, while at the same time developing highly efficient combustion engines, and has systematically continued to take this dual approach ever since. With a trial fleet of around 600 fully electric MINI E vehicles made available to customers, the BMW Group demonstrated as long ago as 2009 that electric mobility can be a source of great driving pleasure as well as being suitable for everyday use. The all-electric BMW i3 followed in 2013, effectively setting the benchmark for sustainable mobility going forward. In 2020, the Group also achieved its carbon emissions targets for the new vehicle fleet, thanks to the growing size of its fleet of electrified vehicles.

The BMW Group has long considered it both its obligation and its mission to take a pioneering role within the automotive industry.

The logical consequence, starting with this report, is to inform stakeholders about the BMW Group's business performance in a single integrated report. The objective is to provide a clear insight into the BMW Group as a whole with the aim of making its activities transparent, accountable and measurable. At the same time, the intention is to make it as easy as possible for readers to familiarise themselves with the contents of the report. For this reason, key information is deliberately repeated at various points in the document, providing a general overview for readers focusing on specific chapters and sections who do not intend to read the entire report.

This approach not only underlines the BMW Group's determination to spearhead the transformation towards sustainability, but also its desire to shape the process and report on it in a transparent manner. This report combines the Sustainability Report and the Annual Report in a single Integrated Report, based on the framework of the International Integrated Reporting Council (IIRC). It replaces the two previously separate publications and will be published each year on the date of the Annual Conference. The BMW Group is keen to demonstrate to shareholders, customers, employees and, last but not least, the general public how economic, ecological and social issues can complement one another. In fact, they are often mutually dependent and the pursuit of sustainability is the driving force of the Group. The report also includes descriptions of corporate strategy, future development and internal management processes and how the BMW Group, as part of society, creates value in economic, ecological and social terms. Join the conversation with the BMW Group [Dialogue](#).

CONTENT AND STRUCTURE

On 9 March 2021, the Financial Statements of BMW AG were authorised for issue by the Board of Management and the Group Financial Statements approved for publication.

Similar to annual reports in previous years, the new BMW Group Report combines the management reports of Bayerische Motoren Werke Aktiengesellschaft (BMW AG) and the BMW Group in a Combined Management Report.

In accordance with § 289 b and § 315 b of the German Commercial Code (HGB), BMW AG is required to issue a non-financial statement (NFS) at both Company and Group level. This statement is published jointly for BMW AG and the BMW Group as a non-financial report within the Combined Management Report. In order to identify this content more easily, an NFS index is included as an appendix that summarises the references for the reader. As in previous years, the NFS has been reviewed. Contents that have been subjected to a limited assurance standard are marked with graphic symbols All other parts of the Management Report and the Group Financial Statements have been audited to a reasonable assurance standard, unchanged from the previous year. Further information is provided in the [Independent Auditor's Report](#) and the [Independent Practitioner's Report](#).

This report also contains information on the attainment of targets relating to the now completed sustainability strategy for the period from 2012 to 2020.

The BMW Group has published sustainable value reports since 2001, initially every two years and annually since 2012. Prior to this period, the Group had a long tradition of publishing environmental reports, in which it reported transparently on the impact of its operations on the environment, including mitigating measures.

Since 2005, the BMW Group has applied Global Reporting Initiative (GRI) standards to report on sustainability matters. Since 2008, it has voluntarily complied with the highest GRI application level ("comprehensive option"). Additional GRI-relevant information is provided in the chapter [Further GRI Information](#) and in the [GRI Content Index](#). This information was also subjected to a limited assurance review.

In 2015, the General Assembly of the United Nations (UN) announced 17 Sustainable Development Goals (SDGs). The SDGs are at the core of the 2030 Agenda, a global action plan aiming to ensure that economic progress is environmentally friendly and socially equitable. The BMW Group has identified the SDGs to which it can make a direct and thus the greatest possible contribution with its own sustainability goals. Reference is made to these SDGs at the beginning of the Combined Management Report.

The report is structured to ensure that essential content is easily accessible, even at a glance. With this point in mind, the key information is presented in summarised form at the beginning of each section of the Management Report and subsequently discussed in detail. In addition, information provided in graphical form has been highlighted to enable key facts to be identified more easily.

Connection to Figures in the Group Financial Statements

For each topic, an assessment was carried out to identify figures reported in the financial statements that enable a better understanding of the NFS, and which therefore require to be explained. Where necessary, these figures have been disclosed and explained in the relevant chapters.

CURRENT AND FUTURE REPORTING

In light of the announcement that the major standards institutions (GRI, SASB, CDSB, CDP/TCFD and IIRC) intend to collaborate, alongside regulatory developments relating to non-financial reporting (including the revision of the Non-Financial Reporting Directive), the reporting environment is likely to continue gaining momentum. At the same time, the BMW Group sees the development of business strategy as an ongoing task, in order to remain flexible within an increasingly dynamic environment. Both aspects will play a key role in future reporting. For this reason, the BMW Group plans to review its non-financial performance indicators in 2021.

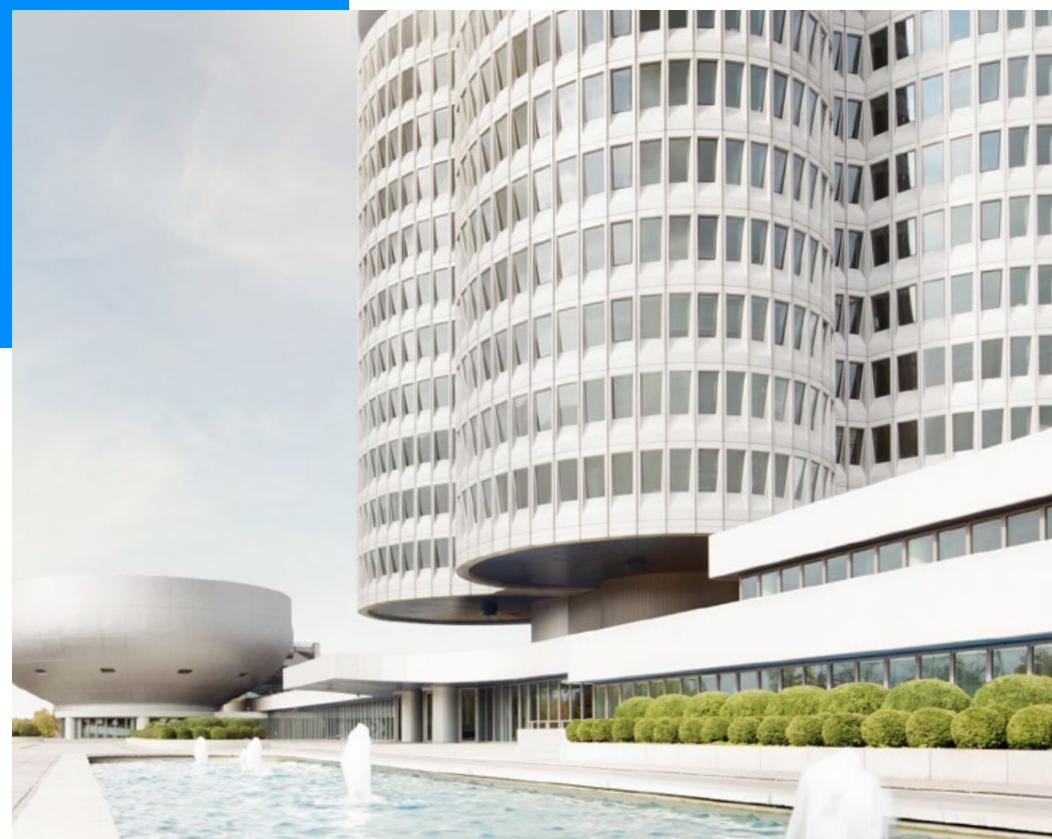
The figures for fuel consumption, CO₂ emissions and power consumption are calculated based on the measurement methods stipulated in the current version of Regulation (EU) 715/2007. This information is based on a vehicle with basic equipment in Germany; ranges take into account differences in wheel and tyre size selected as well as optional equipment and can change based on configuration. ↗ **Fuel Consumption and CO₂ Emissions Information** are available in chapter Other Information.

The figures have been calculated based on the new WLTP test cycle and adapted to NEDC for comparison purposes. In these vehicles, different figures than those published here may apply for the assessment of taxes and other vehicle-related duties which are (also) based on CO₂ emissions.

For further details of the official fuel consumption figures and official specific CO₂ emissions of new cars, please refer to the "Manual on fuel consumption, CO₂ emissions and power consumption of new cars", available at ↗ www.dat.de/co2/.

TO OUR STAKEHOLDERS

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BMW GROUP IN FIGURES

KEY NON-FINANCIAL PERFORMANCE INDICATORS

	2016	2017	2018	2019	2020	Change in %
GROUP						
Workforce at year-end ¹	124,729	129,932	134,682	126,016	120,726	-4.2
Share of women in management positions in the BMW Group ²	15.3	16.0	17.2	17.2	17.8	3.5
AUTOMOTIVE SEGMENT						
Deliveries ^{3,4}	2,349,962	2,465,021	2,486,149	2,537,504	2,325,179	-8.4
Share of electrified vehicles in deliveries	2.6	4.2	5.7	5.8	8.3	43.1
CO ₂ emissions EU New Vehicle Fleet (in g CO ₂ /km) ⁵	124	128	128	127	99 ⁷	-22.0
CO ₂ emissions per vehicle produced (in tons) ⁶	0.54	0.41	0.40	0.30	0.23	-23.3
MOTORCYCLES SEGMENT						
Deliveries	145,032	164,153	165,566	175,162	169,272	-3.4

¹ Since the reporting year 2020, a new definition for workforce size has been applied (see [Glossary](#)). To enable better comparability, the value for 2019 was adjusted accordingly (2019 before adjustment: 133,778 employees).

For the timeframe including and prior to 2018, the share of the employees that are no longer reflected in reporting is about 7.5-8%.

² The new definition of the term "employee" (see footnote 1) also has an impact on the proportion of women in management positions. For comparative purposes, the 2019 figure has been adjusted accordingly (2019 before adjustment: 17.5%).

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2016: 311,473 units, 2017: 385,705 units, 2018: 455,581 units, 2019: 538,612 units, 2020: 602,247 units).

⁴ Retail vehicle delivery data presented for 2020 is not directly comparable to such data presented for previous years. For further information on retail vehicle delivery data, please see [Comparison of Forecast with Actual Outcomes](#).

⁵ EU including Norway and Iceland; since 2018 value according to WLTP (Worldwide Harmonised Light Vehicles Test Procedure), retroactively calculated as NEDC (New European Driving Cycle).

⁶ Efficiency indicator calculated on the basis of Scope 1 and Scope 2 emissions (i.e. a market-based method according to GHG Protocol Scope 2 Guidance that excludes climate-impacting gases other than carbon dioxide) from vehicle production (excluding motorcycles), adjusted for CHP losses, divided by the total number of vehicles produced, including the joint venture BMW Brilliance Automotive Ltd., Shenyang, but excluding contract manufacturing by Magna Steyr and Nedcar.

⁷ Figure (internal calculation) takes into account flexibilities as defined in regulatory requirements: phase-in with 5 g/km, supercredits BEV/PHEV with 7.5 g/km and eco-innovations with 2.4 g/km.

FURTHER NON-FINANCIAL PERFORMANCE FIGURES

	2016	2017	2018	2019	2020	Change in %
GROUP						
Spending on employee training and development (in million €) ¹	352	349	373	370	279	-24.6
AUTOMOTIVE SEGMENT						
Deliveries by brand ²						
BMW ³	1,986,167	2,089,854	2,117,854	2,184,939	2,028,841	-7.1
MINI	359,758	371,729	364,101	347,465	292,582	-15.8
Rolls-Royce	4,037	3,438	4,194	5,100	3,756	-26.4
Total³	2,349,962	2,465,021	2,486,149	2,537,504	2,325,179	-8.4
Production by brand						
BMW ⁴	2,002,997	2,123,947	2,168,496	2,205,841	1,980,740	-10.2
MINI	352,580	378,486	368,685	352,729	271,121	-23.1
Rolls-Royce	4,179	3,308	4,353	5,455	3,776	-30.8
Total⁴	2,359,756	2,505,741	2,541,534	2,564,025	2,255,637	-12.0
Energy consumption per vehicle produced (in MWh) ⁵	2.21	2.17	2.12	2.04	2.12	3.9
MOTORCYCLES SEGMENT						
Production volume						
BMW	145,555	185,682	162,687	187,116	168,104	-10.2
FINANCIAL SERVICES SEGMENT						
New contracts with retail customer	1,811,157	1,828,604	1,908,640	2,003,782	1,845,271	-7.9

¹ Training for BMW Group employees and temporary staff at consolidated companies worldwide. Data collated on basis of direct inputs of participants and, to a smaller extent, by extrapolation. Data also includes e-learning formats.

² Retail vehicle delivery data presented for 2020 is not directly comparable to such data presented for previous years. For further information on retail vehicle delivery data, please see ^{1,2} Comparison of Forecast with Actual Outcomes.

³ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2016: 311,473 units, 2017: 385,705 units, 2018: 455,581 units, 2019: 538,612 units, 2020: 602,247 units).

⁴ Production figures including the Joint Venture BMW Brilliance Automotive Ltd., Shenyang (2016: 305,726 units, 2017: 396,749 units, 2018: 491,872 units, 2019: 536,509 units, 2020: 602,935 units).

⁵ Efficiency ratio calculated on basis of electricity, heat, natural gas and heating oil consumption of vehicle production (excluding motorcycles), adjusted for CHP losses, divided by total number of vehicles produced, excluding contract manufacturing by Magna Steyr and Nedcar, plus energy consumption of engine plants and electric motors as well as battery production divided by engine production in Hams Hall, Steyr, Munich and BMW Brilliance Automotive Ltd. in Shenyang.

KEY FINANCIAL PERFORMANCE INDICATORS

	2016	2017	2018*	2019	2020	Change in %
GROUP						
Profit/loss before tax in € million	9,665	10,675	9,627	7,118	5,222	-26.6
AUTOMOTIVE SEGMENT						
EBIT margin in %	8.9	9.2	7.2	4.9	2.7	-44.9
RoCE in %	74.3	77.7	49.8	29.0	12.7	-56.2
MOTORCYCLES SEGMENT						
EBIT margin in %	9.0	9.1	8.1	8.2	4.5	-45.1
RoCE in %	33.0	34.0	28.4	29.4	15.0	-49.0
FINANCIAL SERVICES SEGMENT						
RoE in %	21.2	18.1	14.8	15.0	11.2	-25.3

* The 2018 figures were adjusted due to the change in accounting policy in conjunction with the adoption of IFRS 16 (see Annual Report 2019, Note 6 to the Group Financial Statements).

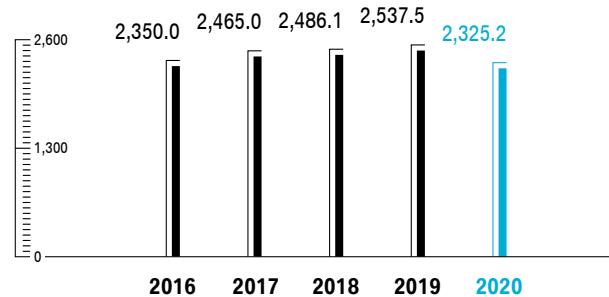
FURTHER FINANCIAL PERFORMANCE FIGURES

in € million	2016	2017	2018	2019	2020	Change in %
Total capital expenditure¹	5,823	7,112	8,013	7,784	6,222	-20.1
Depreciation and amortisation	4,806	4,822	5,113	6,017	6,143	2.1
Free cash flow Automotive segment	5,792	4,459	2,713	2,567	3,395	32.3
Group revenues²	94,163	98,282	96,855	104,210	98,990	-5.0
Automotive	86,424	85,742	85,846	91,682	80,853	-11.8
Motorcycles	2,069	2,272	2,173	2,368	2,284	-3.5
Financial Services ²	25,681	27,567	27,705	29,598	30,044	1.5
Other Entities	6	7	6	5	3	-40.0
Eliminations ²	-20,017	-17,306	-18,875	-19,443	-14,194	27.0
Group profit/loss before financial result (EBIT)²	9,386	9,899	8,933	7,411	4,830	-34.8
Automotive	7,695	7,888	6,182	4,499	2,162	-51.9
Motorcycles	187	207	175	194	103	-46.9
Financial Services ²	2,184	2,194	2,172	2,312	1,721	-25.6
Other Entities	-17	14	-27	29	36	24.1
Eliminations ²	-663	-404	431	377	808	-
Group profit/loss before tax (EBT)²	9,665	10,675	9,627	7,118	5,222	-26.6
Automotive	7,916	8,717	6,977	4,467	2,722	-39.1
Motorcycles	185	205	169	187	100	-46.5
Financial Services ²	2,166	2,207	2,143	2,272	1,725	-24.1
Other Entities	170	80	-45	-96	-235	-
Eliminations ²	-772	-534	383	288	910	-
Group income taxes²	-2,755	-2,000	-2,530	-2,140	-1,365	36.2
Profit/loss from continuing operations²	6,910	8,675	7,097	4,978	3,857	-22.5
Profit / loss from discontinued operations	-	-	-33	44	-	-
Group net profit/loss²	6,910	8,675	7,064	5,022	3,857	-23.2
Earnings per share² in €	10.45/10.47	13.07/13.09	10.60/10.62	7.47/7.49	5.73/5.75	-23.3/-23.2
Pre-tax return on sales^{2,3} in %	10.3	10.9	9.9	6.8	5.3	-22.1

¹ Expenditure for capitalised development costs, other intangible assets and property, plant and equipment.² The 2018 figures were adjusted due to the change in accounting policy in conjunction with the adoption of IFRS 16 (see Annual Report 2019, Note 6 to the Group Financial Statements).³ Group profit before tax as a percentage of Group revenues.

BMW GROUP DELIVERIES OF AUTOMOBILES^{1,2}

in 1,000 units

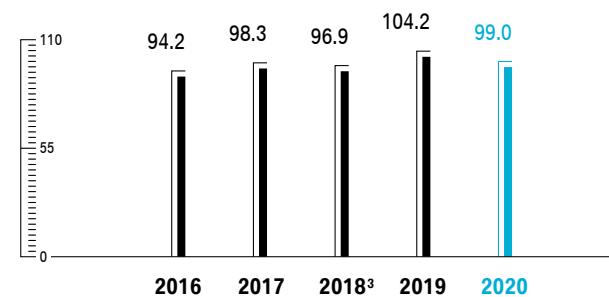


¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2016: 311,473 units, 2017: 385,705 units, 2018: 455,581 units, 2019: 538,612 units, 2020: 602,247 units).

² Retail vehicle delivery data presented for 2020 is not directly comparable to such data presented for previous years. For further information on retail vehicle delivery data, please see [Comparison of Forecast with Actual Outcomes](#).

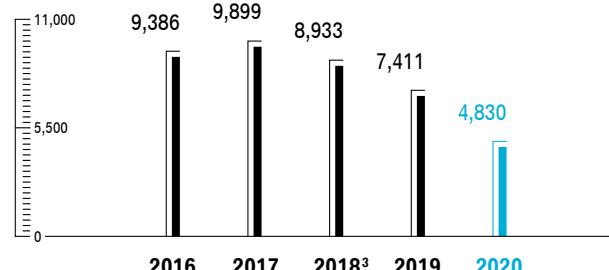
BMW GROUP REVENUES

in € billion



BMW GROUP PROFIT/LOSS BEFORE FINANCIAL RESULT (EBIT)

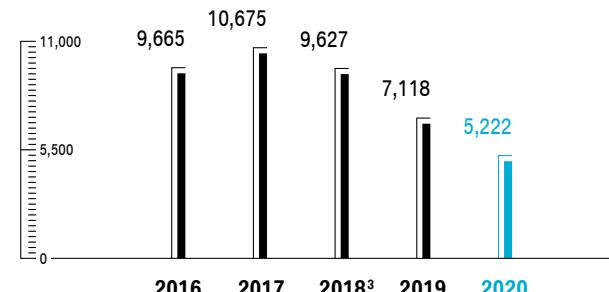
in € million



³ The 2018 figures were adjusted due to the change in accounting policy in conjunction with the adoption of IFRS 16 (see Annual Report 2019, Note 6 to the Group Financial Statements).

BMW GROUP PROFIT/LOSS BEFORE TAX

in € million





REPORT OF THE SUPERVISORY BOARD

The excellent collective performance of the BMW Group gives the **SUPERVISORY BOARD** confidence as we go into 2021.

Norbert Reithofer
Chairman of the Supervisory Board

DEAR SHAREHOLDERS,

We look back on 2020 as an exceptionally challenging year, dominated as it was by the impact of the coronavirus pandemic. The year unfolded very differently from the way we had anticipated at the end of 2019. Nevertheless, despite the challenging conditions, the BMW Group remained focused on its targets and pressed ahead with its future-oriented projects. Thanks to resolute crisis management and rigorous digital teamwork at all levels, the BMW Group achieved a respectable result for the year, with deliveries to customers in the fourth quarter at their highest level to date. This excellent collective performance gives us confidence as we go into 2021. Sustainable, digitalised mobility, combined with an outstanding overall customer experience, are the key supporting pillars of the BMW Group's corporate strategy. As a pioneer of new technologies and champion of sustainability in economic, social and ecological terms, the BMW Group will continue on its transformational journey to becoming a tech company, thereby strengthening its position in the premium segment in the process.

Focus of Supervisory Board activities during the past financial year

The Supervisory Board performed the duties incumbent upon it with the utmost diligence in 2020, rigorously monitoring the management of the BMW Group in a conscientious manner. It also advised the Board of Management on matters relating to the leadership and strategic evolution of the company. In five meetings of the full Supervisory Board – all lasting significantly longer than usual due to the circumstances and including one two-day meeting – together with the Board of Management we deliberated in great detail on the operating performance of the BMW Group. The Board of Management also kept the Supervisory Board informed of any matters of significance outside the framework of formal meetings as the need arose. In addition, the Chairmen of the Supervisory Board and the Board of Management engaged in direct dialogue on current issues, as did the Chairman of the Audit Committee and the Board of Management member responsible for Finance. Conference calls were also held between the Members of the Board of Management, the Board of Management member responsible for Finance, the Chairman of the Supervisory Board and the Chairman of the Audit Committee as a supplementary measure.

The Board of Management's regular reports on the Group's current performance were dominated by pandemic-related matters during the year under report. In view of the rapid spread of coronavirus in the spring, additional meetings of the Audit

**The SUPERVISORY BOARD
is convinced that the
BMW Group will continue to
expand its position in the
premium segment through its
enduring commitment to
sustainability in economic,
social and ecological terms.**

Committee and the Presiding Board were scheduled to facilitate the monitoring of production, sales and liquidity developments in a prompt manner. The Board of Management kept us constantly informed regarding the impact of the pandemic on the BMW Group's business performance, providing up-to-date status reports on sales, production, liquidity and the Financial Services segment. Information on vehicle deliveries to customers was separately analysed by market and model, focusing particularly on the electrified variants. The reports also dealt with the competitive situation in general and the development of new business and transaction volume as well as the risk situation in the Financial Services segment. The Board of Management pointed out deviations from the original forecast and presented measures to mitigate the impact of the pandemic. It also outlined potential developments based on a range of possible scenarios. The size of the workforce and the attainment of the decarbonisation targets set out by the EU Commission were also a subject of discussion.

Furthermore, the Board of Management provided us with information on a number of important current topics, including the opening of the Competence Centre for electric drivetrain production in Dingolfing and BMW Brilliance Automotive's second battery centre in China as well as the new communication concept for the futuristic technology showcase #NEXT Gen 2020, which was held virtually for the first time. The reports also addressed the topics of product quality and the progress of the HERE joint venture.

The Supervisory Board deliberated in depth on the BMW Group's evolving corporate strategy, which is now clearly focused on the progressive transformation of its drivetrain technology towards electric mobility. The Board of Management outlined to us the renewed production network strategy, which is based on converting the Munich plant to assemble the new vehicle architecture and the planned cluster architecture at the BMW Group plant in Hungary. As a core component of the BMW Group's overarching corporate strategy, we also took an in-depth look at the sustainability aspect, which is embedded at every stage along the supply chain, the production process and the entire life cycle of our products.

The Supervisory Board also deliberated at length on important issues arising within the Board of Management's various key areas of responsibility. Purchasing, for instance, reported on the status of the supply chain and the purchasing strategy regarding raw materials for electric mobility. The Board of Management member responsible for Finance gave a talk on the Group's financing system, focusing in particular on liquidity management and financial market risk management. When reporting on the Financial

Services segment, the main focus was on strategy as well as business performance and the risk situation. We also analysed the BMW Group's strategic cooperations in great detail, particularly the further course of the "Your Now" joint venture strategy and the market situation in China.

In light of the coronavirus pandemic and the accompanying restrictions on events involving large numbers of people, in early April we agreed that the 2020 Annual General Meeting should be held as a virtual event without the physical presence of shareholders.

An important topic for the Supervisory Board in 2020 was the revision of the Board of Management's remuneration system for the financial years 2021 and beyond, in line with the new version of the German Corporate Governance Code. After the Personnel Committee had completed the initial groundwork, in the third quarter we intensively discussed proposals for a new remuneration concept with the help of an independent remuneration consultant. On this basis, in December we worked through the details of the revised remuneration system, focusing in particular on setting targets for the variable remuneration components. The Supervisory Board finally passed a resolution approving the new remuneration system, including a standardised service agreement, new target remuneration levels and total remuneration caps.

The Supervisory Board reviewed the structure and level of Board of Management remuneration for the financial year 2020, whilst also taking into account the BMW Group's business performance in 2020. The salaries of senior executives and employees within Germany as a whole were also taken into account. After analysing comparative studies provided by an external remuneration consultant, we concluded that the remuneration of Board of Management members is appropriate. Detailed information on the remuneration of the Board of Management is provided in the Remuneration Report.

The change to the system of Board of Management remuneration was also the focus of one-on-one discussions between myself and investor representatives concerning Supervisory-Board-related issues, including the question of the independence of Supervisory Board members.

In the third quarter, the Supervisory Board devoted a great deal of time to examining the BMW Group's revised forecast for the period from 2021 to 2026. The Board of Management outlined the fundamental changes made to mitigate the impact of the coronavirus pandemic compared with the forecast presented one year earlier as well as the ambitious long-term targets in the forecast. It also pointed out the higher degree of volatility and uncertainty in terms of external framework conditions, whilst reiterating the aim of achieving continuous overall growth, particularly in the field of electric mobility. After thorough examination, the Supervisory Board approved the BMW Group's long-term corporate plan.

At the final meeting held in 2020, the Board of Management presented the annual budget for corporate development in the financial year 2021 and discussed it in exhaustive detail with the Supervisory Board.

With the advance of digitalisation, data protection and cybersecurity are becoming increasingly important issues. For this reason, we requested a report on the current status from the Board of Management.

We also discussed the topic of diversity at considerable length. The Board of Management reported on the current status of the diversity concepts developed by the Group and the target achievement at various levels as well as future targets. As its target for the proportion of women on the Board of Management from 1 January 2021 to 31 December 2025, the Supervisory Board has stipulated that the Board of Management should continue to include at least one female member.

The Supervisory Board's agenda also included a number of internal issues during the year under report. For example, the Supervisory Board updated its rules of procedure and published them online in accordance with the recommendation of the revised German Corporate Governance Code. At the Supervisory Board meeting held in March, we also discussed the results of our annual efficiency self-assessment in detail. The Supervisory Board has also benefited from advances in digitalisation, a key element of our corporate strategy, by setting up a digital boardroom to improve the flow of information. Due to coronavirus-related restrictions, beginning in the spring, the meetings themselves were held as face-to-face events with digital participation offered to enable all members to attend.

**The main focus of
SUPERVISORY BOARD
WORK was on the continued
development of corporate
strategy, particularly the
expansion of electric mobility.**

We also discussed corporate governance standards at the BMW Group. Based on a self-assessment, we concluded that the composition of the Supervisory Board at 31 December 2020 was in line with the targets stipulated in the diversity concept, the competency profile and other composition targets. We updated the competency profile and broadened the definition of the various areas of expertise. An overview showing each individual Supervisory Board member's areas of expertise is provided in the Statement of Corporate Governance on our website.

In December, the Board of Management and the Supervisory Board issued their Declaration of Compliance with the German Corporate Governance Code. We will comply with the recommendations of the Code as amended on 16 December 2019 without exception. The wording of the Declaration of Compliance can be found in the Statement of Corporate Governance on our website.

The Supervisory Board took part in a variety of further training measures in 2020. In July, for instance, we visited the BMW Autonomous Driving Campus in Unterschleißheim near Munich and discussed the topic of automated driving at great length through several presentations. The presentation held by an external expert on artificial intelligence gave us additional food for thought on the importance of software for the future of the automotive industry, which we then explored in greater depth in a subsequent discussion. In September, the Supervisory Board attended a workshop on drivetrain technology at the BMW and MINI Driving Academy in Maisach near Munich, including a driving session.

No conflicts of interest arose on the part of members of the Supervisory Board during the year under report. Significant transactions involving Supervisory Board members and/or other related parties as defined by IAS 24, including close relatives and intermediary entities, were subject to review on a quarterly basis.

We reviewed the efficiency of our work in the Supervisory Board by completing a revised and expanded questionnaire as well as holding supplementary discussions with the Chairman. Overall, there is a high degree of satisfaction with the work of the Supervisory Board. Cooperation, both within the Supervisory Board itself and with the Board of Management, was unanimously assessed as being constructive and trusting. However, we intend to discuss suggestions for improving individual aspects of cooperation in the new financial year.

**Sustainability is at the heart
of the BMW Group's broader
strategy, encompassing
all relevant aspects, from the
supply chain to production
and the product life cycle.**

Description of Presiding Board activities and committee work

The Supervisory Board has established a Presiding Board and four committees. The chairpersons of these two bodies reported in detail on the work of their committees at each subsequent Supervisory Board meeting. You can read more about the duties, the composition and the working methods of the Presiding Board and various other Supervisory Board committees in the Statement of Corporate Governance on our website.

Due to the exceptional challenges of the past financial year caused by the coronavirus pandemic, the Presiding Board and the Audit Committee intensified their work in order to fulfil their duties in a suitable manner. Additional meetings were held to provide the Presiding Board with prompt information on the current status of sales and production and the Audit Committee with information on liquidity and the Financial Services business.

The **Presiding Board** held six meetings and one conference call during the financial year 2020. Together with the Board of Management and senior heads of department, we prepared the detailed agenda of full Supervisory Board meetings (unless a committee was responsible for doing so) and made suggestions for topics to be reported on at Supervisory Board meetings.

The **Audit Committee** held seven meetings and three conference calls during the year under report.

The meetings held in February and March 2020 focused primarily on preparing the Supervisory Board meeting at which the financial statements for the financial year 2019 were to be discussed and examined. After obtaining the auditor's Declaration of Independence, the Audit Committee recommended to the full Supervisory Board that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PwC") be proposed for election as auditor at the 2020 Annual General Meeting. There were no indications of conflicts of interest, grounds for exclusion or lack of independence on the part of the auditor.

The Audit Committee discussed PwC's fee proposal for audits of the year-end Company and Group Financial Statements 2020 and the review of the Half-Year Financial Report and deemed it appropriate. Following approval by the Annual General Meeting held in May 2020, the Audit Committee appointed PwC for the relevant engagements and specified audit focus areas. It also approved the scope of non-audit services to be

provided by PwC and subsequently received regular reports on the relevant matters. The quality of the audit was a subject of discussion at the Supervisory Board meetings held in February and June. The Board concluded that the audit was of good quality.

The Board of Management presented us with the Sustainable Value Report as well as the separate combined non-financial report of BMW AG and the BMW Group for the financial year 2019. Moreover, the representatives of PwC presented the findings of their review, which had been performed as a "limited assurance" engagement.

At our meetings we also discussed preparations for the new Integrated Group Report and the procedural changes required with regard to reporting and the external audit. We decided that the non-financial (Group) statement should again be reviewed by PwC in the form of a "limited assurance" engagement.

We also discussed the quarterly statement with the Board of Management prior to their publication. Representatives of the external auditors were present when the Half-Year Financial Report was discussed at the beginning of August 2020.

The Audit Committee again dealt intensively with the topic of compliance within the BMW Group during the year under report. In his regular report, the Chairman of the Compliance Committee provided a summary of ongoing compliance-related proceedings and presented a raft of measures aimed at promoting the continuous improvement of the compliance system. The Head of Corporate Quality also reported on the subject of technical compliance. The relevant head of department also presented the Supervisory Board a description of tax and customs compliance management.

Furthermore, the Audit Committee regularly discussed the status of the EU Commission's investigation into the antitrust allegations connected with the former working groups of several German automobile manufacturers and was provided with updates from the Board of Management regarding the potential further course of proceedings.

In relation to proceedings initiated by the German Federal Cartel Office and terminated in 2019 with a fine of €28 million regarding the purchase of long steel by the BMW Group, the Supervisory Board addressed the question of whether it had a duty to act on this matter. The Supervisory Board sought counsel from external lawyers in order to obtain legal certainty. On the recommendation of the Audit Committee and after carefully considering the advantages and disadvantages for the BMW Group, based

on an expert legal opinion and oral explanations, the Supervisory Board decided not to assert any claims for damages against current or former members of the Board of Management of BMW AG in connection with the fine imposed by the German Federal Cartel Office on 21 November 2019.

In addition, the main findings of internal audits conducted by Corporate Audit as well as details of advance audit planning were reported to the Audit Committee. We discussed the effectiveness of the BMW Group's current risk profile and risk management system on several occasions, including ongoing measures to improve the internal control system on a continuous basis.

The Audit Committee was regularly provided with detailed information regarding major legal disputes and proceedings. These included, in particular, an investigation initiated in December 2019 by the US Securities and Exchange Commission (SEC) into possible violations of US securities laws in relation to the reporting of vehicle delivery figures in the USA. The case was concluded in September 2020 with a settlement of 18 million US dollars.

Our agenda also included considering an audit report relating to the European Market Infrastructure Regulation (EMIR). In this context, the independent auditor confirmed the effectiveness of the system currently applied by BMW AG to ensure compliance with the regulatory requirements.

The Audit Committee concurred with the decision of the Board of Management to raise the Company's share capital in accordance with Article 4 (5) of the Articles of Incorporation (Authorised Capital 2019) by €822,000 and issue a corresponding number of new non-voting bearer shares of preferred stock in conjunction with the Employee Share Programme.

The **SUPERVISORY BOARD**
and the **BOARD OF**
MANAGEMENT will comply
with the recommendations
of the German Corporate
Governance Code without
exception.

The **Personnel Committee** focused primarily on the topic of Board of Management remuneration. In its five meetings during the year under report, the Personnel Committee reviewed the appropriateness of the Board of Management's remuneration for the financial year 2019, duly taking the impact of the coronavirus pandemic into account. During the second half of the year, the Committee focused on revising the remuneration system for Board of Management members. The Personnel Committee also performed the groundwork for the full Supervisory Board to appoint a Board of Management member responsible for Development and granted approval for members of the Board of Management to assume mandates outside the Group in exceptional cases.

The **Nomination Committee** convened twice during the financial year 2020. Taking into account the German Corporate Governance Code (DGCC) and the composition requirements adopted by the Supervisory Board, the Nomination Committee addressed the issue of potential replacements for shareholder representatives on the Supervisory Board in the coming years.

The Mediation Committee, which is prescribed by law, did not need to convene during the financial year 2020.

Composition of the Board of Management

With effect from 1 July 2020, Klaus Fröhlich retired from his position as Board of Management member responsible for Development. We would like to thank Mr Fröhlich for his many years of successful and effective work for BMW AG and particularly wish to express our appreciation for the momentum he generated over a 30-year period in advancing the BMW Group's role as a pioneer of new technologies.

The Supervisory Board appointed Frank Weber to the Board of Management as his successor with effect from 1 July 2020. Mr Weber joined the BMW Group in 2011 as Head of Total Vehicle Development and was most recently responsible for the Rolls-Royce product line as well as the BMW luxury class. In light of the various management positions he has previously held in development, Mr Weber is excellently qualified to assume responsibility for Development at the BMW Group and we certainly wish him all the best in his new role.

The Supervisory Board extended the mandate of one Board of Management member during the year under report.

Composition of the Supervisory Board, the Presiding Board and the Supervisory Board's committees

Prof. Renate Köcher left the Supervisory Board with effect from the end of the Annual General Meeting 2020. We would like to thank Prof. Köcher for her many years of constructive work and faithful cooperation while serving on the Supervisory Board. The Annual General Meeting elected Anke Schäferkordt as a new member of the Supervisory Board. Ms Schäferkordt has a wealth of knowledge and experience in the field of communication and media, and, in her capacity as an independent financial expert, ideally complements the Supervisory Board's overall composition. The Annual General Meeting re-elected me as a member of the Supervisory Board and I was again elected Chairman at the subsequent meeting of the Supervisory Board.

In view of the considerable length of time he has been a member of the Supervisory Board and mindful of the Supervisory Board's efforts to appoint an independent chairperson to the Audit Committee as defined in the German Corporate Governance Code, Dr Karl-Ludwig Kley resigned his membership and chairmanship of the Audit Committee with effect from the end of the 2020 Annual General Meeting. We wish to thank Dr Kley for his many years of knowledgeable and committed leadership of the Audit Committee and are delighted that he will continue to contribute his expertise as a member of the Supervisory Board. Dr Kurt Bock was subsequently elected as member and Chairman of the Audit Committee. Dr Bock has been a member of the Supervisory Board since 2018 and, as a former long-serving Chief Financial Officer and Chairman of the Board of Executive Directors of BASF SE, has a great deal of expertise in the fields of accounting, financial reporting and auditing. An overview of the composition of the Supervisory Board and its committees is provided both [in this report](#) and in the separate Statement on Corporate Governance, which is available on our website together with the curricula vitae of Supervisory Board members.

Disclosure of attendance at meetings by individual members

The attendance rate at the meetings of the Supervisory Board, its committees and the Presiding Board was over 99 %. The table below shows attendance by individual member:

Supervisory Board Member	Meetings	Attendance	Attendance in %
Dr.-Ing. Norbert Reithofer	29	29	100
Manfred Schoch	27	27	100
Stefan Quandt	29	29	100
Stefan Schmid	27	27	100
Dr. Karl-Ludwig Kley	24	24	100
Dr. Kurt Bock	10	10	100
Christiane Benner	5	5	100
Verena zu Dohna-Jaeger	5	5	100
Dr.-Ing. Heinrich Hiesinger	5	5	100
Prof. Dr. Reinhard Hüttl	5	5	100
Susanne Klatten	7	7	100
Prof. Dr. Renate Köcher ¹	1	1	100
Horst Lischka	5	5	100
Willibald Löw	5	5	100
Simone Menne	5	5	100
Dr. Dominique Mohabeer	5	5	100
Brigitte Rödig	5	5	100
Anke Schäferkordt ²	4	4	100
Dr. Vishal Sikka	5	4	80
Dr. Thomas Wittig	5	5	100
Werner Zierer	5	5	100

¹ Supervisory Board Member until 14 May 2020.

² Supervisory Board Member since 14 May 2020.

Examination of financial statements and the profit distribution proposal

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PwC") was appointed as external auditor for the financial year 2020. PwC conducted a review of the condensed Interim Group Financial Statements and the Interim Group Management Report for the six-month period ended 30 June 2020 and presented its findings to the Audit Committee. No issues were identified that might indicate that the condensed Interim Group Financial Statements and Interim Group Management Report had not been prepared in accordance with the applicable provisions in all material respects.

PwC, for the second time, audited the Company and Group Financial Statements for the financial year 2020 as well as the Combined Management Report, including the Statement on Corporate Governance for the financial year 2020 – in each case authorised for issue by the Board of Management on 9 March 2021 – and issued an unqualified audit opinion, signed for the second year in succession by the auditor Petra Justenhoven as independent auditor (Wirtschaftsprüferin) and by Andreas Fell as independent auditor (Wirtschaftsprüfer) and auditor responsible for the performance of the engagement.

At its meeting held on 26 February 2021, the Audit Committee initially considered in detail the preliminary version of the Company and Group Financial Statements, the Combined Management Report (including the Combined Non-financial (Group) Statement), the Statement of Corporate Governance, the draft versions of the auditor's reports and the Board of Management's proposal for the appropriation of profit.

Immediately after authorising their issue, the Board of Management submitted the Company and Group Financial Statements for the financial year 2020 and the Combined Management Report (including the Combined Non-financial (Group) Statement), the Statement of Corporate Governance and the proposal for the appropriation of profit to the Supervisory Board. The auditor's long-form audit reports were also made available to the Supervisory Board in a prompt manner.

At its meeting on 10 March 2021, the Audit Committee diligently examined and deliberated on these documents before they were considered in detail at the plenary session of the Supervisory Board on 11 March 2021.

At the two respective meetings, the Board of Management provided the Audit Committee and the Supervisory Board with detailed explanations of the financial reports presented. The representatives of the external auditor present at the meetings reported on the main findings of their audit and answered additional questions put by members of the Audit Committee and the Supervisory Board. The focus of these meetings was on key audit matters as well as the related audit procedures, which were discussed at length by the Audit Committee and the Supervisory Board.

The representatives of the external auditor confirmed that the risk management system established by the Board of Management is capable of identifying at an early stage any developments that might threaten the Company's going concern status. They also confirmed that no material weaknesses in the internal control system and risk management system were identified with regard to the financial reporting process. Similarly, in the course of their audit work they did not identify any facts inconsistent with the contents of the Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) issued by the Board of Management and the Supervisory Board.

Based on a thorough examination conducted by the Audit Committee and the full Supervisory Board, we concurred with the results of the external audit. In accordance with the conclusion reached by the Audit Committee and the Supervisory Board after the examination, no objections were raised. The Group and Company Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the financial year 2020 drawn by the Board of Management were subsequently approved at our meeting held on 11 March 2021. The Company Financial Statements for the year ended 31 December 2020 have therefore been adopted.

We also examined the proposal of the Board of Management to use the unappropriated profit to pay a dividend of €1.90 per share of common stock and €1.92 per share of non-voting preferred stock, in each case on shares entitled to receive a dividend. We considered the proposal appropriate and therefore gave it our approval.

The Audit Committee and the Supervisory Board also considered at length the combined Non-financial (Group) Statement for the year ended 31 December 2020, which was drawn up by the Board of Management for the first time as part of the Integrated Group Report. The Board of Management provided an in-depth explanation of the statement during the relevant meetings. Representatives of the external auditor presented key findings of their audit and answered additional questions posed

by the members of the Supervisory Board. The "limited assurance" audit performed by PwC received an unqualified opinion, which was duly signed by Andreas Fell as independent auditor (Wirtschaftsprüfer) and by Nicolette Behncke as independent auditor (Wirtschaftsprüferin). The Supervisory Board acknowledged and approved the combined Non-financial (Group) Statement drawn up by the Board of Management.

Expression of appreciation by the Supervisory Board

We would like to express our special thanks to the members of the Board of Management and the entire workforce of the BMW Group worldwide for their remarkable achievements in the financial year 2020. Their outstanding degree of motivation, adaptability and strong team spirit made this result possible, despite the extremely difficult conditions.

We are confident that the Board of Management and the employees of the BMW Group, with their courage and willingness to adapt, will ensure your company a leading position in the field of sustainable and digitalised mobility going forward.

Munich, March 2021

On behalf of the Supervisory Board

*Yours
N. Reithofer*

NORBERT REITHOFER

Chairman of the Supervisory Board



STATEMENT OF THE CHAIRMAN OF THE BOARD OF MANAGEMENT

This year we are launching
our **TECHNOLOGY**
OFFENSIVE with the **NEW**
ALL-ELECTRIC
BMW models iX and i4.

Oliver Zipse
Chairman of the Board of Management

DEAR SHAREHOLDERS,

Climate change demands responses. Rethinking our mobility as a task for society as a whole is one way of responding – with considerable impact and an important signalling effect. The BMW Group is a global, digitalised high-tech company for premium mobility. With this idea of ourselves, we are driving and shaping the transformation of our industry. To do so, we are relying on technological innovation in all relevant fields – sustainable drivetrains, autonomous driving and intelligent integration of hardware and software, as well as for the digitalised automotive production of the future, up to and including blockchain technology and artificial intelligence.

Such profound upheavals like the sustainable mobility that we are combining step by step with the principles of a circular economy require cooperation on a much larger scale. The BMW Group is involved as a partner and visionary through cross-industry technology alliances and platforms. We firmly believe that technological innovation, in combination with responsible action, contributes to progress for companies and the economy, as well as benefiting the environment. We all share the same goal of a climate-neutral society.

First integrated BMW Group Report.

We are documenting our impact on the road to climate neutrality. With the transition to integrated reporting, we are documenting how we are managing the BMW Group systematically and in an integrated manner according to financial and sustainability targets. For you, dear shareholders, as well as for other stakeholders in this company, we want to verifiably show our progress. With this move, we are not just leading the way among our key competitors. The BMW Group has followed a broad stakeholder approach for years. We aim to set an example and are therefore comprehensively and systematically reducing our environmental footprint. Our aim is to achieve full transparency. We will naturally only be releasing the new Report online.

**ENVIRONMENTAL
PROGRESS through
TECHNOLOGY – that is what
the BMW Group stands for.**

Robust and flexible, adaptable and innovative – your company during the Covid-19 pandemic.

The rapid spread of SARS-CoV-2 around the globe struck while the BMW Group was in the midst of its multidimensional transformation. In hindsight, one thing is clear: in a difficult environment with unforeseeable developments, your company proved just how robust, flexible, adaptable and innovative it is. Our greatest strength was taking a realistic view of things, relying more than ever before on the flexibility of our people. Thanks to this, we were able to meet our adjusted targets, which we announced early in the pandemic. At the same time, the Board of Management made far-reaching decisions and significantly stepped up the pace of transformation at the BMW Group.

Global market share increased during the pandemic.

Our vehicles have given many people a sense of security during the pandemic. In fact, cars were more popular than ever. Our customers bought over 2.3 million BMW, MINI and Rolls-Royce vehicles – a decrease of only 8.4 percent from our record-breaking 2019. Nonetheless, the BMW Group was able to increase its global market share in 2020. Additionally, BMW Motorrad posted the second-best sales figures in its history and BMW M GmbH had its most successful year ever.

EU CO₂ limits for 2020 significantly overfulfilled.

Despite the coronavirus pandemic, we delivered about a third more electrified BMW and MINI vehicles to customers than the previous year. Our plug-in hybrids were highly sought-after, as were our new fully electric models, the BMW iX3* and MINI Cooper SE*. Because we started our preparations early, we were able to significantly overfulfil our assigned CO₂ limit by about 5 g/km. This was never in any doubt for us. Our EU fleet emissions are currently at 99 g/km and we will also meet the 2021 requirements.

Accepting things as they are and making the best of them.

During lockdown, we had to shut down production across our global network for the first time in BMW history. Shortly afterwards, we ramped up again – in a phased, yet extremely timely manner. This enabled us to respond to different rates of development in the markets quite precisely.

**Listen to what CEO
OLIVER ZIPSE has
to report about
the financial year 2020. ↗**

Our associates implemented the new requirements with commitment and discipline – and continue to do so. Every single vehicle launch went ahead as planned. Our supply chain stayed up and running at all times and mastered the stress test of the coronavirus year. We kept in touch with our customers – personally and digitally. Thanks to our new Mobile Sales Office, we are also offering contactless consultation and sales in more than 60 markets.

Thank you to all our customers; praise for our 120,726 associates.

Personally, and on behalf of the Board of Management team, I would like to thank all our customers for placing their trust in us. I would also explicitly like to thank our retail organisation and suppliers and extend an especially warm thank you to all our associates. 2020 was an extremely challenging year, full of emotion, hope and setbacks, but the BMW team spirit prevailed. The Company and employee representatives found solutions together – just as Herbert Quandt would have wanted.

Phase I of our transformation – the e-mobility pioneer.

At major tipping points, BMW has often ushered in change with bold decisions. During the global economic and financial crisis of 2008/2009, your company paved the way for electric mobility. The ultra-sustainable BMW i3* was ahead of its time – and is still performing well in the marketplace to this day.

Phase II of our transformation – strategic focus on electrification, digitalisation and developing expertise.

We are currently leveraging the full potential of global differences in demand with our wide range of products and drivetrains. The popular BMW X3 will be joined by the high-volume BMW 5 Series, X1 and 7 Series models, each with a choice of four drivetrain technologies. Our plants are capable of building different drivetrains on the same production line. By the end of 2022, each of our German vehicle plants will be producing at least one fully electric vehicle. This is what flexibility looks like at BMW! We are enabling our team by developing expertise and reallocating competences. We plan to take everyone along with us. This year alone, we will be training 75,000 participants in future areas of activity and new fields of expertise like robotics, data analytics, agile software development, AI, autonomous driving and, of course, e-mobility.

Electrifying the BMW Group.

We are also stepping up electric mobility to keep pace with growing demand. Our roadmap is ambitious: Your company aims to have delivered more than a million vehicles with battery-electric or plug-in hybrid drive trains to customers by the end of this year. We will have 25 electrified models on the roads by 2023 – targeting our large high-volume models, in particular. By 2025, electrified vehicles will comprise at least a quarter of our sales volume. We also see potential in fuel cells and are supporting the creation of hydrogen infrastructure in Germany. A small series of the BMWi Hydrogen NEXT is planned from 2022.

BMW iX and i4 will revolutionise the market in 2021.

Many customers are eagerly awaiting the new fully electric BMW iX* and i4 models. Both vehicles have a strong emotional appeal straight from the heart of the BMW brand. In the iX we have perfectly integrated hardware and software in the form of shy tech. Just as our customers would expect from us: in a simple, intuitive and precise manner. We want to excite people with innovations and at the same time inspire them. The new BMW iDrive transforms the iX*, just like every future BMW model, into a digital powerhouse.

Phase III of our transformation – what will define a BMW in the year 2030?

We aim to deliver at least seven million electrified vehicles to customers by 2030. To coincide with the next surge in e-mobility, we will be launching our new cluster architecture, which is uncompromisingly centred on fully electric drivetrains, in the middle of the decade, starting at our new plant in Hungary. We believe the next dimension of digital connectivity is closely tied to this: in the vehicle, in production and throughout our company processes.

Sustainability is the common thread.

Achieving consistent, sustainable development will also give us a competitive edge. In 2012, we set ourselves ten sustainability goals up to 2020. Today, we are able to say: mission accomplished. Let me give you three examples:

- 1.** We halved the CO₂ emissions of our European new vehicle fleet between 1995 and 2020.
- 2.** Our plants worldwide exclusively source green electricity. As of 2021, they will even produce completely CO₂-neutral on balance.
- 3.** The percentage of women in management functions at the BMW Group is above our target range.

* See L⁷ Fuel Consumption and CO₂ Emissions Information.

We don't just do sustainability at BMW: We are making BMW sustainable.

We now find ourselves on the next stage of the journey – pursuing a verifiable and consistent path towards climate neutrality by 2050. In July 2020, we adopted our integrated sustainability strategy, with concrete science-based targets for the first stage up to 2030. How are we different from other companies? The answer to that is simple: we are substantially reducing our carbon footprint along the entire value chain. The aim is for life cycle CO₂ emissions per vehicle to be lowered by at least a third. This will be achieved through innovation, not offsets. In this way, we can drastically reduce the carbon footprint compared to 2019 per vehicle by 2030:

- In production by 80 percent.
- During the use phase by more than 40 percent.
- In the supply chain by at least 20 percent.

Without countermeasures, growth in e-mobility would, in fact, increase supply chain CO₂ emissions by a third. Instead, we are reversing this trend and lowering emissions. Our aim is to create the most sustainable supply chain in our industry. We have already agreed with our suppliers that they will only use green power to produce battery cells. This measure alone adds up to about ten million tonnes less CO₂ over the next ten years.

Climate-neutral business model spanning the entire value chain by 2050.

We are already looking ahead into the future and intend to close the material cycle further – for instance, by increasing the percentage of secondary material in our vehicles. This lowers CO₂ emissions significantly compared to using primary material. We will be sharing how we plan to drive towards a circular economy at the IAA MOBILITY 2021.

Our clear claim
is that the **GREENEST**
ELECTRIC VEHICLE comes
FROM BMW. We are
reducing CO₂ emissions per
vehicle over the entire
value chain. This is what sets
the **BMW Group** apart.

Dear Shareholders,

The coronavirus pandemic has shown very clearly how important cars are to people. Demand should continue to increase overall. We aim to get sales back towards their pre-pandemic levels by the end of the year. We always take a long-term perspective. All our decisions are geared towards adding value, profitability and growth in close combination with sustainability, climate protection and secure jobs. On this basis, your company will remain a safe and attractive investment, focused on added value creation.

Our entrepreneurial independence is a valuable commodity for us. From this position, we can create a new mobility for our customers. We will be investing more than €30 billion in research and development – and the future of your company – by 2025. That alone shows how fully confident we are.

Join us in embarking on this promising decade!

*Yours
O. Zipse*

OLIVER ZIPSE

Chairman of the Board of Management

DIALOGUE WITH STAKEHOLDERS

STAKEHOLDER ENGAGEMENT

The BMW Group is an enterprise that operates on a global scale within a complex environment subject to crucial interdependencies. Business activities have an external impact and can affect the interests of many individual stakeholders as well as various categories of stakeholders. Conversely, developments occurring across society as a whole can influence the Group's business activities, both directly and indirectly. Against this backdrop, the BMW Group maintains a regular dialogue with its stakeholders in all key markets on a variety of topics.

The aim at all times is to achieve a better understanding of the positions of stakeholders and in turn provide them with greater insight into the BMW Group's activities. In pursuing this aim, the BMW Group does not shy away from critical topics and debates, but endeavours to find solutions via a constructive dialogue with stakeholders in the best interests of all concerned.

In its interaction with stakeholders, the BMW Group uses its own dialogue formats as well as participating constructively in public debates. For example, the Group has been represented at UN climate conferences for many years.

The basis for the BMW Group's engagement with stakeholders is set out in its [Stakeholder Engagement Policy](#). The document defines dialogue objectives, sets out the criteria for identifying and prioritising stakeholders, and specifies suitable dialogue formats as well as forms of communication.

BMW GROUP DIALOGUES

[BMW Group Dialogues](#) are among the main formats for interacting with stakeholders and have been held regularly since 2011. Above all, they provide an opportunity to sound out current and impending corporate strategic decisions compared with stakeholder expectations. Major topics covered in recent years have included electric mobility, the Group's energy strategy, corporate citizenship, urban mobility, and environmental and social standards in the supply chain.

Generally, BMW Group Dialogues are held annually in the BMW Group's key sales regions of North America, Europe and Asia. Stakeholder feedback is documented and incorporated in the Group's strategic considerations alongside other key factors.

PARTICIPATION IN PUBLIC POLICY DEVELOPMENT AND WORK IN ASSOCIATIONS

The BMW Group maintains an active, open and transparent dialogue with policy makers, union representatives, associations and non-governmental organisations (NGOs). The aim is to play a constructive and transparent role in helping shape the general political framework regarding the company's business activities. In this context, the BMW Group offers its expertise to promote fair competition for all those involved and find viable solutions.

The BMW Group has political offices in a number of major cities, including Berlin, Brussels, Washington DC and Beijing, giving it a worldwide presence for expressing its opinions on environmental, financial and social policy issues. The BMW Group always adopts a clear position, which it communicates in a transparent manner to external parties, regardless of the target audience it is addressing.

Apart from its own activities in terms of public policy development, the BMW Group is also a member of numerous associations in various countries. Membership is voluntary in the majority of cases, although there are some situations in which it is necessary to join associations in order to comply with legal requirements.

The BMW Group puts forward its own standpoints with a view to helping shape association policies. However, this does not mean that the Group's opinions always fully coincide with those of the associations. If there are any major differences, the Group considers the best options available for best dealing with the situation.

[BMW Group Cooperation Policy for Trade, Industry & Car Manufacturer Associations](#)

At the beginning of 2021, the BMW Group assumed the presidency of the European Automobile Manufacturers' Association (ACEA). The Association collaborates with a wide range of institutional, non-governmental research and civil society organisations as well as with a number of industry associations. The year 2021 is seen as a crucial point for the automotive industry within the European Union in terms of transitioning to sustainable mobility. The current focus of the ACEA agenda is therefore on topics such as climate protection, emissions, connected and automated driving, sustainability, research and innovation, economy and safety.

In the interest of transparency, the BMW Group always discloses the most important association memberships on its website [BMW Group Memberships](#). Furthermore, all topics that are discussed at EU level are publicly available in the [EU Transparency Register](#).

FINANCIAL MARKET PRESENCE WITH SUSTAINABILITY CREDENTIALS

Regular in-depth dialogue with capital market participants has always been a high priority for the BMW Group. Within a short space of time, sustainability has become a key driver for the financial market. Investors and analysts are increasingly considering environmental, social and governance (ESG) aspects in their investment recommendations and decision-making processes.

For many years now, its top rankings in prestigious capital market sustainability indexes have borne out the BMW Group's leading role among automobile manufacturers. In 2020, for instance, the BMW Group was

ranked first in the automotive category of the Dow Jones Sustainability Indices World and Europe. The Group also attaches particular importance to remaining in direct contact with investors and analysts. These dialogues are currently focused on the BMW Group's sustainability strategy, the related progress updates and the ambitious targets the Group has set itself to reduce carbon emissions across the entire value chain. These topics are discussed in face-to-face meetings and conversations as well as at (sometimes virtual) roadshows and conferences held at key international financial centres.

Against the backdrop of the Paris Climate Agreement, policymakers in Europe are also increasingly adopting a holistic approach to dealing with climate protection and sustainability issues. For example, the EU Action Plan for Sustainable Finance aims to redirect capital flows towards sustainable economic activities. Financial risks arising from factors such as climate change, resource scarcity and environmental degradation are set to be given greater prominence, and new approaches are being developed to manage these risks. There are also calls to promote greater transparency and long-termism regarding financial and economic activity.

In June 2020, as a key aspect of the EU Action Plan, the EU Parliament adopted a regulation to introduce a uniform classification system (taxonomy) for environmentally sustainable economic activities within the EU, with a view to achieving a sustainable allocation of capital. The Taxonomy Regulation also extends the relevant reporting requirements to companies covered by the EU CSR Directive. From the 2021 reporting year onwards, companies affected are required to disclose information on revenues, capital expenditure and operating expenses relating to economic activities that qualify as environmentally sustainable, based on the stipulated taxonomy.

The BMW Group attaches great importance to the EU Taxonomy Directive and is currently preparing for the new requirements in a Group-wide project.

Sustainability is also an important factor for the BMW Group when it comes to investing pension fund assets. At the end of 2019, the Group took a pivotal decision to apply sustainability criteria to investments held by its German pension fund. The current focus is on measuring the carbon footprint of significant parts of these assets on the one hand and the risks attached to their future performance on the other.

Concurrently, numerous benchmarks for investing in liquid assets have been replaced by ESG-optimised indices. Regarding the non-liquid portion of pension assets, a fixed amount has been reserved for upcoming investments that are intended to have a measurable, positive impact on the environment or society in general that are not based on yield considerations alone (impact investments). In addition to climate protection, the investments made to date are largely based on the Sustainable Development Goals (SDGs) set out by the UN such as health, well-being, affordable clean energy, and sustainable consumption and production.

KEY TOPICS IN 2020

The BMW Group's interaction with stakeholders includes topics brought to its attention by stakeholders as well as those in which it proactively engages in dialogue.

Key issues raised by BMW Group stakeholders in 2020 included:

- Climate protection, particularly carbon emissions
- Human rights in the supply chain, particularly regarding the procurement of raw materials for electric mobility applications
- Illegal deforestation
- Lobbying in associations
- Sustainable finance

Key topics raised by the BMW Group with stakeholders included:

- The Group's new corporate strategy objectives
- Environmental and social standards in the supply chain
- Carbon emissions in the supply chain
- Support for electric mobility and the comprehensive expansion of charging infrastructure
- Political control over emissions limits without discriminating against individual drivetrain technologies and vehicle concepts
- Continued development of the regulatory framework for automated driving and digital networks
- Support for new efficiency-enhancing technologies
- Realistic relationship between emissions targets and emission measurement methods
- Consistency between supply-side and demand-side decarbonisation policies
- Ensuring a sufficient supply of critical raw materials
- Trade policy and free trade agreements

THE NEXT STEPS:

The BMW Group intends to continue interacting with its stakeholders throughout 2021. Apart from considering ways to develop and expand its own existing formats, it will also continue to participate constructively in public formats during the coming year.

Further plans include broadening the scope of internal dialogues with employees from 2021 onwards, building on the success of this format at the BMW Group Dialogues in 2020. The aim is to make employees aware of the expectations of external stakeholders on the one hand, while at the same time enabling employees to participate in ongoing discussions and developments on the other.

The BMW Group will also continue to engage in constructive dialogue with investors and analysts focused on Socially Responsible Investments (SRI). In addition to the daily discussions held on this subject, the BMW Group's participation in SRI roadshows and conferences in global financial centres is again scheduled for 2021.

The extent to which the coronavirus situation will continue to impact direct interaction with stakeholders in 2021 remains to be seen. However, the BMW Group has fared well with its digital formats so far and has developed a range of options for maintaining dialogue with stakeholders via alternative concepts and formats.

STAKEHOLDER GROUPS AND FORMS OF DIALOGUE



↗ GRI 102-40, 102-43

BMW STOCK AND CAPITAL MARKETS IN 2020

RATINGS REMAIN AT HIGH LEVEL

The BMW Group continues to be the best-rated automobile manufacturer in Europe.

The severe impact of the coronavirus pandemic in 2020 and the accompanying repercussions for the global economy resulted in a reassessment of ratings in some industries, including the automotive sector. For some time now, the rating agencies have highlighted the major challenges currently facing the entire automotive industry in general. In light of developments in 2020, the agencies took the opportunity to reassess the credit ratings of their entire portfolio of automobile manufacturers. The more rigorous assessment resulted in a significant number of negative outlooks and downgrades being announced in the course of recent months.

In this context, Moody's lowered its long-term rating for BMW AG from A1 to A2 in March 2020 and at the same time set the outlook to "under review for further downgrade", before changing it to negative two months later in May. Also in March, the rating agency Standard & Poor's (S&P) lowered its credit rating from A+ to A, while leaving the outlook at negative.

Both agencies cite the negative trend in profitability and free cash flow as the reason for the downgrade by one rating level. Furthermore, the transformation of the automotive industry and a deterioration of the market environment in general are seen as major challenges.

The negative outlook for the long-term ratings reflects the general uncertainty regarding future developments and the potentially adverse impact of the coronavirus pandemic. In light of the prevailing circumstances, the agencies see a potentially negative impact on automobile sales, profitability and free cash flow across the automotive sector.

At the same time, however, the short-term ratings for BMW AG were confirmed by both Moody's (P-1) and S&P (A-1) and therefore remain at a high level.

The BMW Group is already benefiting from its rigorous working capital and capital expenditure management. The Automotive segment's free cash flow, for instance, exceeded market expectations not only in the fourth quarter 2020, but also for the financial year as a whole, with the EBIT margin again nearing the strategic target range of between 8 and 10%.

With its above-average ratings overall, the BMW Group continues to enjoy good access to international capital markets and is also benefiting from highly attractive refinancing conditions.

Company rating	Moody's	Standard & Poor's
Non-current financial liabilities	A2	A
Current financial liabilities	P-1	A-1
Outlook	negative	negative

TOP RANKINGS IN SUSTAINABILITY RATINGS

The BMW Group again achieved top rankings in prestigious sustainability ratings in 2020, underlining its strong position in this area. In 2020, for instance, the BMW Group was named sector leader in the Automobiles category of the Dow Jones Sustainability Indices World and Europe. It is also in the top grouping (Climate A List) of the CDP ratings list (formerly Carbon Disclosure Project) for the transparency of its carbon emissions reporting. Furthermore, the Group was again listed in the British FTSE4Good Index in 2020, is also listed by MSCI, Sustainalytics and ISS-Oekom and holds a leading position in its sector in each case.

DIVIDEND BELOW PREVIOUS YEAR'S LEVEL – PAYOUT RATIO REMAINS STABLE

The Board of Management and the Supervisory Board will propose to the Annual General Meeting that the unappropriated profit of BMW AG amounting to €1,253 million (2019: €1,646 million) be used to pay a dividend of €1.90 per share of common stock (2019: €2.50) and a dividend of €1.92 for each share of preferred stock (2019: €2.52). The payout ratio for 2020 therefore stands at 32.5% (2019: 32.8%).

BMW AG STOCK

	2020	2019	2018	2017	2016
COMMON STOCK					
Number of shares in 1,000	601,995	601,995	601,995	601,995	601,995
Stock exchange price in € ¹					
Year-end closing price	72.23	73.14	70.70	86.83	88.75
High	76.68	77.75	96.26	90.83	92.25
Low	37.66	58.70	69.86	77.71	65.10
PREFERRED STOCK					
Number of shares in 1,000	57,689	56,867	56,127	55,605	55,114
Stock exchange price in € ¹					
Year-end closing price	55.20	55.05	62.10	74.64	72.70
High	57.60	67.85	85.50	78.89	74.15
Low	32.50	47.54	60.70	67.29	56.53
KEY DATA PER SHARE IN €					
Dividend					
Common stock	1.90 ²	2.50	3.50	4.00	3.50
Preferred stock	1.92 ²	2.50	3.52	4.02	3.52
Earnings per share of common stock ³	5.73	7.47	10.60 ⁵	13.07	10.45
Earnings per share of preferred stock ⁴	5.75	7.49	10.62 ⁵	13.09	10.47
Free cash flow Automotive segment	5.15	3.90	4.12	6.78	17.45
Equity	93.26	90.92	88.26 ⁵	82.95	72.08

¹ Xetra closing prices.

² Proposed by management.

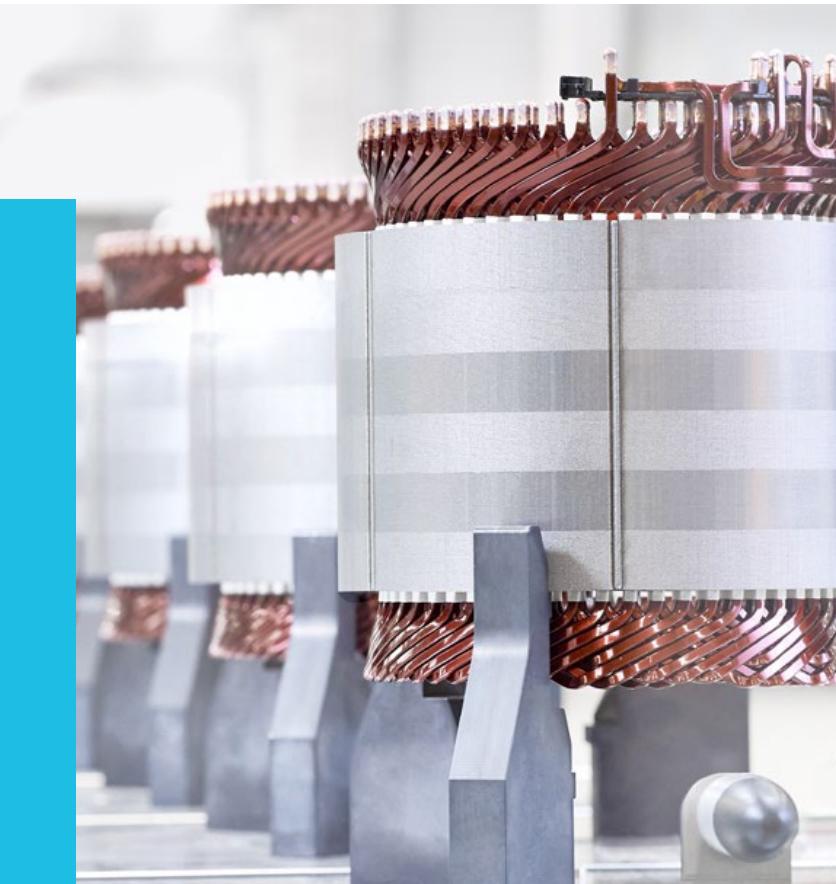
³ Weighted average number of shares for the year.

⁴ Stock weighted according to dividend entitlements.

⁵ The 2018 figures were adjusted due to the change in accounting policy in conjunction with the adoption of IFRS 16 (see Annual Report 2019, Note 6 to the Group Financial Statements).

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GENERAL INFORMATION AND GROUP PROFILE

CORE VALUES AND GUIDING PRINCIPLES

LONG-TERM THINKING FORMS THE BASIS FOR OUR ECONOMIC SUCCESS.

Long-term thinking and responsible action are an integral part of the BMW Group's corporate identity and continue to form the basis for our economic success. We strive constantly to meet the high expectations our customers have in our products. Our business model is intrinsically linked with the principle of sustainability and we see the two factors as an integral unit. We aspire to be not only the most successful, but also the most sustainable premium provider of individual mobility and always focus on the needs of our customers.

The BMW Group's stance is unwavering: ecological and social sustainability, responsibility for our products and a clear commitment to conserving resources are at the heart of our corporate strategy. We think and manage our corporate affairs in a holistic manner. For instance, we do not limit our understanding of environmental sustainability to the emissions generated by our vehicles, but rather take the entire value chain into account – whether along the supply chain, in our production processes, during the use phase or at the end-of-life recycling stage. We have firmly embedded the principle of sustainability in every aspect of our business. Our primary aim is to balance the interests of economy, ecology and society and thereby contribute to ecological and societal improvement.

Global challenges such as growing urbanisation and the finite nature of natural resources have inspired and motivated us to develop a range of innovative products and services. Climate change is one of the greatest challenges of our time and we are fully committed to the Paris Climate Agreement in order to mitigate its effects. As the BMW Group, we are making our contribution by focusing on developing and improving technologies and services that can effectively help bring about a viable reduction in the global carbon emissions caused by individual mobility. With this strategy we can create a clear competitive advantage by offering our customers emotional, trendsetting mobility solutions that are also made with sustainable principles in mind.

OUR ACTIONS AS A COMPANY HAVE A POSITIVE IMPACT ON THE ECONOMY AND SOCIETY.

We are a company operating on a global scale. As such, we acknowledge our responsibility to contribute to economic prosperity in the countries where we are located. For this reason, we not only aspire to achieve sustained profitable growth for the Group, but also to make a specific contribution towards economic development and improvement in the quality of life at the locations where we operate.

The growth of the BMW Group not only provides a reasonable return for investors, but also attractive salaries for its employees. We also make a positive contribution to society in general at the locations where we operate, firstly by paying the amounts due to public authorities (such as customs duties and taxes) and secondly in the form of social, cultural and corporate citizenship activities. ↗ **Corporate Citizenship**.

THE TRANSFORMATION OF MOBILITY AND THE ADVANCE OF DIGITALISATION ARE OPPORTUNITIES.

Mobility patterns worldwide, and hence the entire automotive industry, are currently undergoing profound change. We see this transformation as an opportunity to set new industry standards and innovate in the fields of electrification, connectivity and automated driving.

Digitalisation provides us with an excellent opportunity to take a fundamentally new approach to developing products for the benefit of our customers. We not only react to customer wishes, but also anticipate them through a good understanding of their preferences. Moreover, digitalisation enables us to redesign processes throughout the entire organisation.

WE ARE MOVING FORWARD IN OUR OWN INDEPENDENT WAY.

As societal values as well as demographic and technological conditions change, new demands on mobility solutions are constantly emerging. The ambition to fulfil those wishes and needs is the force that drives us forward. We are taking steps to ensure a viable future for our business by developing innovatively, sustainably and independently.

ORGANISATION AND BUSINESS MODEL

General information on the BMW Group is provided below. There have been no significant changes in the Group's structure compared to the previous year. Bayerische Motoren Werke Aktiengesellschaft (BMW AG), based in Munich, Germany, is the parent company of the BMW Group.

The starting point for the BMW Group's corporate strategy is to act in a consistent manner on a customer-oriented and sustainable basis. Products, brands and services are currently being developed with a clear focus on innovative technologies such as low-emissions drivetrains, digitalisation, connectivity and autonomous driving.

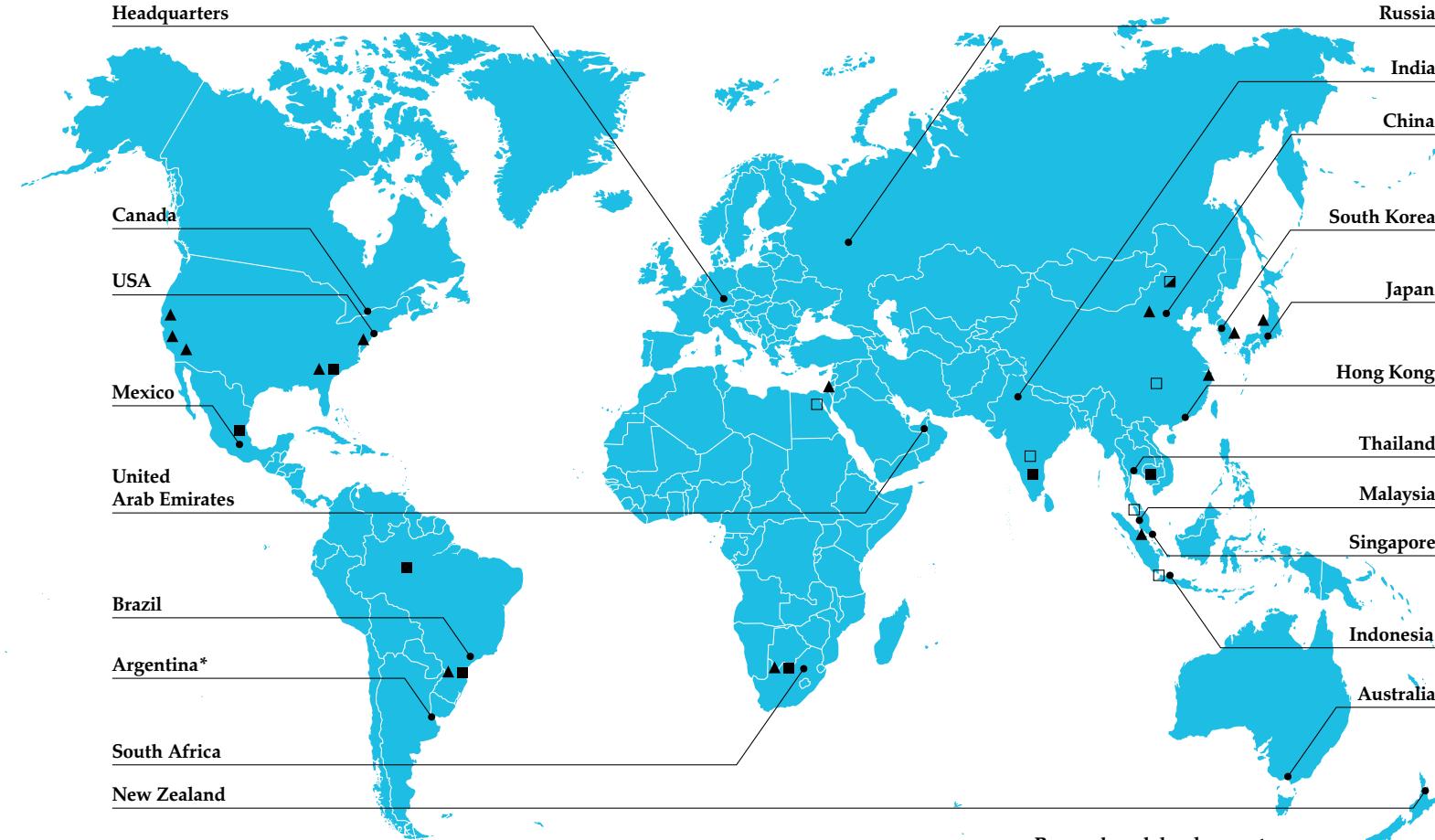
The BMW Group is one of the most successful manufacturers of automobiles and motorcycles in the premium segment worldwide. With BMW, MINI and Rolls-Royce, the BMW Group owns three of the best-known premium brands in the automotive industry. It also holds a strong market position in the premium segment of the motorcycle business. The Group sets itself clear goals in terms of sustainable, individual mobility, resource-efficient value creation, the continued development of its workforce potential and its contribution to society. Sustainability is an integral part of the Group's business model and plays a vital role in ensuring its viability going forward.

Operating on a global scale, the BMW Group employed a workforce of 120,726 people at the end of the year under report. In 2020, the BMW Group consolidated its position as one of the world's most attractive employers. Its leading role in terms of sustainability also contributes to employee loyalty within the BMW Group.

The BMW Group comprises BMW AG itself and all subsidiaries over which BMW AG has either direct or indirect control. BMW AG is also responsible for managing the Group, which is sub-divided into the Automotive, Motorcycles and Financial Services operating segments. The Other Entities segment primarily comprises holding companies and Group financing companies.

BMW GROUP LOCATIONS WORLDWIDE

Headquarters



Production outside Europe

- BMW Group plant Araquari, Brazil
- BMW Group plant Chennai, India
- BMW Group plant Manaus, Brazil
- BMW Group plant Rayong, Thailand
- BMW Group plant Rosslyn, South Africa
- BMW Group plant San Luis Potosí, Mexico
- BMW Group plant Spartanburg, USA
- ▣ BMW Brilliance Automotive, China (joint venture – 3 plants)

- Partner plants outside Europe
 - Partner plant, Chongqing, China
 - Partner plant, Hosur, India
 - Partner plant, Jakarta, Indonesia
 - Partner plant, Cairo, Egypt
 - Partner plant, Kulim, Malaysia

Research and development network outside Europe

- BMW Group Designworks, Newbury Park, USA
- BMW Group Technology Office USA, Mountain View, USA
- BMW Group Engineering and Emission Test Center, Oxnard, USA
- BMW Group ConnectedDrive Lab China, Shanghai, China, and BMW Group Designworks Studio Shanghai, China
- BMW Group Technology Office, Shanghai, China

42

Sales subsidiaries and Financial Services locations worldwide



31

Production and assembly plants



13

Countries with research and development locations



Sales subsidiaries and Financial Services

* Sales locations only.



- BMW Group Engineering China, Beijing, China
- BMW Group Engineering Japan, Tokyo, Japan
- BMW Group Engineering USA, Woodcliff Lake, USA
- BMW Group IT Technology Office, Greenville, USA
- BMW Group IT Technology Office, Singapore
- BMW Group IT DevOps Hub, Rosslyn, South Africa
- BMW do Brasil, Araquari, Brazil
- BMW Group Technology Office Tel Aviv, Tel Aviv, Israel
- BMW Group R&D Center Seoul, Seoul, South Korea

BMW GROUP LOCATIONS IN EUROPE

Norway

Germany

The Netherlands

UK

Ireland

Belgium/Luxembourg

France

Switzerland

Italy

Slovenia*

Spain

Portugal*

* Sales locations only.

Sweden

Finland*

Denmark

Czech
Republic

Poland

Austria

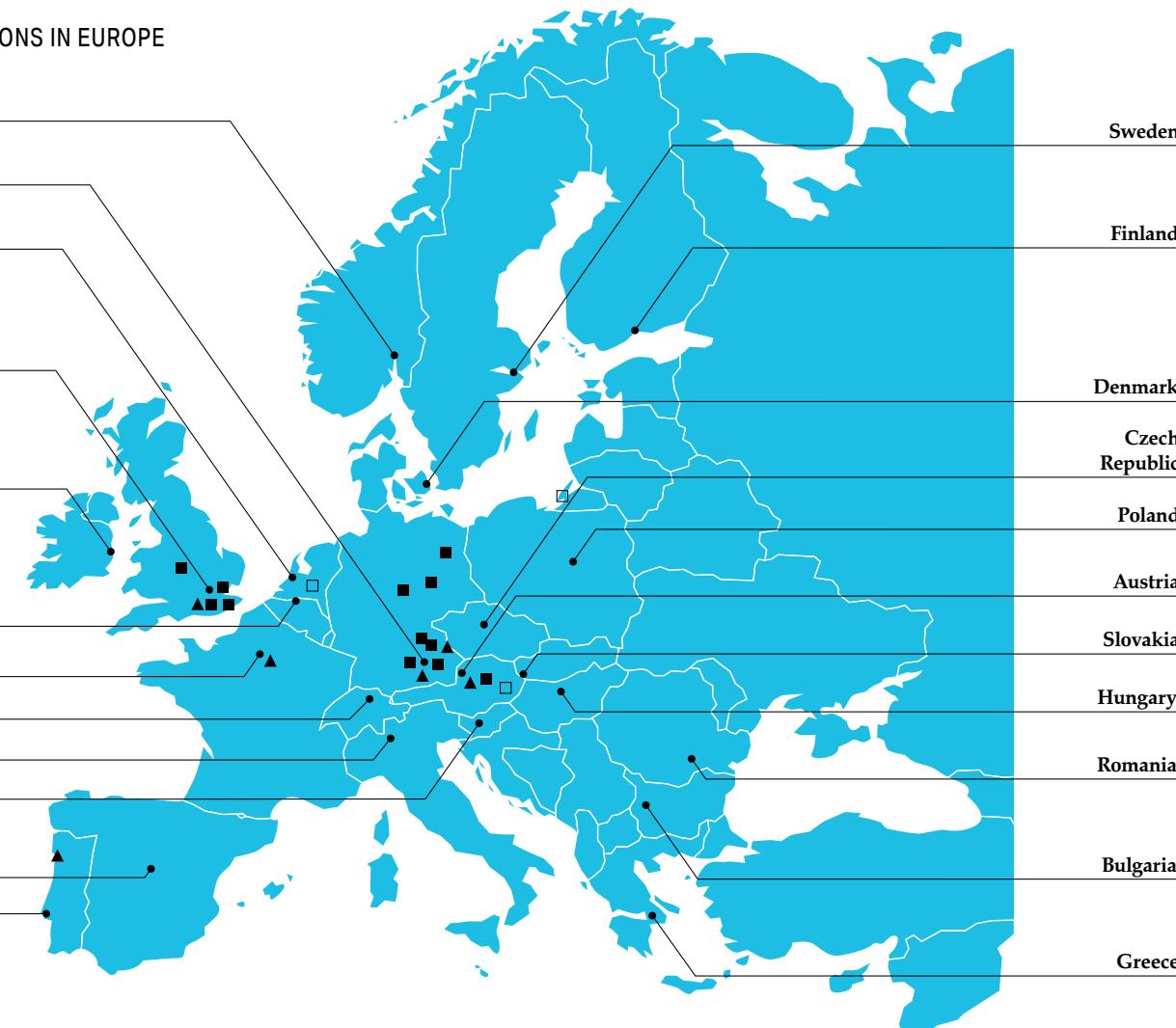
Slovakia

Hungary*

Romania*

Bulgaria*

Greece

**■ Production in Europe**

- BMW Group plant Berlin
- BMW Group plant Dingolfing
- BMW Group plant Eisenach
- BMW Group plant Landshut
- BMW Group plant Leipzig
- BMW Group plant Munich

BMW Group plant Regensburg

- BMW Group plant Wackersdorf
- BMW Group plant Steyr, Austria
- BMW Group plant Hams Hall, UK
- BMW Group plant Oxford, UK
- BMW Group plant Swindon, UK
- Rolls-Royce Manufacturing Plant, Goodwood, UK

□ Partner plants in Europe

- Partner plant, Born, the Netherlands
- Partner plant, Graz, Austria
- Partner plant, Kaliningrad, Russia

▲ Research and development network in Europe

- BMW Group Research and Innovation Centre (FIZ), Munich, Germany
- BMW Car IT, Munich, Germany
- BMW Group Autonomous Driving Campus, Unterschleißheim, Germany
- BMW Group Designworks, Munich, Germany
- BMW Group Lightweight Construction and Technology Center, Landshut, Germany
- BMW Group Diesel Competence Centre, Steyr, Austria
- Critical TechWorks S.A., Porto, Portugal
- BMW France, S. A. S., Montigny, France
- Rolls-Royce Motor Cars Ltd., Goodwood, UK

PRESENTATION OF SEGMENTS

In order to provide a better insight into the Group as a whole, this report also contains separate presentations of the Automotive, Motorcycles and Financial Services operating segments.

AUTOMOTIVE SEGMENT

The BMW brand caters to a wide variety of customer requirements. Its model portfolio comprises an extensive range of automobiles, including the premium compact class, the premium mid-size luxury class and the ultra-luxury class. Apart from fully electric models such as the BMW iX3*, which was launched in 2020, it also includes state-of-the-art plug-in hybrids and conventional models powered by highly efficient combustion engines. Together with the highly successful models of the BMW X family and the high-performance BMW M brand, the BMW Group meets the diverse expectations and needs of its customers worldwide.

The MINI brand promises driving pleasure in the premium small car segment and, apart from models powered by efficient combustion engines, also offers plug-in hybrid and fully electric variants. Rolls-Royce is the ultimate marque in the ultra-luxury segment, boasting a tradition that stretches back over more than 100 years. Rolls-Royce Motor Cars specialises in bespoke customer specifications and offers the very highest level of quality and service.

The global sales network of the BMW Group's automobile business currently comprises more than 3,500 BMW, over 1,600 MINI and some 140 Rolls-Royce dealerships.

MOTORCYCLES SEGMENT

The Motorcycles business is also clearly focused on the premium segment. The model range currently comprises motorcycles in the Sport, Tour, Roadster, Heritage, Adventure and Urban Mobility categories. BMW Motorrad also offers a broad range of equipment options to enhance rider safety and comfort. The Motorcycles business sales network is organised similarly to that of the automobiles business. Currently, BMW motorcycles are sold by more than 1,200 dealerships and importers in over 90 countries.

FINANCIAL SERVICES SEGMENT

The BMW Group is a leading provider of financial services in the automotive sector. It offers these services in around 60 countries worldwide via companies and cooperation arrangements with local financial services providers and importers. The Financial Services segment's main business is credit financing and the leasing of BMW Group brand automobiles and motorcycles to retail customers. Customers can also choose from an attractive array of insurance and banking products.

Operating under the brand name Alphabet, the BMW Group's international multi-brand fleet business provides financing and comprehensive management services for corporate car fleets in more than 20 countries. These services also include helping customers to manage their fleets on a sustainable and climate-friendly basis.

Financing dealership vehicle fleets serves to support the dealership organisation and rounds off the segment's range of services. ↗ **Products and Services**

* See ↗ Fuel Consumption and CO₂ Emissions Information.

STRATEGY, GOALS AND MANAGEMENT SYSTEM

STRATEGIC ORIENTATION OF THE BMW GROUP

Individual mobility, as the BMW Group understands it, is inextricably linked with conserving the world's natural resources. The BMW Group bases its contribution to the sustainable development of our planet on scientifically derived criteria. With this principle in mind, it combines ecological and social aspects with securing its long-term future in all its activities. The BMW Group views the combination of driving pleasure and responsibility for acting sustainably as a clear factor for differentiation. The outcome is that customers experience outstanding innovative products made by a company focused on sustainability.

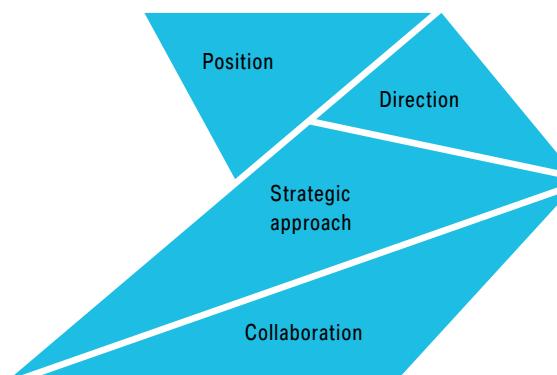
However, that is merely the starting point for the BMW Group, which intends to integrate sustainability more strongly than ever in its corporate strategy. The strategy establishes the necessary conditions to fulfill both customer expectations and regulatory requirements regarding emissions in the Group's various markets by offering a wide range of products. Its clear ambition is to ensure that all areas of the company think, manage and demonstrably act in a true spirit of sustainability.

This way of thinking has resulted in the BMW Group reaching the logical strategic decision to move away from pursuing a separate sustainability strategy and presenting a separate sustainable value report. Sustainability is

the basic pattern that shapes the BMW Group's strategy. From beginning to end, activities and plans should comprehensively be examined with regard to their economic, ecological and social impacts and the corresponding decisions taken based on an integrated approach. With effect from the financial year 2020, the Group is therefore integrating its reporting. A Group Report of this nature covers a variety of key aspects and endeavours to highlight correlations in a transparent manner. The BMW Group is therefore consciously subjecting all of its activities to a comprehensive external audit, including its activities in the area of sustainability.

THE STRATEGY ARROW – POINTING THE WAY TO THE FUTURE

The BMW Group's strategy comprises four key elements, which are summarised in a strategy arrow that points towards the future.



POSITION – WHAT DOES THE BMW GROUP STAND FOR?



The BMW Group stands for first-class individual mobility and sustained responsibility. These factors provide transparency and reliability for shareholders and investors as well as for partners in the supply chain and the production and sales system, but also for all other stakeholders, political decision makers, the media and the general public.

The BMW Group considers itself as a pioneer and sets standards for the individual mobility of tomorrow. It combines joy and responsibility without compromise and, together with its partners, leads the industry in terms of environmental, social and integrity standards. The BMW Group is committed to complying with the Paris Climate Agreement – with a verifiable track record of continuous improvement. It is promoting the principles of circular economy, both in its corporate philosophy and in close collaboration with its partners – from the supply chain to production, the use phase and the recycling of its products.

DIRECTION – WHAT IS THE BMW GROUP'S DRIVING FORCE?



Its aspiration to manufacture products that will inspire its customers – both today and in the future. That is the force that drives the BMW Group. At the same time, the Group strives to achieve a high level of profitability in order to safeguard its corporate independence and distinctively shape the mobility trends of the future. The integration of ecological and social aspects throughout its entire value chain ensures the continued viability of the BMW Group going forward.

The Group is built on a firm foundation of strong brands and emotional products. In the face of increasingly fierce competition, the BMW Group continues to hone its brand profiles and express them, among other ways, in a unique, characteristic automotive design language. Design arouses emotions and emotion drives desire. At the BMW Group, outstanding design always follows function. The kidney-shaped grille of the new BMW iX, for example, takes on a new role as a smart surface that not only conceals new technologies, but has the ability to self-heal due to the use of innovative materials, so that slight scratches disappear by themselves. ↗ **Innovation and Customer Orientation**

The products must deliver what their design promises, i.e. sportiness, quality and emotionality, a fact that applies equally to all drivetrain technologies. The BMW Group is a leading supplier of electrified vehicles, the foundation for which was laid at an early stage by project i with the all-electric BMW i3 in 2013. Meanwhile, the Group is in the middle of its second phase: In order to keep pace with growing market demand, it is expanding its offering of electric drivetrains across all segments. With its flexible platforms and the fifth generation of in-house developed fully electric drivetrains, the BMW Group can offer its customers worldwide a broad and mature range of products. For example, the all-electric MINI Cooper SE* and the BMW iX3* were both launched in the course of 2020 and will be followed by the BMW i4 and the BMW iX* in 2021.

In future, models such as the high-volume BMW 5 Series and the X1 as well as the BMW 7 Series will be available with four different types of drivetrain – all-electric, plug-in hybrid, petrol and diesel. Moreover, the BMW Group is preparing for the third phase of its transformation with a new vehicle architecture starting in the mid-2020s. Over the next ten years, the Group intends to have more than seven million of its electrified vehicles on roads worldwide – at least two-thirds of them all-electric models.

With this aim in mind, the BMW Group is systematically expanding its product range and progressively enhancing both its technologies and its vehicle architectures, the latest of which are entirely centred on fully electric drivetrain systems. At the same time, the Group is taking another major step in terms of digitalised connectivity, not only within the vehicle itself, but also in its corporate processes.

As part of its Performance Programme, the BMW Group is also working to continuously raise its level of efficiency in order to compensate for the high upfront expenditures required for the technologies that will shape the world of tomorrow. Profitability and free cash flow have a high priority within the BMW Group's corporate management system. All the measures and initiatives it takes are therefore aimed at continually developing its strong economic base.

Moreover, to express the importance of its ability to perform in economic terms, the BMW Group has set itself ambitious financial targets in the course of realigning its strategy. In future, the key performance indicators (KPIs) already used in the annual outlook, namely

1. Profit before financial result as a percentage of Automotive segment revenues (EBIT margin Automotive segment) and
2. Return on capital employed for the Automotive segment (RoCE Automotive segment)

will also be integrated as KPIs at the strategic level. The aim is for the Automotive segment's EBIT margin to rise steadily again to between 8 % and 10 % and for the RoCE to reach a level of at least 40 % in the future.

The two segment-related profitability indicators will be supplemented by the KPI

3. Group profit before tax as a percentage of Group revenues (BMW Group EBT margin).

With this strategy, the BMW Group intends to generate a Group EBT margin in excess of 10 %. In terms of KPIs, the equivalent to Group EBT margin for corporate management purposes is Group profit before tax (EBT). ↗ Management System and ↗ Outlook

With regard to free cash flow, the BMW Group focuses particularly on capital expenditure and the systematic management of working capital.

Even faster digitalised processes and lean structures are key prerequisites for consistently leveraging efficiencies. During the coronavirus pandemic year 2020, for example, advances in digitalisation enabled the BMW Group to maintain direct contact with its customers, despite lockdowns worldwide. Digitalisation is helping to shorten the process of developing new vehicle models by up to one-third. When the BMW Group transitions to the more advanced smart vehicle architectures in 2021, the conventional drivetrain variants will be largely phased out to make way for electrified drivetrains such as mild hybrid, plug-in hybrid and fully electric systems. These results will already begin to take effect from 2022.

Moreover, as one of its efficiency initiatives, the Group regularly assesses how complexity can be reasonably reduced. Complexity arises due to increasingly strict and globally heterogeneous regulatory requirements. The Group-wide Performance Programme also includes making the most of synergies and efficiencies in indirect purchasing as well as in terms of materials and production costs. And it goes without saying that the BMW Group is selectively bolstering its performance with attractive new models – especially in segments generating the highest returns.

STRATEGIC APPROACH – WHERE IS THE BMW GROUP HEADING?



The BMW Group places the strategic emphasis on its customers and their varying requirements worldwide. In the BMW Group, trendsetting technologies, emotional products and individualised customer service merge to create a unique overall experience for customers.

Its strategy is therefore of a dynamic nature. On the one hand, the Group's market environment is characterised by stable trends. This includes people's need for individual mobility, which the BMW Group is convinced will remain strong and grow further in the years to come. On the other hand, however, it needs to be able to respond to uncertain developments both flexibly and with a sense of proportion. These developments can be of a (geo)political nature, but also come in the form of fully unexpected events such as the coronavirus pandemic. In 2020, the Board of Management realigned the core elements of the BMW Group's strategy and focused them on the key technology areas that are expected to shape the future.

Innovative technologies are the key to the future of mobility going forward. By 2025, the BMW Group intends to invest more than €30 billion in research and development to reinforce its role as a leader of innovation. The Group's plans are also an expression of confidence in terms of the way it sees business developing going forward. Its ability to integrate a broad variety of technologies in an overall system is of crucial importance. Companies that succeed in mastering and combining both hardware and software in equal measure are those which will shape the future of the automobile in the long term.

HOW DOES THE BMW GROUP ENSURE COOPERATION?



To achieve its strategic goals, the entire team of some 121,000 employees worldwide needs to work in a spirit of cooperation to implement the strategy, based on the principles of responsibility, appreciation, transparency, trust and openness. The BMW Group therefore works hand in glove with both internal and external partners with the twin aims of achieving maximum effectiveness and joint success.

The Group needs to tackle the entrepreneurial, ecological and social challenges in equal measure to accomplish these aims. Decisions need to be analysed with regard to their interactions and consequences in the overall context. Success is not something to be simply taken for granted, but has to be worked for every day anew. Everyone needs to work hard for "their" company and deliver maximum performance in order to reach the common goal. Success in corporate terms is always the joint success of all BMW Group employees together with their partners. For this reason, it is also a key aspiration of the BMW Group to be an attractive employer.

SUSTAINABILITY PLACED AT CORE OF CORPORATE STRATEGY

Sustainability is intrinsic to the BMW Group's strategic orientation. At the end of July 2020, the Board of Management of BMW AG announced the first details of this strategy and presented targets to which the enterprise will remain committed for the period up to 2030. In this endeavour, the BMW Group is building on a solid foundation. In recent years and decades, it has also repeatedly set standards in sustainability that are acknowledged by external, independent bodies. In 2020, for example, the BMW Group took back industry leadership in the automotive sector in the Dow Jones Sustainability Indices World and Europe. The BMW Group therefore occupies the top spot among automotive manufacturers ↗ **Dialogue with Stakeholders**. It is also in the top CDP grouping for its transparent disclosure of carbon emissions. The principle of continuous improvement has always been a key aspect of the BMW Group's strategy.

The Group has therefore given a commitment to achieve climate neutrality across the entire value chain by no later than 2050. In view of the long-term nature of its targets and the fact that, from today's perspective,

the technological and economic route remains uncertain, the BMW Group sets its targets one decade at a time. In 2020, for example, the Group set itself specific goals for the year 2030 based on scientific information. New science-based targets have emerged from the initiative of the same name (SBTI). These targets are fully in line with the requirements of the Paris Climate Agreement and put the BMW Group on the path towards climate neutrality.

Carbon emissions are to be reduced by at least one-third per vehicle over the entire life cycle, from the supply chain to production to the end-of-life phase. The BMW Group expects environmental and social standards to be upheld by all participants in the supply chain, including those delivering critical raw materials. The BMW Group aims to ensure the most sustainable supply chain in the industry.

The new target framework represents a systematic continuation of the ten strategic sustainability goals already announced in 2012, which have been rigorously pursued in the period from 2012 to 2020. These sustainability goals were divided into three main fields of action:

1. Products and services

The increasing electrification of the BMW Group's fleet and the systematic further development of combustion engines made it possible to remain within the fleet CO₂ limit set by the EU in the 2020 reporting period, taking all regulatory requirements and regulations into account.  As a result, the Group also achieved the target it set itself in 2012 of halving the carbon emissions generated by its European new vehicle fleet in the period from 1995 to 2020.  **Carbon Emissions and Pollutants** 

2. Production and value creation

Since 2020, the BMW Group has obtained all of its production-related, externally generated electricity from renewable sources, in line with the target set by the Group.  **Renewable Energy**

3. Employees and society

Women accounted for 19.5 % of the BMW Group's total workforce during the year under report (BMW AG: 15.9 %) and therefore above the target range of 15 % to 17 % set for 2020. At 17.8 %, the proportion of women in management positions at BMW Group (BMW AG: 16.2 %) was also within the target range at the end of 2020. The high proportion of women in junior management programmes also forms the basis for a further increase in the number of women in management positions over time.  **Employee Diversity**

NEW AND AMBITIOUS TARGET FRAMEWORK BY 2030

The BMW Group is firmly convinced that the fight against climate change and the responsible use of resources will determine the future of our society – and thus also that of the BMW Group. Particularly as a premium manufacturer, the BMW Group aspires to lead the way in promoting sustainability and is therefore also taking responsibility with regard to this key topic.

This also means facing up to the challenges of the future, but also making effective use of opportunities as they arise. With this in mind, the BMW Group focuses on the performance and diversity of its workforce, whereby the proportion of women in management positions at BMW Group is seen as a key performance indicator for the future.

Moreover, the BMW Group is rigorously going one step further by setting itself new and ambitious sustainability targets for 2030. They are an inherent aspect of strategic management and include the upstream supply chain, the Group's own manufacturing operations as well as the customers' use phase.

The corresponding key non-financial performance indicators are:

1. CO₂ emissions per vehicle produced
2. CO₂ emissions of the new vehicle fleet*
3. Proportion of electrified vehicles in total deliveries

In future, the key non-financial performance indicators will be supplemented to include CO₂ emissions generated in the supply chain. The corresponding strategic focus is firmly established in every area of the company.

* EU including Norway and Iceland.

Strategic targets 2020



2020 TARGETS ACHIEVED

- 53 %

CO₂ EMISSIONS IN THE
EUROPEAN NEW VEHICLE
FLEET IN THE PERIOD FROM
1995 TO 2020



100 %

ELECTRICITY PURCHASED FOR
THE BMW GROUP'S PLANTS
WORLDWIDE SINCE 2020 FROM
RENEWABLE ENERGY SOURCES



PRODUCTS AND
SERVICES

PRODUCTION, PURCHASING
AND SUPPLIER NETWORK

17.8 %

PROPORTION OF WOMEN
IN MANAGEMENT POSITIONS
IN THE BMW GROUP



EMPLOYEES AND
SOCIETY

CARBON TARGETS FOR THE VEHICLE'S USE PHASE

By 2030, the carbon emissions generated by BMW Group vehicles are to be reduced by more than 40 % per kilometre driven. The BMW Group has been working successfully for many years to reduce the level of carbon emissions of its new vehicle fleet worldwide. As well as complying with its legal obligations, the Group has always remained true to its voluntary commitments. The early deployment of Efficient Dynamics technologies since 2007 and the ongoing electrification of its vehicle fleet form the dual basis for continued compliance with statutory carbon emissions and fuel consumption limits going forward.

As a pioneer of electric mobility, the BMW Group is in the process of significantly expanding its range. By the end of 2021, it aims to have over one million vehicles powered by either all-electric or plug-in hybrid drivetrains on the road. BMW Group customers will then be able to choose from a range of five fully electric series-produced models.

The BMW Group intends to have 25 electrified models on the road by 2023. The plan is based on flexible vehicle architectures and production systems that enable a model to be manufactured as an all-electric version, as a plug-in hybrid or powered by a conventional internal combustion engine. This approach gives the BMW Group the flexibility to take account of changes in market demand as well as differences in regulatory requirements and infrastructure in the various markets in which it operates. The BMW Group forecasts that demand for its electrified vehicles is set to double by 2021 compared to 2019. According to the BMW Group's forecasts, by 2021 the sale of electrified vehicles is expected to double compared to 2019 figures. By 2025, the proportion of electrified cars in total Group deliveries is expected to rise to at least 25 %. However, Group decarbonisation targets are far more ambitious. By 2030, it aims to reduce carbon emissions per kilometre driven during a given vehicle's use phase by more than 40 % compared to 2019 (Scope 3 downstream). ↗ **Carbon Emissions and Pollutants** The target is within the range defined by the SBTi's calculations to limit global warming to between 1.5 and 1.75 degrees Celsius.

CARBON EMISSIONS IN PRODUCTION AND AT BUSINESS LOCATIONS BY 80 %

The BMW Group has a direct influence on the carbon emissions generated at its own plants and locations and has therefore been a leader in terms of resource efficiency in this field for many years. Its underlying aspiration is even more ambitious than the international pursuing efforts of limiting global warming to 1.5 degrees Celsius. ↗ Despite having already reduced the level of carbon emissions per vehicle produced by more than 70 % since 2006, ↘ the BMW Group intends to additionally reduce carbon emissions per vehicle produced, which are generated directly by its own combustion processes (Scope 1) and indirectly by external energy sources (Scope 2), by a further 80 % by 2030 (base year 2019). Accordingly, by 2030 carbon emissions are expected to have dropped by over 90 % compared with 2006 levels. ↗ **Resource Consumption and Resource Efficiency**

Alongside the purchase of electricity, 100 % of which has been obtained from green, renewable sources* since 2020, ↗ **Renewable Energy** the BMW Group will continue to systematically invest in optimising its energy efficiency and also intends to exploit the opportunities offered by digitalisation in the process. Even today, the Group's production processes are already highly efficient – for example, by reducing the volume of rejects in car body construction to a minimum and by planning the ongoing maintenance of its machinery on a predictive basis. The BMW Group will also examine the potential for the broader deployment of renewable energy at its various locations worldwide. The use of green hydrogen to generate power can also play a key role.

* Electricity generated from in-house renewable power plants, direct supply contracts for green electricity and certified guarantees of origin.

CO₂ IN THE SUPPLY CHAIN: TREND REVERSAL AND SIGNIFICANT REDUCTION

In view of the increasing number of electric vehicles on roads worldwide, far greater attention will also have to be paid to upstream value creation when it comes to reducing carbon emissions going forward – particularly in light of the energy-intensive production of high-voltage batteries. Due to the greater proportion of electrified vehicles, carbon emissions generated per vehicle in the BMW Group's supply chain are set to rise by more than one-third by 2030 if no countermeasures are taken. At the same time, as the volume of carbon emissions generated during the use phase decreases, the total percentage of emissions caused by the supply chain and attributable to the Group will increase. This situation requires the BMW Group to set its own strategic targets.

The Group not only aims to halt the rise in the level of carbon generated by the supply chain that would be expected without taking countermeasures (Scope 3 upstream), it also intends to reduce emissions per vehicle by at least 20%* by 2030 (base year 2019). In its efforts to achieve this aim, among other measures the BMW Group is establishing the carbon footprint of the supply chain as a decision-making criterion when awarding contracts. With this end in mind, the Group took the step of initiating a dialogue with its most important suppliers in terms of their carbon footprint during the period under report. The BMW Group is playing an exemplary role in working with well-documented and measurable carbon emission targets for its supply chain.

As a concrete example of the measures taken, the Group has already entered into contractual agreements with its cell manufacturers that only green electricity will be used to produce the fifth generation of battery cells, a move that should lead to a total saving of around ten million tonnes of carbon dioxide over the next ten years.

Moreover, the BMW Group is currently in the process of creating the organisational conditions that enable it to reliably record and document the size of the carbon footprint generated via its supply chain. This, in turn, is the key prerequisite for taking subsequent measures to reduce and effectively manage it, fully in line with the BMW Group's declared strategy of continuous improvement. ↗ **Purchasing and Supplier Network**

Task Force on Climate-related Financial Disclosures (TCFD)

In its reporting procedures, the BMW Group also takes the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into account in order to report transparently on climate risks and opportunities for operational and financial reporting purposes. Firstly, it reports on this topic in detail in its BMW Group Report and secondly in the CDP questionnaire, which has incorporated the TCFD recommendations since 2018. The BMW Group's 2020 CDP questionnaire is available on the ↗ **BMW Group Website**. The TCFD Index ↗ **TCFD-Index** in the appendix provides a compact overview of the key statements contained in the four TCFD core elements as well as their location in the BMW Group Report and the CDP questionnaire.

* Value rounded for simplification purposes. The target percentage validated in conjunction with SBTi is 22%.

RESPONSIBLE USE OF RESOURCES – ENTERING THE CIRCULAR ECONOMY

Not only decarbonisation but also the responsible use of resources plays a key part in the BMW Group's strategy. In practical terms, this means primarily avoiding waste or reducing it to an absolute minimum. However, as resources are scarce and many raw materials are only available in limited quantities, the reuse of materials and raw materials in the form of secondary materials is becoming increasingly key for manufacturing processes going forward.

For example, the growing popularity of electric mobility worldwide cannot be covered by primary materials alone in the long term. Furthermore, there is a strong synergy between the conservation of primary natural resources and carbon dioxide emissions. Therefore, from a sustainability perspective, the underlying flows of resources require some rethinking. The BMW Group aims to obtain high-quality secondary materials through promoting a greater degree of transparency in the recycling chain and simultaneously tracing the reuse of (secondary) raw materials within the cycle.

The Group has the clear objective of promoting the circular economy principle by using raw materials even more efficiently in order to protect nature's finite resources.

Even today, vehicles are already required to be 95 % recyclable. However, the proportion of secondary raw materials used to manufacture new vehicles is still comparatively low. In view of this key point, the BMW Group plans to considerably increase this proportion in its vehicles by 2030 – and is already exploring some very far-reaching scenarios. ↗ The use of secondary materials again significantly reduces carbon emissions in comparison to primary materials – by as much as 80 % in the case of aluminium, for example. Keeping the extraction of raw materials to a minimum is an ideal way of protecting existing resources. In the case of critical raw materials, for example, any political conflicts in the producing countries could also give rise to risks for the BMW Group's procurement activities, which can be mitigated through the use of secondary products.

Particularly in view of the high-voltage batteries needed to power electrified vehicles, which can entail the use of critical raw materials, the circular economy has a decisive role to play. In close collaboration with the German recycling specialist Duesenfeld, the BMW Group has developed a process that can achieve a recycling rate of up to 96 % – including the graphite and electrolytes these devices contain. The BMW Group already offers all customers who own a vehicle equipped with a high-voltage battery to take the devices back free of charge. The offer also applies to regions where it is not legally obliged to do so.

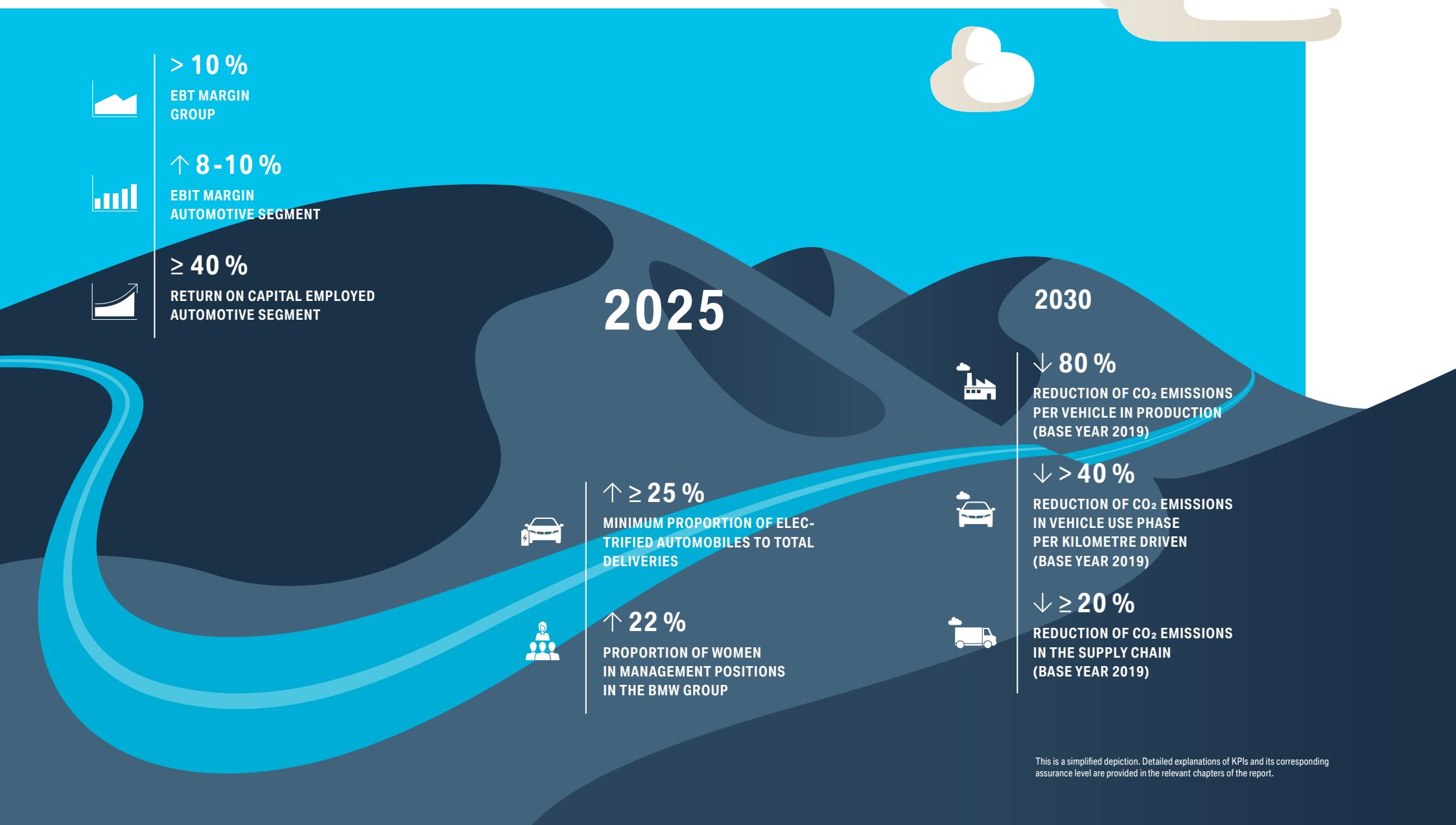
In order to monitor and verify flows of goods on a global basis, the BMW Group is also using digital tools in pilot processes, including blockchain technology. The PartChain project, for example, enables the Group to collect supply chain data using a method that is both verifiable and tamper-proof at all times. In the long term, this technology could enable critical raw materials in particular to be fully traceable from the mine to the smelter. ↗ **Resource Consumption and Resource Efficiency** ↘

SECURING LONG-TERM SUCCESS

In order to create value for the BMW Group, the environment and society in general, sustainability is integrated throughout the entire value chain and all its underlying processes. And the evidence of how this Group strategy is being implemented underlines its tangible impact. It sets out clear guidelines and points the way forward in terms of how the BMW Group intends to shape the individual premium mobility of tomorrow. The BMW Group will move forward in its own independent way and continue the long-term process of developing on a sustainable and profitable basis.

The BMW Group's strategic goals up to the years 2025 and 2030 respectively are summarised in the presentation below:

Strategic targets



Managing sustainability

The BMW Group's long-term strategic course is determined by the full Board of Management, which is therefore also responsible for implementing the Group's sustainability goals. In 2019, the separate format of the Board of Management's Sustainability Board was fully incorporated into the regular meetings of the Board of Management, enabling sustainability issues to be even more systematically integrated within the BMW Group's decision-making processes. Since then, sustainability has been treated like every other topic and discussed at Board of Management meetings as the need arises. Moreover, all requests for decisions referred to the Board of Management are required to be assessed beforehand in terms of their sustainability. A Strategy and Structure Circle, comprising the top management of the various company divisions, prepares the drafts of decisions to be taken for the Board of Management after also taking sustainability issues into account.

The BMW Group's corporate governance principles are set out in detail in its [Corporate Governance Statement](#). [GRI 102-18, 102-19, 102-20, 102-26, 102-27, 102-31, 102-33](#)

The Group's targets for sustainability are applied at business unit level and overall area of responsibility level. As a consequence, the individual targets set for managers include sustainability aspects and criteria that have an impact on performance-based compensation. [GRI 102-19, 102-28](#)

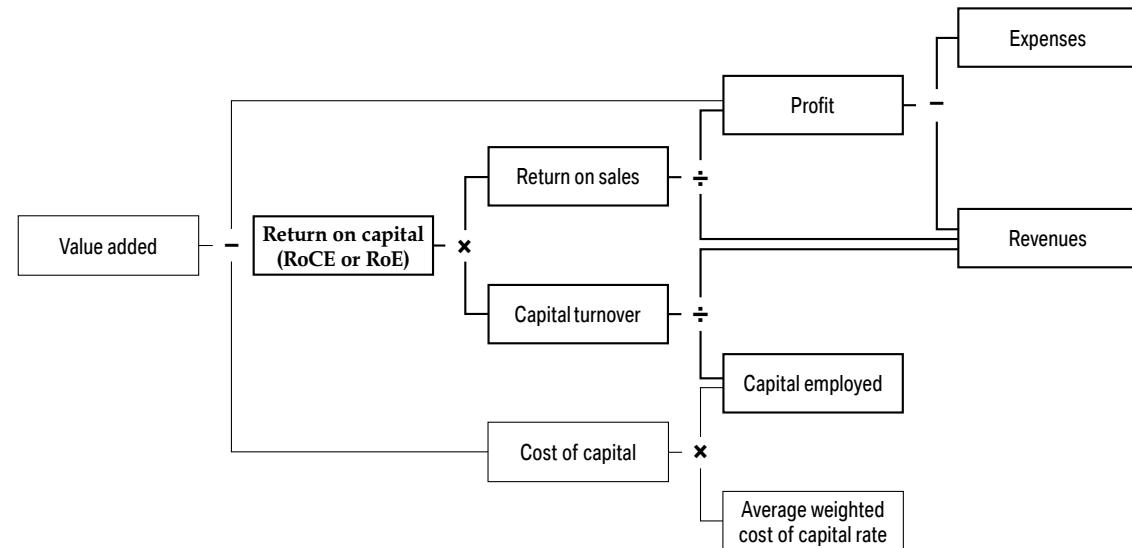
The Supervisory Board decides on the amounts awarded to members of the Board of Management [Remuneration Report](#), basing its decisions on the sustainable development of the BMW Group as a whole. Bonuses are partially based on personal performance and assessed primarily according to qualitative criteria. These include ecological innovations (e.g. carbon emission reductions), leadership accomplishments and the ability to manage change processes. Additional criteria include enhancing the company's attractiveness as an employer, progress in implementing the diversity concept and activities that encourage corporate citizenship within the BMW Group. [GRI 102-27, 102-28, 102-35](#)

MANAGEMENT SYSTEM

The BMW Group's business management system follows a value-based approach that focuses on profitability, consistent growth, value enhancement for capital providers, sustainability, climate protection and job security. Capital is considered to be employed profitably when the amount of profit generated sustainably exceeds the cost of equity and debt capital. This strategy also secures the desired degree of corporate autonomy in the long term.

The BMW Group's internal management system is based on a multilayered structure. Operating performance is managed primarily at segment level. In order to manage long-term corporate performance and assess strategic issues, additional key performance figures are taken into account within the management system at Group level. In this context, the value added serves as one of several indicators for the contribution made to enterprise value during the financial year. This approach is made operational at both Group and segment level through key financial and non-financial performance indicators (value drivers). The link between value added and the relevant value drivers is presented in a simplified form below.

BMW GROUP – VALUE DRIVERS



Due to the very high level of aggregation, it is impractical to manage the business on the basis of value added. This key indicator is, however, used for reporting purposes. In addition, relevant value drivers having a significant impact on business performance and therefore on enterprise value are defined for each controlling level. The financial and non-financial value drivers are reflected in the key performance indicators used to manage the business. In the case of project-related decisions, the target system follows a project-oriented management logic that is based on net present values and profitability performance indicators, thereby providing a fundamental basis for decision-making.

MANAGEMENT OF OPERATING PERFORMANCE AT SEGMENT LEVEL

Operating performance at segment level is managed at an aggregated level on the basis of returns on capital. Depending on the business model, the segments are measured on the basis of return on total capital or return on equity. Specifically, return on capital employed (RoCE) is used for the Automotive and Motorcycles segments and return on equity (RoE) for the Financial Services segment. These indicators combine a wide range of relevant economic information, such as profitability (return on sales) and capital efficiency (capital turnover) to measure segment performance and the development of enterprise value.

AUTOMOTIVE SEGMENT

The most comprehensive key performance indicator used for the Automotive segment is RoCE. This indicator provides information on the profitability of capital employed and the operational business. Value driver analyses can be used to interpret the causes of a change in RoCE and derive suitable measures to influence its development. RoCE is measured on the basis of segment

profit before financial result and the average capital employed in the segment. The strategic target for the Automotive segment's RoCE is 40 %.

$$\text{RoCE Automotive} = \frac{\text{Profit before financial result}}{\text{Average capital employed}}$$

RETURN ON CAPITAL EMPLOYED

	Profit before financial result in € million		Average capital employed in € million		Return on capital employed in %	
	2020	2019	2020	2019	2020	2019
Automotive	2,162	4,499	17,026	15,513	12.7	29.0

Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that generally do not incur interest (e.g. trade payables and other provisions).

Due to its key importance for the Group as a whole, the Automotive segment is managed on the basis of additional key performance indicators that have a significant impact on RoCE and hence on segment performance. These value drivers are the number of vehicle deliveries and the operating return on sales (EBIT margin: segment profit before financial result as a percentage of segment revenues) as the key performance indicator for segment profitability.

Furthermore, the segment manages its compliance with fleet CO₂ targets in regulated markets. This also includes the proportion of total deliveries accounted for by electrified vehicles. Since compliance with regulatory requirements has a significant impact on the company's success, business decisions relating to vehicle projects also take fleet CO₂ requirements into consideration. In order to take account of the increasing relevance of carbon emissions over the life cycle of a vehicle, in 2020 a control logic was agreed upon to measure this factor during the manufacturing phase (supplier network, logistics, production).

MOTORCYCLES SEGMENT

As with the Automotive segment, the Motorcycles segment is managed on the basis of RoCE. Capital employed is determined on the same basis as in the Automotive segment. The strategic RoCE target for the Motorcycles segment is 40 % as in the Automotive segment.

$$\text{RoCE Motorcycles} = \frac{\text{Profit before financial result}}{\text{Average capital employed}}$$

RETURN ON CAPITAL EMPLOYED

	Profit before financial result in € million		Average capital employed in € million		Return on capital employed in %	
	2020	2019	2020	2019	2020	2019
Motorcycles	103	194	687	660	15.0	29.4

The main value drivers include the number of deliveries and the operating return on sales (EBIT margin: segment profit before financial result as a percentage of segment revenues) as the key performance indicator for segment profitability.

FINANCIAL SERVICES SEGMENT

As commonly practised in the banking sector, the Financial Services segment is managed on the basis of return on equity (RoE). RoE is defined as segment profit before tax, divided by the average amount of equity capital in the Financial Services segment. The target is a return on equity of at least 14 %.

$$\text{RoE}_{\text{Financial Services}} = \frac{\text{Profit before tax}}{\text{Average equity capital}}$$

RETURN ON EQUITY

	Profit before tax in € million		Average equity capital in € million		Return on equity in %	
	2020	2019	2020	2019	2020	2019
Financial Services	1,725	2,272	15,343	15,146	11.2	15.0

STRATEGIC MANAGEMENT AT GROUP LEVEL

Strategic management and the quantification of financial implications based on long-term corporate planning are performed primarily at Group level. Key performance indicators in this context include Group profit before tax and the size of the workforce at the year end. Group profit before taxes provides a comprehensive measure of the Group's overall corporate performance after consolidation effects and a transparent basis for comparing performance over time.

The information provided by these non-financial performance indicators is complemented by the two financial key performance indicators of pre-tax return on sales and value added. Value added, as a highly aggregated performance indicator, also provides an insight into capital efficiency and the (opportunity) cost of capital required to generate Group profit. A positive added value means that a return on investment above the cost of capital has been achieved.

VALUE ADDED GROUP

in € million	Earnings amount		Cost of capital (equity + debt capital)		Value added Group	
	2020	2019	2020	2019	2020	2019
BMW Group	5,464	7,369	8,061	7,812	-2,597	-443

Value added Group

- = earnings amount – cost of capital
- = earnings amount – (cost of capital rate × capital employed)

Capital employed comprises the average amount of Group equity and pension provisions as well as the financial liabilities of the Automotive and Motorcycles segments employed at the end of the last five quarters in each case. The earnings amount corresponds to Group profit before tax, adjusted for interest expense incurred in conjunction with the pension provision and the financial liabilities of the Automotive and Motorcycles segments (profit before interest expense and taxes). The cost of capital is the minimum rate of return expected by capital providers in return for the capital employed. Since capital employed comprises an equity capital (e.g. share capital) and a debt capital element (e.g. bonds), the overall cost of capital rate is determined on the basis of the weighted average rates for equity and debt capital, measured using standard market procedures. The pre-tax average weighted cost of capital for the BMW Group in 2020 was 12 %, unchanged from the previous year.

In order to determine the internal rate of return, risk-adjusted cost of capital rates are based on the average of actual rates in recent years. In light of the long-term nature of product and investment decisions, the following internal rates of return are used in conjunction with segment management:

in %	2020	2019
Automobile	12.0	12.0
Motorcycles	12.0	12.0
Financial Services	13.4	13.4

VALUE-BASED MANAGEMENT FOR PROJECT DECISIONS

Operational business in the Automotive and Motorcycles segments is largely shaped by the life-cycle-dependent character of investment projects, which have a substantial influence on future business performance. Project-related decisions are therefore a crucial element of financial management in the BMW Group.

Project decisions are based on calculations derived from the expected cash flows of each individual project. Calculations are made for the full term of a project, incorporating future years in which the project is expected to generate cash flows. Project decisions are taken on the basis of net present value and the internal rate of return calculated for the project.

The net present value indicates the extent to which the project will be able to generate future net cash inflows over and above the cost of capital. A project with a positive net present value enhances future value added and therefore results in an increase in enterprise value. The internal rate of return of the project shows the average return on the capital employed in the project. In this respect, there are conceptual links between the internal rate of return and the multi-year average RoCE.

For all project decisions, the project criteria and long-term periodic results impact are measured and incorporated in the long-term Group planning. This approach enables an analysis of the impact of project decisions on periodic earnings and rates of return for each year during the term of the project. The overall result is a cohesive management model.

HOW THE BMW GROUP CREATES VALUE

Within the BMW Group, value creation is a comprehensive process involving a broad range of positive factors, some of which interact in complex ways. These factors may be of a financial or a non-financial nature and relate to both tangible and intangible values that are geared towards creating additional value using a minimum of resources. These input factors form the basis that drives the BMW Group's overall performance.

According to the input-output model of the IIRC framework, the factors on both the input and the output side are divided into six different types of capital, which can be distinguished as follows:

1. Financial capital
2. Human capital
3. Intellectual capital
4. Relationship capital
5. Produced capital
6. Natural capital

The BMW Group's financial capital is defined in terms of equity capital and total assets, the latter corresponding to the balance sheet total. An appropriately high equity ratio (i.e. equity as a percentage of total assets) makes a significant contribution to safeguarding the corporate independence of the BMW Group and forms a solid basis for high earnings and therefore stable dividends for the shareholders.

The BMW Group's solid economic base is inextricably linked with its human and intellectual capital. These two precious assets constitute the greatest factor in the enduring success of the Group as a whole and play a key role in tackling the challenges of the future. They combine the knowledge, skills, abilities, strengths and talents of the BMW Group's workforce and are among the most important value factors for the Group.

In its international R&D network, the BMW Group offers its innovation-minded employees excellent conditions that enable them to create the solutions that will shape tomorrow's world. The high degree of motivation to innovate and the willingness to perform, both of which are firmly anchored throughout the entire workforce, are equally expressed in the lively participation in Group-wide ideas management as well as in the outstanding level of employee satisfaction. A key pillar of the BMW Group's personnel development strategy is to develop this success factor in a targeted manner. In addition to its many other levers, the Group attaches great importance to the personal advancement of each individual, which also includes providing opportunities for further training.

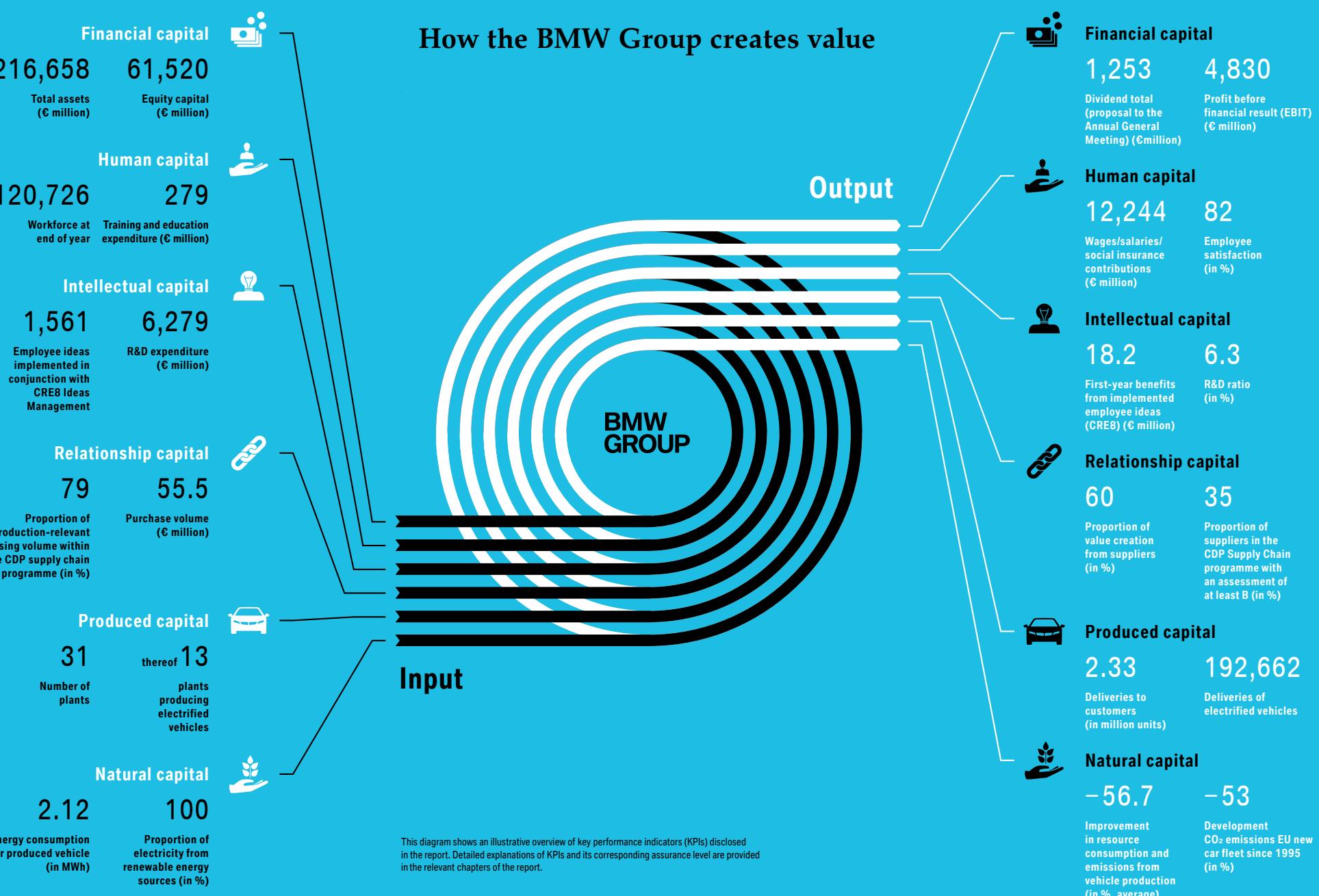
For the BMW Group, innovation means rigorously taking the next step. In this context, it also collaborates closely with its partners in the supplier network. The

stable relationships, which have developed over a long period of time in many cases, have created a capital of inestimable value, a fact amply demonstrated not least in the 2020 pandemic year. Even under the challenging conditions of the global lockdown in 2020, the BMW Group's supply chains remained firm; a feat only possible when the partners share common standards and values and can truly depend on one another. ↗ **Purchasing and Supplier Network**

The backbone of the BMW Group's produced capital is formed by the 31 plants in its global production network, across which it manufactured a total of 2.26 million premium vehicles during the 2020 reporting period. Thirteen of these plants (over 40 %) are already producing electrified vehicles alongside conventional models.

Natural capital describes all the renewable and non-renewable resources deployed in the manufacturing process. The BMW Group is an efficiency-oriented company, and for that reason both the enterprise as a whole and its individual employees have always deployed natural resources sparingly as a matter of course. The consistently positive development of these capital indicators in recent years underscores this common corporate identity, a fact additionally confirmed by the assessments of independent rating agencies ↗ **BMW Stock and Capital Markets in 2020**.

All in all, these various aspects form the basis of the BMW Group's enduring success. Even minor changes in individual factors can directly influence the overall result. This holistic BMW Group approach is intended to ensure that all available resources are used in a responsible manner. ↗ **Value Added Statement**



COMPLIANCE AND HUMAN RIGHTS

Responsible and lawful conduct is fundamental to the success of the BMW Group. Compliance is an integral part of our corporate culture and the reason why shareholders, customers, business partners and the general public place their trust in us. The Board of Management and the employees of the BMW Group are obliged to act responsibly and in compliance with applicable laws and regulations. The BMW Group also expects its business partners to conduct themselves in the same manner throughout the entire value chain. As an active corporate member of the German Institute for Compliance (DICO), the BMW Group provides practical support for compliance management in Germany and contributes to its further development.

COMPLIANCE AS A CORPORATE FUNCTION

The BMW Group Compliance Management System is designed to ensure that the BMW Group, its representative bodies, its managers and staff act in a lawful manner at all company locations. Particular emphasis is placed on measures to ensure compliance with antitrust legislation and avoid the risk of corruption or money laundering, as well as promoting respect for human rights. Activities to avoid non-compliance with the law are managed and monitored by the BMW Group Compliance Committee.

These activities include legal monitoring, internal compliance regulations, communications and training activities, complaint and case management, compliance reporting and compliance controls, as well as following through with sanctions in cases of non-compliance.

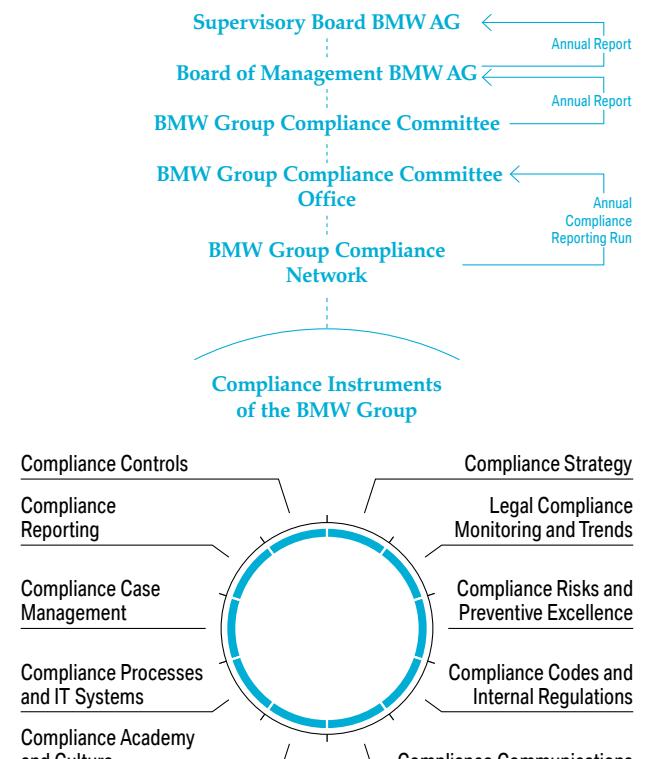
REGULAR COMPLIANCE REPORTING TO BOARD OF MANAGEMENT AND SUPERVISORY BOARD

The BMW Group Compliance Committee reviews the effectiveness and efficiency of the Compliance Management System on an ongoing basis. It reports regularly and on a case-by-case basis to the Board of Management and the Audit Committee of the Supervisory Board 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/preventative measures implemented. This also ensures the Board of Management and Supervisory Board are immediately notified of any cases of particular significance. On the basis of this information, the Board of Management keeps track of and analyses developments and trends in the field of compliance and initiates the measures needed to improve the Compliance Management System. The following were among the measures implemented in 2020:

- Board of Management decision of 15 December 2020 establishing a BMW Group Chief Compliance Officer, effective 1 January 2021, to further strengthen compliance management at the BMW Group.

- Creation of six new compliance functions within the Board divisions of BMW AG, with a multi-day onboarding programme for the new Compliance Officers.
- Stepping up antitrust compliance measures.
- A company-wide tone-from-the-top communications initiative highlighting the compliance management culture at the BMW Group. ↗**GRI 102-33**

BMW GROUP COMPLIANCE MANAGEMENT SYSTEM



COMPANY-WIDE COMPLIANCE NETWORK

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 has more than 20 employees and forms part of the organisation that reports to the Chairman of the Board of Management. For operational implementation of compliance topics, it is supported by a Group-wide compliance network of around 240 BMW Group Compliance Responsibles (heads of local units) and over 80 local Compliance Officers (heads of local compliance

Compliance management in the Financial Services segment

The financial services business entails specific risks arising from the nature of its products and processes. The focus here is on anti-money-laundering measures, compliance with financial sanctions, information privacy and data protection, fraud prevention, and legislative and regulatory monitoring, as well as consumer protection. To address the risks in these areas, a "compliance coordination" function was created within the Financial Services segment as a delegated function of the BMW Group Compliance Committee Office. Based on an annual trend analysis, it identifies new or modified regulatory requirements in the financial services sector and defines the necessary measures. Implementation by BMW Group financial services companies worldwide is tracked on a quarterly basis. Compliance is incorporated into the target management process for the Financial Services segment. Integration of specific targets into strategic management underlines the importance of this topic and helps monitor implementation. A management system is also used to identify risks of non-compliance with internal and external regulations in the early stages.

functions). The specific compliance activities required for financial services business are coordinated by a separate compliance department within the Financial Services segment. The BMW Group compliance organisation remained fully operational in 2020, despite the unique demands of the coronavirus situation.

COMPLIANCE MANAGEMENT SYSTEM AIMED AT ENSURING LAWFUL CONDUCT THROUGHOUT THE GROUP

The various elements of the BMW Group Compliance Management System are shown in the diagram on the previous page ↗ **BMW Group Compliance Management System** and are applicable to all BMW Group organisational units worldwide. The BMW Group Legal Compliance Code and BMW Group Code on Human Rights, which form the core of the Group's Compliance Management System, are supplemented by an internal set of rules. The BMW Group Policy "Compliance" sets out binding strategic requirements for BMW Group compliance management, its premises and basic principles, as well as for implementation in the business departments. The BMW Group Policy "Antitrust Compliance", which establishes binding rules of conduct for all employees across the BMW Group to prevent unlawful restriction of competition, was supplemented by several additional manuals in 2020 and deserves particular mention. The rules set out in the BMW Group Policy "Corruption Prevention" and the BMW Group Instruction "Corporate Hospitality and Gifts" deal with lawful handling of gifts and benefits and define appropriate assessment criteria and approval procedures. The BMW Group Instruction "Anti-money-Laundering" defines company-wide

standards for anti-money-laundering for trade in goods and the financial services sector.

Compliance measures are determined and prioritised on the basis of a regular group-wide compliance risk assessment that relies on data-based risk indicators and transaction validation, among other methods.

Various internal media and communications materials are used to raise awareness among staff across all compliance issues, including newsletters, employee newspapers and the compliance homepage in the BMW Group intranet, where employees can find all compliance-related information and training materials. A compliance tone-from-the-top initiative called "Walk-the-Talk" was organised for the first time in 2020 to boost employee awareness of the importance of creating a culture of transparency and trust. Senior managers gave keynote speeches on a wide range of compliance issues at forums and employee meetings.

The training opportunities offered by the BMW Group Compliance Academy are refined on an ongoing basis for specific target groups. As well as imparting knowledge, online and classroom training options with company-specific case studies play an important role in reinforcing compliance in the corporate culture. The online training modules must be repeated by the required target groups every two years and include a final test. Successful completion of the test is confirmed by a certificate. These courses are also offered on an optional basis to all other employees.

More than 42,800 managers and staff worldwide have so far received training in the basic principles of compliance, including the content of the Legal Compliance Code and the topic of corruption prevention, and hold a valid training certificate. Successful completion of the training programme is mandatory for all BMW Group managers. The company makes sure that newly recruited managers and promoted staff receive compliance training. Online training in antitrust compliance is mandatory for managers and staff exposed to the associated risks as a result of their functions or on specific occasions. A total of more than 38,300 managers and employees worldwide have so far completed antitrust compliance training and currently hold a valid certificate. Classroom and virtual training, as well as multi-day coaching sessions, are also held in local markets for all key compliance topics. One main emphasis here is on department-specific antitrust training – an area that was significantly expanded in 2020. ↗**GRI 205-2**

Any member of staff with questions or concerns relating to compliance is expected to discuss these matters with their managers and with the relevant departments within the BMW Group: in particular, with the BMW Group Compliance Committee Office, Legal Affairs and Corporate Audit. The BMW Group Compliance Contact also serves as a further point of contact and provides non-employees with a system for reporting concerns relating to compliance. Communication with the BMW Group Compliance Contact may remain anonymous, if preferred. BMW Group employees worldwide also have the opportunity to submit information about possible breaches of the law within the company anonymously and confidentially in several languages via the BMW Group SpeakUP Line. The BMW Group assures those providing information that no attempt will be made to determine their identity should they choose to remain

anonymous. Unauthorised use is naturally excluded from this. All compliance-related queries and concerns are documented and followed up 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 called upon to assist in the process and address any issues.

Various IT systems support BMW Group employees with the assessment, approval and documentation of compliance-relevant matters. For example, all exchange activities with competitors must be documented and approved in a special compliance IT system. The same applies to verifying legal admissibility and documenting benefits, especially in connection with corporate hospitality. The BMW Group also uses an IT-based Business Relations Compliance programme to ensure the reliability of its business relations. Relevant business partners are checked and evaluated for potential compliance risks. Appropriate measures are implemented to manage compliance risks based on the results of the evaluation. A further IT system is used to verify customer integrity as required under anti-money-laundering regulations. IT solutions for automated reporting of compliance training activities and documentation of all compliance activities conducted by the business units were also under development during the reporting year.

Through the Group-wide reporting system, compliance responsibles across all organisational units of the BMW Group report, on both an ongoing and adhoc basis, on the compliance status of their respective units, on any identified legal risks and incidences of non-compliance, as well as on sanctions and corrective/preventative measures implemented.

Compliance with and implementation of compliance rules and processes are audited regularly by Corporate Audit and subjected to control checks by the BMW Group Compliance Committee Office. Corporate Audit carries out on-site audits as part of its regular activities. The BMW Group Compliance Committee also engages Corporate Audit to perform compliance-specific checks and, if necessary, brings in Corporate Security to investigate suspected cases. Two BMW Group Compliance Spot Checks, sample tests specifically designed to identify potential corruption risks, and an antitrust compliance validation (to identify and audit possible antitrust risks) were carried out in addition in 2020. The organisational units for audit are selected on the basis of a Group-wide compliance risk assessment. ↗**GRI 205-1**

In an antitrust investigation, the EU Commission alleges that five German car manufacturers colluded with the aim of restricting competition for innovation with regard to certain exhaust treatment systems installed in diesel and petrol-driven passenger vehicles. The current investigation is solely concerned with possible infringements of competition law. For further details, please see the section on ↗**Legal Risks** within the Report on risks and opportunities and ↗**note 10** to the Group Financial Statements.

MANAGERS HAVE UNIQUE RESPONSIBILITY AS COMPLIANCE ROLE MODELS

Managers, in particular, bear a high degree of responsibility and must set a good example with regard to preventing infringements. Managers throughout the BMW Group acknowledge this principle by signing a written declaration, in which they also undertake to make staff working for them aware of legal risks. Managers must, at regular intervals and on their own initiative, verify compliance with the law. It is important to signal to employees that they take compliance risks seriously and that disclosing relevant information is extremely valuable. Managers should remain open to discussion and consider differing opinions. Any indication of non-compliance with the law must be rigorously investigated.

SANCTIONS MANAGEMENT

It is essential for compliance at the BMW Group that employees are aware of and comply with applicable legal regulations. The BMW Group does not tolerate violations of the law. Culpable violations of the law result in employment-contract sanctions and may involve personal liability consequences for the employee involved.

COOPERATION BETWEEN COMPLIANCE AND EMPLOYEE REPRESENTATIVES

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. Employee representatives are regularly involved in the process of refining compliance management within the BMW Group.

WORLDWIDE IMPLEMENTATION OF LABOUR STANDARDS AND RESPECT FOR HUMAN RIGHTS

▮ BMW Group models for ensuring compliance with environmental and social standards throughout its value chain are based on various internationally recognised guidelines. This especially applies to the [Guidelines for Multinational Companies issued by the Organisation for Economic Cooperation and Development \(OECD\)](#), the [UN Guiding Principles on Business and Human Rights](#), the content of the [ICC Business Charter for Sustainable Development](#) and the [United Nations Environment Programme's \(UNEP\) Declaration on Cleaner Production](#). The BMW Group concentrates on topics and action areas where it can exert its influence as a commercial enterprise. [GRI 102-12, 102-16](#)

With the signing of the UN Global Compact by the Board of Management of BMW AG in 2001 and the "Joint Declaration on Human Rights and Working Conditions in the BMW Group", which was adopted in 2005 and updated in 2010, the BMW Group has committed to abide by internationally recognised human rights and, specifically, the ILO core labour standards. The BMW Group Code on Human Rights and Working Conditions, which was published in 2018 to provide further clarification, was ratified by the Board of Management and employee representatives. This affirms the BMW Group's commitment to human rights and outlines how it promotes respect for human rights and, specifically, how it implements the ILO Core Labour Standards in its business operations worldwide. The Code was also part of the compliance communications initiative "Walk-the-Talk". The BMW Group conducts specific training on the subject of human rights: for instance, training Purchasing staff to be aware of human rights issues. [GRI 412-2](#)

In its annual compliance reporting, all organisational units of the BMW Group are also asked for a local risk assessment of potential for human rights abuses. Their responses form the basis for developing further measures for the department to minimise the risks. [GRI 412-1](#)

↳ Specific human rights risks arise in the supply chain due to the collaborative, cross-border and continent-spanning nature of value creation processes in the automotive industry. For this reason, the BMW Group has integrated respect for human rights into its [Supplier Sustainability Policy](#) and follows an appropriate risk management process. In addition to the company's international purchasing terms and conditions, BMW Group dealer and importer contracts also contain a clause on compliance and human rights. Human rights obligations are also considered in choosing sites and in important investment decisions. [↗ GRI 412-3](#)

In order to meet increasing requirements in the area of human rights, the BMW Group discusses various legislative proposals at German and European level through associations and initiatives and participates in the Automotive Industry Dialogue as part of the German government's National Action Plan on Business and Human Rights. The German Federal Ministry of Labour and Social Affairs featured a practical example from the BMW Group on its [↗ CSR website](#). As part of its leadership of the [↗ CSR/Human Rights Working Group](#) of the German Institute for Compliance (DICO), various aspects of human rights management in companies were discussed among members and presented at the [↗ DICO Forum](#) in October 2020. ↴

INNOVATION AND CUSTOMER ORIENTATION

A constant striving for innovation, for something new and better, is a concept deeply anchored in the corporate culture of the BMW Group – in the thinking of its employees, in its processes and also in the identity of its brands. The benchmark and the goal of the BMW Group's activities is to identify the wishes of customers worldwide in advance, in order to actively help shape trends and thereby drive transformation – a strategy discernible in production vehicles such as the BMW iX*. In its development work, the BMW Group focuses on two key areas. Firstly, innovative digital solutions that make people's everyday lives easier and at the same time protect the environment, and secondly, as a premium provider in its industry, the Group sees it as an obligation to offer customers a diverse range of customised, efficient drivetrain technologies ranging from all-electric drive systems, to plug-in hybrids and highly efficient internal combustion engines. This also includes hydrogen fuel cell technology, which the Group believes could become an additional option in the long term.

The BMW Group's culture of innovation is most deeply rooted in its global research and development network. However, innovation is a lot more than that for the BMW Group: throughout the entire company it is both the basis and the driving force behind the quest to replace the good with the better. Innovative solutions benefit society in a number of ways: economically, ecologically and socially.

FOCUS ON DRIVETRAIN TECHNOLOGIES

The dynamics of the markets in which the BMW Group operates are largely determined by customer expectations and therefore by demand. The BMW Group therefore focuses on the wishes and needs of its customers. Market expectations have a direct impact on the range of vehicles on offer. How big does the vehicle need to be? Which drivetrain variant fits your own lifestyle? For this reason, the BMW Group offers a broad range of drivetrain systems and aims to offer corresponding electrified models for all of its brands and for every series. Ultimately, a business model is successful and sustainable in the long term by offering tailor-made solutions and assuring customers who are confident in their purchasing decisions. Since 2020, the BMW X3 has been the benchmark in this regard. It is now available in all four drivetrain variants: as an iX3* with an all-electric drivetrain, as a plug-in hybrid or as a model powered by a highly efficient diesel or petrol engine.

* See [↗ Fuel Consumption and CO₂ Emissions Information](#).

THE FIFTH GENERATION OF ELECTRIC DRIVETRAINS: A MAJOR LEAP IN TERMS OF PRODUCTION AND SUSTAINABILITY

Customer-oriented innovations frequently begin with basic research. Built up over many years, the BMW Group's expertise makes sustainable solutions possible. The new, in-house-developed electric motor does not contain any rare earth elements. The latest generation of batteries requires two-thirds less cobalt than its predecessors. The BMW Group also considers the factor of sustainability when sourcing the cobalt it uses. The metal is acquired transparently via a certified process and supplied to the battery cell producers for further processing. Details are available in the chapter Purchasing and Supplier Network ↗ **Purchasing and Supplier Network**. The BMW Group has contractually agreed with the battery cell suppliers for the fifth generation of its eDrive electric drivetrain that only green electricity from renewable sources will be used in their production processes, which should reduce carbon emissions by some ten million tonnes over the next ten years. In this fifth generation of the BMW Group's electric drivetrain, the electric motor, transmission and power electronics are also installed within a compact space. The outstanding efficiency of the drivetrain components and the high energy density of the high-voltage battery enable ranges that conventional electric vehicles can only achieve with significantly larger and correspondingly heavier batteries and therefore lower efficiency. This electric drivetrain was deployed for the first time in the BMW iX3*, which was launched in 2020. From 2021 onwards, further all-electric models such as the BMW iX* or the BMW i4 will be powered by this state-of-the-art technology.

* See ↗ Fuel Consumption and CO₂ Emissions Information.

THE BMW GROUP COVERS THE ENTIRE PROCESS CHAIN FOR ELECTRIC DRIVETRAINS

Whether electric motors, high-voltage batteries, charging equipment or power electronics – since 2011 the BMW Group has gained extensive experience with all the components used in eDrive technology and places its emphasis on in-house developments. By the end of 2022, all German vehicle plants will produce at least one fully electric vehicle. The production system is capable of manufacturing vehicles either with internal combustion engines or electric drivetrains on a single line and can therefore also respond flexibly in terms of the type of drivetrain required by the customer. This level of flexibility in production allows the BMW Group to meet customer expectations in an ideal way. At the BMW Group's Battery Research Centre, work on battery cells is currently focusing on features that provide a high degree of customer value, including energy density, peak power, longevity, charging properties, costs, behaviour at various temperatures and, last but not least, safety. At the same time, the BMW Group is building a pilot plant for lithium-ion battery cells near Munich, making the BMW Group the first automotive manufacturer to singlehandedly cover the entire process chain of electric driving and master it in technological terms.

CAN THE HYDROGEN FUEL CELL SERVE AS A BUILDING BLOCK GOING FORWARD?

The BMW Group is also investing in the enhanced development of hydrogen fuel cell technology. The BMWi Hydrogen NEXT, which is based on the X5, already awakened a great deal of interest among visitors at the IAA 2019. In the long term, hydrogen technology could become a further component in the BMW Group's drivetrain range. If the supply of renewably produced hydrogen can be ensured, this technology will provide an attractive option for combining emissions-free mobility with long-distance capability and short refuelling times. The BMW Group is convinced that different forms of drivetrain will continue to exist side by side in the future, as customer expectations cannot be met with a single solution on an international basis. Beginning in 2022, the BMW Group will present a low-volume series of the BMWi Hydrogen NEXT featuring the second generation of its hydrogen fuel cell drive system. To make this aim a reality, the BMW Group has been collaborating successfully with Toyota Motor Corporation since 2013. The new drivetrain technology will be combined with the fifth generation of the eDrive, which will then generate its energy from a fuel cell instead of a high-voltage battery. The BMW Group has also developed this technology in-house as an overall system. However, the appropriate political and infrastructural framework conditions first need to be created if green hydrogen is to become widely available in sufficient quantities and at competitive prices. Hydrogen can also play a key role in powering heavy-duty and commercial vehicles with the aim of making logistics carbon-neutral going forward. The BMW Group's Leipzig and Spartanburg plants have already been using transport vehicles powered by renewably produced hydrogen for a number of years.

THE BMW iX*: ELECTRIC FROM THE GROUND UP

In November 2020, the BMW Group gave the public its first preview of the BMW iX, the first of which are scheduled for delivery to customers in the course of 2021. Right from the start, the BMW iX was designed exclusively to provide electric mobility that is suitable for everyday use. The vehicle is powered by the fifth generation of BMW eDrive technology, which the BMW Group has developed in-house and consists of twin electric motors, power electronics, charging technology and a high-voltage battery produced without the use of rare earths. Fully electric and featuring four-wheel drive technology, it will enable ranges of over 600 km in the WLTP cycle. Equipped with innovative charging technology and a highly efficient drivetrain, the BMW iX can be charged to enable a range of over 120 km in a mere ten minutes. Thanks to the development of new technologies, the kidney-shaped grille of the BMW iX has now been



given a new function as a smart surface where camera technology, radar and other sensor-based features are located behind a transparent exterior. Through the use of innovative materials, the surface of the grille also has a self-healing effect that makes light scratches disappear by themselves. Moreover, as the first 5G-capable model to be made by a premium manufacturer, the BMW iX will also be the BMW Group's technology flagship in terms of digitalisation going forward. In addition, gigabit Ethernet technology is being used for the first time in this innovative vehicle, enabling extremely large volumes of data from sensors and antennas, for example, to be transmitted through the vehicle within fractions of a second and then processed in the centralised high-performance computers of the vehicle's on-board system. Moreover, some of this data is also transmitted to the cloud, analysed and returned to the vehicle fleet, depending on the situation, creating new services for customers. For instance, information on danger spots detected by these vehicles, such as black ice, will be made available to the entire fleet, as well as tips on where a free parking space is most likely to be found upon arrival. When using all these digital technology innovations, the BMW Group places great emphasis on ensuring that drivers and passengers can perceive and operate new features intuitively, effortlessly and without distraction – regardless of how technically complex they may be. These functions are known as shy tech, i.e. technology that only becomes visible when needed.

* See Fuel Consumption and CO₂ Emissions Information.

ARTIFICIAL INTELLIGENCE – THE BASIS FOR AUTOMATED DRIVING AND INTERACTION WITH THE VEHICLE

Since the end of 2020, over 400 data-driven and AI applications have been helping the BMW Group process and interpret big data throughout all relevant areas of the company. Artificial intelligence is also deployed when it comes to developing an algorithm that enables safe and predictive automated driving features, helping to analyse the approximately 250 million kilometres of "experience" gained to date (as of October 2020). Even now, BMW Group customers are already experiencing the capabilities of AI technologies as they drive. Since the end of 2018, an Intelligent Personal Assistant has been offering them support upon request. Since the second half of 2020, more than 70 % of BMW vehicles have been equipped with the BMW Intelligent Personal Assistant as standard. For example, commands given in natural speech enable drivers to comfortably operate numerous vehicle functions without having to take their hands off the steering wheel.

CUSTOMER-CENTRIC DEVELOPMENT

Via the BMW Group's international development network, the varying regional needs and requirements of its customers worldwide are being incorporated into design, research and development. Group locations worldwide are in direct dialogue with their various regions. The BMW Group conducts an average of 70 customer studies per year in the area of display and operating concepts alone. The Group also researches dialogue formats and upcoming trends.

In a state-of-the-art innovation process, the BMW Group also uses its ability to change perspectives when required. In this respect, it is the first automotive manufacturer to collaborate with Epic Games, a computer games developer. The BMW Group has modified gaming technologies and adapted them for use in vehicle development as well as in production planning and customer presentation at the retail level. In the field of vehicle development, new components and systems can therefore be tested intensively at a very early stage so that they can later be used by the customer simply and intuitively to the greatest extent possible. Technologies originating from the computer games industry such as mixed reality and game engines are key elements that are making an important contribution in this respect. Internationally staffed teams of developers work simultaneously and interactively with one another before hardware prototypes are additionally made available. In a mixed reality environment, technical solutions can be analysed at an early stage on a virtual ride before the first samples are made physically available, effectively cutting testing costs and, last but not least, minimising development times.

The BMW Group operates an international network of research and development locations to ensure that ideas can swiftly and directly become innovations for customers in the form of ideas to offer. The network provides the ideal environment for experts to work creatively in internationally connected teams to promote knowledge transfer and even faster, integrated, flexible collaboration for effectively developing the major trends of the future. This combined network of research and development expertise is continuously being expanded and strengthened in a competence-oriented manner.

INNOVATION CULTURE IN THE MAKING: A NEW CENTRALISED HUB OF THE BMW GROUP'S GLOBAL RESEARCH AND DEVELOPMENT NETWORK COMES INTO BEING.

The Munich Research and Innovation Centre (FIZ) is the main hub of the Group's international network of 14 research and development locations. The first phase

of construction completed in the course of enlarging the Munich FIZ went into operation in autumn 2020. On the FIZ campus, the focus is on transformation and the future-related topics of electrification, digitalisation and connectivity. With over 90 petabytes of storage capacity, 100 test benches, 200 laboratories and the directly adjacent prototype construction facility, the FIZ has grown to become one of the largest research and development centres in Europe.

BMW Operating System 7: new features in version 07/20

Digital key: in collaboration with Apple, the BMW Group is the first car manufacturer to offer its customers the option of using their iPhone as a fully fledged digital car key. It unlocks the vehicle at the door handle and the engine can be started when it is placed in the smartphone compartment. Access rights can be shared with other people and configured in the process and there is a specially designed mode for inexperienced drivers.

Navigation/BMW Maps: the cloud-based system has a great many advantages. The route calculation feature combines real-time information with forecast models and therefore acts more dynamically and swiftly than ever. Additional context-based information such as ratings, business opening hours and pictures of interesting places provide BMW Group customers with excellent support. Entering a destination has now been made far more convenient due to the free text function, which uses a single search line and adds suggestions for relevant search terms.

Intelligent Personal Assistant: the BMW Group has revamped the look of the BMW Intelligent Personal Assistant and made it more emotional. The Assistant is able to distinguish between the driver's and the passenger's speech, learns and even leans towards the respective conversation partner.

Apple Car Play allows navigation information from Apple Maps to be displayed on both the head-up display and the info display. Google Android Auto is also integrated: customers can use functions on their

smartphones wirelessly within the vehicle and access their apps via touch control without having to directly operate their smartphone. Navigation instructions provided by Google Maps are shown on both the info display and the head-up display.

BMW eDrive zones: plug-in hybrids can use geofencing to detect when they are entering an environmentally restricted zone or a city centre. They then automatically switch to electric mode after previously ensuring that the vehicle's battery is fully charged, enabling them to drive locally emissions-free and almost silently where it has the greatest impact.

Charging management: electrified models are provided with additional information and services via the Connected Charging feature. Public charging stations and their availability are displayed and additional information is also shown, for example on providers, opening hours or suggestions for places of interest and cafes or restaurants nearby.

Finding a parking space: customers can be assisted via various services when searching for a parking space. The on-street parking information, for example, calculates where a parking space is most likely to be free.

ALWAYS UP TO DATE VIA RADIO INTERFACE

The remote software upgrade function keeps BMW vehicles continuously up to date. The software updates can be conveniently downloaded to the vehicle whether at home or on the road and contain improvements or even fully new vehicle features. In autumn 2020, the BMW Group rolled out the most extensive remote software upgrade in its history. The free-of-charge improvements and new attractive features were made available over-the-air to more than 750,000 BMW Operating System 7 (version 07/20) vehicles worldwide.

Moreover, Remote Software Upgrade allows drivers to purchase and activate additional optional features. For example, the Highbeam Assist or Active Cruise Control with the Stop&Go function can also be subsequently installed quickly and easily over the air, even on vehicles that have already been delivered to customers. Customers can therefore benefit from the latest technological developments and have the opportunity to test functions that were not yet needed at the time of purchase for a certain period of time with the option to purchase them.

Apps have been offering customers an effortless connection between their smartphones and the vehicle since 2013. A new generation of the My BMW app has been available on 30 European markets as well as in China and Korea since December 2020. My BMW is the new universal interface to the vehicle and, depending on how it is equipped, also enables selected features to be activated remotely, such as vehicle localisation.

INNOVATION IN PRODUCTION

In production scenarios, innovations can act in two different ways: they serve the purpose of conserving resources and thus further boosting efficiency **Production, Purchasing and Supplier Network**, but they can also help to implement new product ideas and design options. Digitalisation is thus also paving the way for completely new applications that enable owners to customise their vehicles, such as by adding individual equipment features for the MINI. Furthermore, the BMW Group opened the Additive Manufacturing Campus in summer 2020. Production, research and even further training on the subject of additive manufacturing (i.e. 3D printing) are combined under one roof at the location. The Campus is also capable of manufacturing components for series production vehicles.



INSPIRATION AND COOPERATION

The best ideas often come into being when different partners work together. Regional BMW Group Technology Offices are searching for promising young companies worldwide in fields of innovation such as sensor technology, artificial intelligence, battery technology, smart materials, natural user interfaces and smart logistics. Cooperations in which the strengths of the BMW Group complement those of established partners also help to enhance the innovative strength of the BMW Group. **Cooperations and partnerships** For the BMW Group, maintaining its innovation network also includes intensive dialogue with selected colleges and universities. Every year, thousands of students come to the BMW Group to complete an internship or write a scientific thesis. Many Group employees also work as lecturers at universities and higher education institutions. The BMW Group maintains close partnerships with six universities and research institutions to conduct joint research projects that combine knowledge transfer with the training of highly qualified junior staff.

Cooperations and partnerships

To maintain its successful course in the long term, the BMW Group enters into targeted cooperations and partnerships not only with companies from the automotive industry, but also with technology leaders from other sectors. The aim of interacting with external partners is to combine expertise against the backdrop of rapid technological change and make innovations available to customers within the shortest time possible.

BMW Brilliance Automotive (BBA)

BMW Brilliance Automotive Ltd. is a 50:50 joint venture between the BMW Group and Brilliance China Automotive Holdings Ltd., which was founded in 2003. BMW Brilliance Automotive Ltd. produces BMW brand models in one engine plant and two automobile plants in Shenyang, China. Production of the BMW iX3* began there in 2020.

The BMW Group intends to increase its shareholding in BBA from 50 % to 75 %. The BMW Group already signed an agreement to that effect with its partner Brilliance China Automotive Holdings Ltd. (CBA) in 2018. Following approval by the Annual General Meeting of CBA, completion of the agreement remains subject to regulatory approvals.

Spotlight

The aim of Spotlight Automotive Limited (Spotlight), a joint venture between the BMW Group and the Chinese manufacturer Great Wall Motors, is to produce all-electric MINIs for the BMW Group as well as electric vehicles for Great Wall Motors. The joint venture also includes the joint development of battery-powered electric vehicles. Spotlight was established on 27 December 2019, following approval from the Chinese authorities and the first stage of construction has already begun.

Together with the intention to increase its shareholding in BBA, the BMW Group is significantly expanding its presence in China and underlining its commitment on that market.

HERE

Since BMW AG, Daimler AG and AUDI AG acquired the HERE mapping service in 2015, the partners have been working on high-precision digitalised maps that can be linked to real-time vehicle data. Digitalised maps create the basis for the next generation of location-related services, thereby marking the next key step in the evolution of individual mobility. They also form the basis for developing new assistance systems. As an independent platform, HERE has always remained accessible for the automotive industry as well as other partners. In 2020, Mitsubishi Corporation (MC) and Nippon Telegraph and Telephone Corporation of Japan (NTT) jointly acquired 30 % of the business. As a result, the location data and technology platform now has nine direct and indirect shareholders: Audi, Bosch, the BMW Group, Continental, Intel, MC, Mercedes-Benz, NTT and Pioneer.

Toyota Motor Corporation (TMC)

As strong, independent companies, the BMW Group and TMC have been collaborating successfully in various fields since 2011, including fuel cell technology. The BMW Group was primarily responsible for developing a joint sports car platform, and series production of these brand-specific vehicles has been ongoing since the end of 2018.

IONITY

The BMW Group is a founding partner of the IONITY joint venture, the aim of which is to establish a comprehensive, high-performance, high-power charging (HPC) network for electric vehicles. The joint venture represents a vital step towards ensuring that electric mobility also becomes a viable means of transport over long distances, thus establishing it on the market. All IONITY charging points are publicly accessible, brand-independent and designed in accordance with the European Combined Charging System (CCS) standard. The founding partners (the BMW Group, Daimler AG, the Ford Motor Company as well as the Volkswagen Group with Audi and Porsche) all participated in equal measure. In 2019, the Hyundai Motor Group with its Hyundai and Kia brands was accepted as an additional shareholder. The joint venture is, however, also open to further partners.

YOUR NOW

Under the name YOUR NOW, the BMW Group and Daimler AG are offering innovative, customer-friendly solutions for business partners, cities and municipalities looking to make their mobility more efficient and sustainable. The cooperation includes the joint ventures FREE NOW (ride-sharing services) with REACH NOW (on-demand mobility and multimodality), PARK NOW (parking) with CHARGE NOW (charging) and SHARE NOW (car sharing). Further information is available in the chapter [Mobility Patterns](#).

BMW GROUP PERFORMANCE INDICATORS RELATING TO RESEARCH AND DEVELOPMENT EXPENSES

in %	2020	2019	Change in %-pts.
Research and development expenses as a percentage of revenues	5.7	5.7	0.0
Research and development expenditure ratio ¹	6.3	6.2	0.1
Capitalisation rate ²	36.6	33.2	3.4

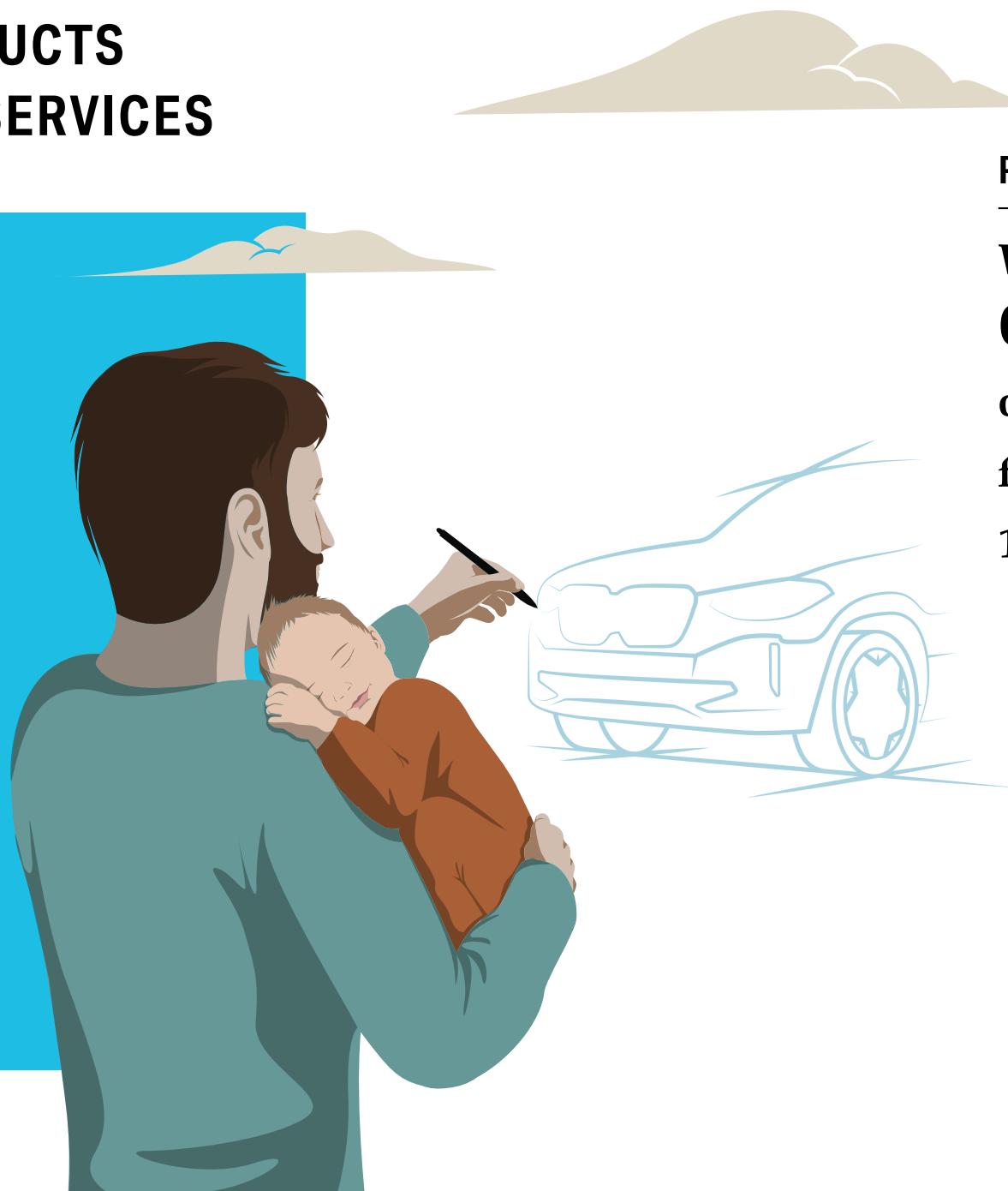
in € million	2020	2019	Change in %
Research and development expenses	5,689	5,952	-4.4
New expenditure for capitalised development costs	2,300	2,134	7.8
Amortisation	-1,710	-1,667	2.6
Research and development expenditure³	6,279	6,419	-2.2

¹ Research and development expenditure as a percentage of Group revenues.

² Capitalised development costs as a percentage of research and development expenditure.

³ Research and development expenditure comprises the sum of research and non-capitalised development cost and capitalised development cost (not including the associated scheduled amortisation).

PRODUCTS AND SERVICES



PROMISED

We aim to reduce the
CO₂ EMISSIONS of
our European new vehicle
fleet **BY HALF** between
1995 and 2020.

DELIVERED

Mission

accomplished.

MINUS 53 %.



Pieter Nota
Member of the
Board of Management
of BMW AG, Customer,
Brands, Sales



"Our ambition: to provide the best premium customer experience in the industry.

Premium is also defined in terms of sustainability.

That's why we support our customers in making not only the best, but also the most responsible vehicle choice – including a seamlessly integrated, convenient charging concept for our electric vehicles."

"At the BMW Group, we are creating the digital, emission-free and dynamic driving of the future.

As a tech company, we master 'sheer driving pleasure', today and tomorrow.

We are the only ones to combine dynamic performance and quality with safety and security for customers and data."

Frank Weber
Member of the Board of Management
of BMW AG, Development



We made the RIGHT DECISIONS early on.



Christian Miedaner
is responsible for CO₂
strategy during the
product use phase.

WHY ARE THE CO₂ EMISSIONS OF THE NEW VEHICLE FLEET IN EUROPE THE BENCHMARK?

The EU requirements are among the strictest and most ambitious worldwide. Think of it this way: Once you've met European requirements, it's a lot easier to fulfil those in other markets and regions. Aside from that, Europe is also our biggest sales region.

HOW DID THE BMW GROUP MEET THE TARGETS FOR 2020?

We made the right decisions – important decisions – early on: We offer electrified vehicles in every segment – while continuing to make our conventional drive trains more efficient. We ultimately overfulfilled the targets for 2020. And that's a good thing, because we're not interested in the goals themselves – it's about contributing to environmental responsibility.

CAN YOU GIVE US A GLIMPSE OF THE FUTURE?

We are right on track for the targets for 2021, but the goals for 2030 are a whole other dimension. I know that our product portfolio puts us in a very good position. But the conditions also have to be right – and that means significantly expanding charging infrastructure.

Further information is available at:
report.bmwgroup.com

DESIGN AND PRODUCT SAFETY

▮ BMW Group vehicles combine emotional and functional design with the highest of safety standards. Active and passive safety systems ensure greater safety on the road – not only for BMW Group customers, but for all other road users, too. When manufacturing its products, the BMW Group avoids the use of any substances that are hazardous to health. It also informs its customers about all the various safety aspects of its products and enables them to recognise and handle dangerous situations by providing driver safety training. The BMW Group ensures transparency, informational self-determination and data security when using its customers' data.

FUTURE-ORIENTED DESIGN

The BMW Group is synonymous with future-oriented, emotional vehicle design that unites aesthetics with state-of-the-art technology. It strives to create experiences for its customers through the design of its vehicles. A successful design makes vehicles coveted products that cater to the individual needs of customers the world over. The BMW, MINI, Rolls-Royce and BMW Motorrad brands each have their own independent design language. Designs created by the BMW Group should not only meet the high design standards of a globally leading premium automotive manufacturer, but make technical innovations functional and intuitive to use at the same time.

In order to make future mobility trends perceptible at the earliest stage of design, the BMW Group develops various types of prototypes. Concept vehicles, such as the BMW Concept i4, which was first presented in March 2020, are specifically used to communicate in advance how future series-produced vehicles will look. Vision vehicles such as the MINI Vision Urbanaut, which was unveiled at the BMW Group #NEXTGen event in November 2020, provide the public with a glimpse of how the Group's future mobility concepts could be designed.

The globally operating company Designworks is also a subsidiary of the BMW Group and an inspiring studio that works to create thought-provoking design ideas for both the BMW Group and external customers. In its three studios in Los Angeles, Munich and Shanghai, it creates ambitious visions of the future that are meant to shape and improve our world.

USING SAFETY TECHNOLOGY TO MINIMISE RISKS

The BMW Group not only strives to create an emotional connection between products and its customers via its design, it also designs and builds its vehicles to meet the highest safety standards, as it considers the safety of its vehicles an essential part of its product responsibility.

By including a raft of active and passive safety measures, the BMW Group is able to reduce the risk of accidents and injuries not only for vehicle occupants, but for other road users, too. Above all, these safety measures include optimised chassis tuning, highly effective braking systems, stable passenger compartments and airbags, but also digital driver assistance systems such as active cruise control, collision warning, lane guidance and emergency braking assistants. □

REDUCING POLLUTANTS

Right from the design stage of its vehicles, the BMW Group consciously avoids the use of problematic materials and substances and takes active steps to keep emissions within the passenger compartment to a minimum. With this design strategy, the BMW Group seeks to ensure that legal requirements regarding product safety, human health protection and the environment are complied with worldwide for each phase of the product life cycle, including development, use, recycling and disposal. In addition, all BMW, MINI and Rolls-Royce brand vehicles are equipped with passenger compartment air filters as standard, which filter out pollutants and particles such as dust or pollen from the outside air.

In 2020, the BMW Group installed passenger compartment filters featuring nanofibre filter technology for the first time, which keep certain microbial particles and allergens as well as ultra-fine particulate matter from entering the vehicle's passenger compartment. Also in 2020, nanofibre filters were installed for the first time in a Rolls-Royce as standard. From 2021, however, the innovative technology will gradually become available for numerous other BMW Group vehicle models.

COMPREHENSIVE INFORMATION ON SAFETY ASPECTS

The BMW Group provides customers with comprehensive information on the correct use of its products and services. Information on health and safety as well as the proper use of its vehicles is provided in printed form in the integrated owner's manual and is also available electronically via a smartphone app or online. The information is supplemented by notes and additional background information on services, accessories and vehicle components.

DRIVER TRAINING TO PROMOTE GREATER ROAD SAFETY

The BMW Group offers training for BMW and MINI brand automobiles as well as BMW motorcycles in over 30 countries. In the BMW and MINI Driving Experience, it raises awareness of potentially dangerous situations and thus also contributes to road safety in general. Despite global restrictions due to the coronavirus pandemic, the Driving Experience trained over 70,000 participants worldwide at various international locations in 2020.

DATA PROTECTION IS A KEY TASK

The BMW Group views data protection as one of the most important tasks of digitalisation. It takes data protection into account at an early stage in the development of its functions and services in order to ensure transparency, informational self-determination and data security for its customers. In order to maintain this high level of data protection in the long term, the BMW Group's products and services are always developed according to security-by-design principles and continuously tested for security aspects (cybersecurity) throughout their entire life cycle.

The BMW Group's product responsibility also includes the secure transfer of vehicle data to third parties. For this reason, BMW Group vehicles are not directly connected to the Internet, but communicate directly and exclusively with the BMW ConnectedDrive back-end service via a secure connection in a virtual private network. This precaution minimises the risk of unauthorised third parties gaining access to the vehicle or the driver's personal data. The point of access to the Internet is controlled via a gateway. The BMW Group considers the provision of vehicle data via a secured back end (extended vehicle approach in accordance with ISO 20078) the best solution for ensuring data security and thus a high level of data protection. □

↳ In May 2017, the BMW Group introduced BMW and MINI CarData for the secure transmission of data to third parties. CarData is already available to BMW and MINI customers across all European markets. Customers can adjust their privacy settings to suit their own personal needs, either within their vehicles or on the ConnectedDrive portal, thereby retaining their right to informational self-determination. They can decide at any time which data to share with service providers (such as workshops, insurance companies and fleet managers) in order to receive customised service offers. The BMW Group has also been offering this service in the USA since April 2020.

Furthermore, the Group works closely with the relevant data protection supervisory authorities to clarify fundamental data protection issues that relate to the increasing connectedness of its vehicles with the environment. For example, as a member of the German Association of the Automotive Industry (VDA) and the European Association of the Automotive Industry (ACEA), the BMW Group supports the principles on data protection they have drawn up. These principles focus on transparency, the informational self-determination of customers and the technical protection of data in their vehicles.

ENSURING SAFETY WITH QUALITY MANAGEMENT

All BMW Group vehicles are subject to stringent safety tests during development and production, some of which are even stricter than those prescribed by law. The BMW Group's quality management does not end at the factory gate, but also extends to vehicles that customers are already using. If any deviations from the Group's strict quality standards are observed in their markets, it systematically follows up on these indications. If necessary, the Group informs the relevant authorities without delay and initiates any measures that may be required.

The BMW Group take voluntary technical action even if there is no immediate danger. Any vehicles potentially affected are checked, and if a fault is detected the corresponding components are replaced. If there is a safety risk of any kind, the BMW Group implements technical measures in collaboration with the relevant authorities. For this reason, the Group has established appropriate committees, processes and organisations that are managed by the Product Support, Technical Actions and Warranty Costs department. ↳ **GRI 416-1**

CONTINUOUS FURTHER DEVELOPMENT OF SAFETY SYSTEMS

By systematically developing and improving its safety systems, the BMW Group is helping to reduce the risk of accidents and injuries for all road users. An important indicator of this risk is the European New Car Assessment Programme (Euro NCAP), a scheme for assessing the safety of vehicles in the event of a crash. The results of the most recently assessed vehicles (four top Euro NCAP ratings for the BMW 1 Series, BMW 2 Series Gran Coupé, BMW 3 Series and BMW Z4) once again demonstrate the BMW Group's premium standards in terms of vehicle safety.

In the years to come, the BMW Group will continue working to additionally enhance the safety of its vehicles. Apart from constantly optimising the passive safety of each individual vehicle, the Group is also focusing on improving road safety standards by means of connected and automated driving. This applies, for example, to the BMW iX*, which was unveiled during the year under report and will go into series production in 2021. With its even more efficient sensor technology, the vehicle will be equipped with new and improved automated driving and parking functions and set new standards for the BMW Group. □

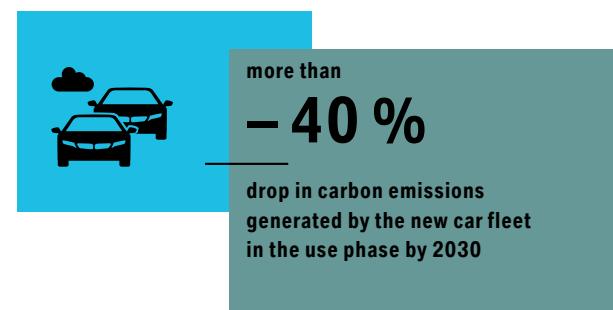
CARBON EMISSIONS AND POLLUTANTS

The fight against climate change is crucial for the future of our society – and thus also for that of the BMW Group. For this reason, it is placing sustainability in the centre of its corporate strategy. In future, the BMW Group intends to be even more systematic in examining not only the economic, but also the ecological and social impact of its corporate decisions. The Group has therefore also committed to the requirements of the Paris Climate Agreement that are relevant to it and set itself the target of establishing a climate-neutral business model across its entire value chain by the year 2050.

In 2020, the BMW Group undercut the EU's manufacturer-specific fleet carbon emissions limit of 104 g/km by achieving a figure of 99 g/km according to internal calculations. At the same time, it also accomplished the goal it set itself in 2012 of halving the carbon emissions generated by its European new vehicle fleet by 2020 compared with 1995. Furthermore, the BMW Group will continue to work successfully on constantly reducing its carbon emissions going forward. The BMW Group aims to provide its customers with the best offers worldwide, also in terms of sustainability. For this reason, the BMW Group's drivetrain technology is based on two factors – highly efficient combustion engines and electric mobility.

NEW TARGETS FOR DECARBONISATION BY 2030

The BMW Group is committed to achieving long-term carbon neutrality by 2050. Guided by this principle, it is taking extensive measures to substantially reduce the carbon and other pollutant emissions generated by its vehicles, as it has done in the past. In the year under report, the BMW Group therefore set itself specific new targets derived from the Science Based Targets Initiative (SBTI) in order to further cut its carbon emissions below the level already achieved and is taking a holistic approach to accomplishing this aim. In this context, the Group intends to achieve a mitigation corridor across all the activities for which it is responsible that corresponds to the defined target set out in the 2015 Paris Climate Agreement, i.e. to limit global warming to between 1.5 and 1.75 degrees Celsius. Within the value chain, this includes all three scopes defined under the umbrella of the Science Based Targets Initiative (SBTI). By 2030, the BMW Group therefore intends to reduce the average carbon emissions generated by its new car fleet in the use phase by 40% compared to 2019 (Scope 3 downstream). Furthermore, the BMW Group is scrutinising its entire value chain and striving to significantly reduce carbon emissions from the supply chain (Scope 3 upstream), its production processes (Scope 1 and 2) and the entire use phase. These targets have been notified to the SBTi and validated.



Recording carbon emissions from Scope 1 to Scope 3

The carbon emissions generated by a given company are recorded in various categories. The Greenhouse Gas Protocol, a partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), distinguishes between Scope 1, Scope 2 and Scope 3 emissions, based on their various sources.

Whereas Scope 1 emissions are generated within a company through the combustion of fossil fuels, Scope 2 refers to the indirect emissions caused by the consumption of electricity and heat from externally generated sources of energy. Scope 3 emissions are generated in the upstream and downstream stages of the value chain, both in the supply chain (upstream) and in the subsequent use of products and services (downstream).

FLEET CARBON EMISSIONS FURTHER REDUCED

The development of sustainable products and services has long been an integral part of the BMW Group's business model. The early fleet-wide use of Efficient Dynamics technologies (since 2007) and the electrification of vehicles (since 2013) are continuously reducing carbon emissions in the long term. These twin factors form the basis for complying with and even undercutting legally prescribed carbon emissions and fuel consumption limits.

Taking all regulatory requirements¹ into account, the average carbon emissions generated by the BMW Group's new car fleet within the EU (including Norway and Iceland) according to the NEDC² in the year under report amounted to 99 g CO₂/km³. The BMW Group therefore reduced its fleet carbon emissions by 28 g CO₂/km compared to the previous year (2019: 127 g CO₂/km), approximately 5 g CO₂/km below the limit of 104 g CO₂/km applicable to the BMW Group. Between 1995 and 2020, the Group's carbon emissions were reduced by around 53 %.⁴ This success was achieved through the consistent electrification of the vehicle fleet and the continuous improvement in the efficiency of combustion engines.

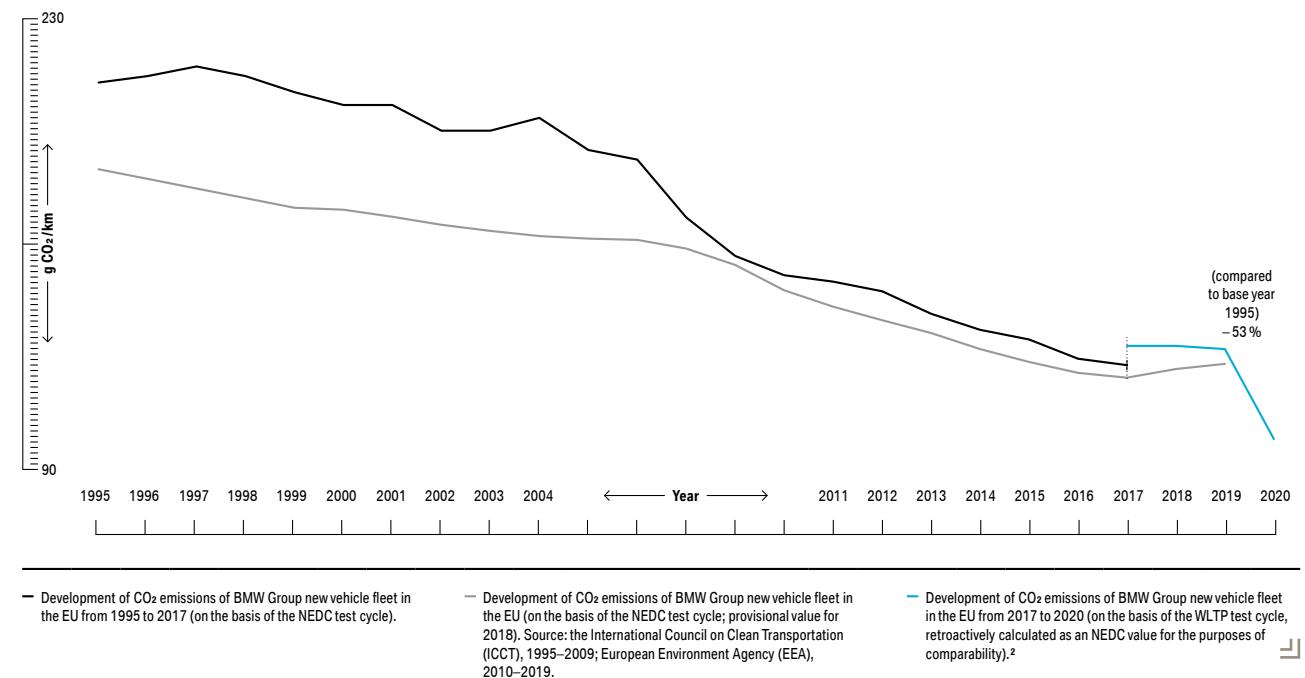
GRI 302-5, 305-5

Worldwide, the BMW Group reduced its fleet average carbon emissions by 5 % compared to the previous year to 133 g CO₂/km² in 2020 (simplified internal BMW Group calculation for its core markets EU, USA, China, Japan and Korea) (2019: 140 g CO₂/km).

GRI 305-3, 305-5

DEVELOPMENT OF CO₂ EMISSIONS OF BMW GROUP NEW VEHICLE FLEET IN THE EUROPEAN UNION

Base year 1995 = 210 g CO₂/km



¹ Flexibilities as defined in regulatory requirements: phase-in with 5 g/km, supercredits BEV/PHEV with 7.5 g/km and eco-innovations with 2.4 g/km.

² Since 2018, all vehicles in the EU must be licensed according to the new WLTP test cycle. However, the EU Commission will not start using WLTP to calculate fleet CO₂ emissions until 2021. As a result, WLTP fleet emissions must be retroactively calculated as NEDC values for the purposes of reporting until and in 2020.

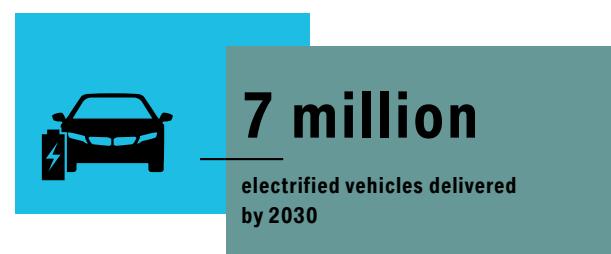
³ This is a preliminary internal calculation with a potential tolerance of +/- 0.5 g CO₂/km, as official registration figures have not been provided by all EU states. The EU Commission is not expected to publish official figures until November 2021.

▮ In the USA, the average fleet emissions¹ for the model year (MY) 2020 amounted to 156 g CO₂/km for passenger cars (MY 2019: 157 g CO₂/km) and 186 g CO₂/km for light trucks (MY 2019: 188 g CO₂/km). Fleet-weighted CO₂ emissions in the USA averaged 167 g CO₂/km (MY 2019: 167 g CO₂/km – BMW internal calculation).

In China, average carbon emissions² rose slightly to 151 g CO₂/km (2019: 144 g CO₂/km). This is due to lower sales of electrified models in China, while overall sales are increasing. ▲ GRI 302-5, 305-5 ▾

RANGE OF ELECTRIFIED VEHICLES FURTHER EXPANDED

The BMW Group sees wide-ranging opportunities to further reduce fuel consumption and pollutant emissions in the electrification of power trains. This point is particularly relevant against the backdrop of global decarbonisation targets, for example in the EU, China or the USA (particularly California), and the sustainability targets the BMW Group has set itself for 2030. For this reason, the BMW Group again expanded its range of electrified vehicles during the 2020 reporting year. By 2030, the Group plans to have delivered at least seven million electrified vehicles to its customers. ▲ Electric Mobility



CONVENTIONAL DRIVETRAINS MORE EFFICIENT AND WITH LOWER EMISSIONS

▮ The BMW Group continues to work intensively on reducing fuel consumption and carbon emissions in its conventionally powered vehicles. Since 2007, the BMW Group has been implementing its Efficient Dynamics package of technological measures throughout the fleet, comprising various coordinated measures to reduce fuel consumption. In this context, the Group continued to optimise the efficiency of its combustion engines throughout the year under report by deploying recuperation systems and continuous emissions reduction measures. Recuperation systems utilise the energy recovered from the braking process to supply the vehicle's electrical system and generate additional power for the drivetrain. For this reason they are often referred to as mild hybrid vehicles. ▲ Electrified Vehicles

Since the early 1990s, the BMW Group has managed to significantly reduce the pollutant emissions generated by its vehicles by deploying new technologies and making improvements to existing ones. In Europe alone, it has reduced the relevant exhaust emissions of the new vehicle fleets for diesel passenger cars in accordance with the threshold values of the standards Euro 1 to Euro 6 from 1992 to 2019 by well over 90 % compared to the level recorded prior to the introduction of the Euro emissions standards. ▲ GRI 305-7 The introduction of new models with even lower-emissions drivetrain technologies has made a significant contribution to this result. In the year under report, the BMW Group also converted all its remaining models to the Euro 6d emissions standard.

The BMW Group expects modern, highly efficient diesel engines to continue playing an important role. As part of its Efficient Dynamics approach, the BMW Group will therefore continue to work on reducing the consumption of conventional drivetrain systems and boosting their efficiency in the foreseeable future. It intends to continue along this route, taking innovative approaches to the combustion engine, aerodynamics and lightweight design. The use of 48-volt technology is another key component in the BMW Group's efforts to reduce its carbon emissions.

Artificial intelligence (AI) can also contribute to cutting carbon emissions and vehicle fuel consumption. The BMW Group is conducting research into how AI could make energy management in vehicles adaptive, enabling energy consumption to be modified to suit the needs of the driver and further improve energy efficiency.

Nitrogen oxide levels are a crucial factor for the air quality in towns and cities. With this point in mind, since mid-2018 the BMW Group has installed a highly effective combination of an NOx storage catalytic converter (NSC) and an SCR system (SCR: selective catalytic reduction) with urea injection technology (AdBlue) in all BMW diesel models as well as in the larger MINI diesels. As part of its continuous further development strategy, the BMW Group has additionally improved the efficiency of its exhaust gas after-treatment technology by utilising an oxidation catalytic converter in conjunction with two SCR catalytic converters. In 2020, this new technique was launched and rolled out across the Group's product portfolio together with the revised generation of its diesel engines. ▾

¹ Basis: USC (United States Combined).

² Basis: NEDC (New European Driving Cycle).

With the aim of spreading these innovations for improving air quality as swiftly as possible, the BMW Group offered a scrappage bonus in Germany in 2020. The move was intended to rejuvenate the passenger car fleet and thus contribute quickly and effectively to reducing nitrogen oxide emissions. In 2019 and 2020, there were already first signs of a noticeable reduction in NOx pollution in German cities, partially due to the progressive renewal of the fleets of all automotive manufacturers. ↗**GRI 416-2**

SUCCESSFUL REDUCTION SURPASSES LEGAL REQUIREMENTS

The BMW Group has the clear ambition to meet statutory carbon emissions requirements. Within the EU, the Group succeeded in improving on fleet carbon targets during the year under report. With respect to fleet carbon limits in other regulated markets, the BMW Group is also explicitly aiming to comply with the limits and keep its emissions as far below them as possible, which it again succeeded in doing in the year under report.

The BMW Group supports the development of harmonised national regulations, also on an international basis to the extent possible. Comparable regulations in major markets create reliable, predictable framework conditions that make a key contribution to combating climate change and improving air quality. In view of its commitment to complying with the climate goals enshrined in the Paris Agreement, during the year under report the BMW Group entered into a voluntary agreement with the US State of California to reduce fleet emissions over and above national requirements. The

matters agreed therein are valid for every state in the USA – one of the BMW Group's largest sales markets. The commitments made enhance the Group's long-term planning security in the face of political change and are in line with increasingly stringent legislation worldwide designed to reduce vehicle emissions. In view of the growing popularity of electric mobility, for example, the BMW Group sees the rapid expansion and technical harmonisation of charging infrastructure as an urgent requirement. In the USA and Europe in particular, the slow pace of infrastructural expansion is still holding back the spread of electric mobility.

MANAGEMENT OVER THE ENTIRE LIFE CYCLE

In order to meet market-specific fleet requirements and its own even more ambitious decarbonisation targets, the BMW Group is taking an holistic approach to reducing emissions throughout the entire life cycle of its vehicles. This approach is particularly relevant, as – despite the expansion of electric mobility having an overall positive impact on carbon emissions in the use phase – emissions levels in the supply chain are increasing due to the use of more carbon-intensive components, especially those installed in high-voltage battery systems. For this reason, right from the product development stage of new vehicle projects, the BMW Group has defined specific targets for reducing carbon emissions across the entire life cycle. The strategy applies equally to the vehicle development, the supply chain, production, the use phase, and finally recycling at the end-of-life phase.

With this approach of taking the entire vehicle life cycle into account, the BMW Group intends to realise its ambition of achieving substantial improvement from one vehicle generation to the next. The Group implements its targets and assesses its progress during the development process based on a carbon footprint in accordance with the ISO 14040/44 standard. ↗**Electric Mobility** ↘

ELECTRIC MOBILITY

Electric mobility is one of the key topics of the future when it comes to making road travel sustainable and a more pleasant experience. In recent years, the BMW Group has significantly expanded its range of electrified vehicles and related services. It therefore sees itself as one of the leading providers of premium electric mobility, measured on the basis of its cumulative sales volume figures between 2013 and 2020 and in light of the holistic approach it is taking.

The BMW Group's electrified vehicles combine the advantages of sustainable mobility with dynamic drivetrain behaviour. Fully electric battery-powered models (BEVs) generate zero local emissions and can significantly reduce traffic noise levels in towns and cities. □

AMBITIOUS TARGETS FOR EXPANDING ELECTRIC MOBILITY

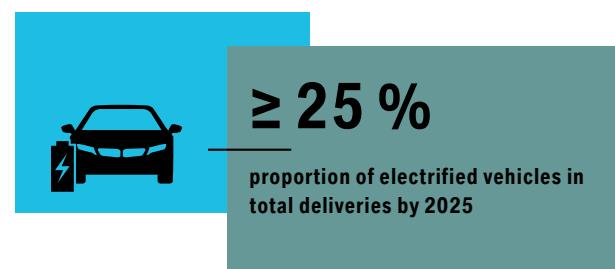
The BMW Group is pursuing the goal of substantially further decarbonising its vehicles and thereby achieving a worldwide reduction in carbon emissions in the use phase (Scope 3 downstream in accordance with SBTI ↗ Carbon Emissions and Pollutants and Paris Climate Agreement targets. A key part of its product strategy is therefore to systematically continue electrifying its model range. The BMW Group has set itself ambitious targets: by 2025, the proportion of electrified vehicles in its total deliveries is to rise to at least 25 %. By 2030, the BMW Group plans to have delivered at least seven million electrified vehicles¹.

To ensure that it achieves its sales volume targets for electric and plug-in hybrid vehicles, the BMW Group plans to more than double its sales of electrified vehicles by the end of 2021 compared with 2019 figures (2019: 146,158² units). Based on its existing plans, the BMW Group will have 25 electrified models on the road by 2023.

PRODUCT OFFERING EXPANDED AND SALES VOLUME INCREASED

▮ The BMW Group is consciously focusing on battery electric vehicles (BEV) and plug-in hybrid technology (PHEV), enabling customers to select the form of drivetrain that best suits their respective mobility needs. In order to serve regionally varying customer requirements, the BMW Group assembles a variety of drivetrain technologies on the same production line.

During the year under report, the BMW Group launched further models with hybrid drivetrains: the BMW X1 xDrive25e³, X2 xDrive25e³, X3 xDrive 30e³, 330e Touring³, 330e xDrive Sedan³, 330e xDrive Touring³, 530e Sedan³, 530e Touring³, 530e xDrive Sedan³, 530e xDrive Touring³ and 545e xDrive Sedan³. These were joined by two additional all-electric models, the MINI Cooper SE³ and the BMW iX3³, which has been available in Europe since the end of January 2021. The BMW iX3³ is already equipped with the technology of the fifth, and thus latest, generation of BMW Group battery cells. □



¹ See ↗ Glossary.

² Retail vehicle delivery data presented for 2020 is not directly comparable to such data presented for previous years. For further information on retail vehicle delivery data, please see ↗ Comparison of Forecast with Actual Outcomes.

³ See ↗ Fuel Consumption and CO₂ Emissions Information.

▮ In November 2020, the Group presented the BMW iX¹, featuring new electric drivetrain technology, substantially enhanced connectivity and innovative interior design. The BMW iX¹ also features a range of over 600 km (WLTP) and shorter charging times. The vehicle can be charged for a range of over 120 km in roughly ten minutes. □

In 2020, the BMW Group delivered 192,662 electrified vehicles (2019: 146,158 units²). Further information is available in the "Automotive segment" section of the [Business Report](#).

RANGE INCREASED TO MEET CUSTOMER NEEDS

▮ To enable customers to cover as much of their daily driving as possible emissions-free, the BMW Group is systematically increasing the electric range of its plug-in hybrids (PHEV) and battery-powered electric vehicles (BEV) by introducing new technologies. Hence, for PHEVs, the Group has increased the range of the BMW X5 PHEV¹ from 31 km (2015: NEDC data) to 80 km³, the BMW 530e PHEV¹ from 45 km (2017: NEDC data) to 60 km³ and the BMW 330e PHEV¹ from 40 km (2016: NEDC data) to 60 km³. In the BEV segment, the range of the BMW i3 BEV¹ increased from 300 km (2016: NEDC data) to 359 km³.

To further increase the range of its electrified vehicles, the BMW Group is improving both the energy density and the efficiency of its battery cells. For example, the high-voltage battery in the BMW iX3¹ has a 20 % higher energy density and the power density of the electric motor has also been increased by 30%.

As a matter of principle, the BMW Group takes a differentiated view to increasing the electric range and does not necessarily consider it expedient to aim for a maximum range for all electrified vehicles, and is rather of the opinion that it makes more sense to offer customers tailor-made solutions by producing a fleet of vehicles with varying ranges. Resource use and resource efficiency – advantages that also benefit the customer.

FURTHER INVESTMENTS IN ELECTRIFICATION

The BMW Group invests on an ongoing basis in the planning and development of new vehicle models. The figure of 25 electrified models previously targeted to be on the roads by 2025 has now been brought forward to 2023.

Around half of the 25 models will be offered as all-electric versions. The BMW Group also intends to offer its high-volume models as purely battery-powered versions. From today's perspective, the European Union's target of attaining climate neutrality by 2050, the interim targets discussed in the context of the Green Deal and the similarly ambitious climate policy targets of other countries can only be achieved with a variety of parallel technologies if customers are to continue being offered a range of mobility options that meet their specific and differing needs going forward. Even today, from a global viewpoint there are driving profiles that cannot yet be covered by an all-electric vehicle due to physical or technical restrictions or insufficient access to a viable charging infrastructure. □

¹ See [Fuel Consumption and CO₂ Emissions Information](#).

² Retail vehicle delivery data presented for 2020 is not directly comparable to such data presented for previous years. For further information on retail vehicle delivery data, please see [Comparison of Forecast with Actual Outcomes](#).

³ The range has already been determined in accordance with the new WLTP test cycle (Worldwide harmonized Light vehicles Test Procedure) and recalculated to NEDC (New European Driving Cycle) for comparability. The actual range depends on various factors, including personal driving style, route characteristics, the outside temperature, heating, air conditioning, preheating and precooling. Provisional figure.

▮ PHEVs and highly efficient internal combustion engines are therefore a more likely choice in this environment. For these reasons, the BMW X3* is the first model series to be available in two variants, firstly with a combustion engine and secondly as a plug-in hybrid version, thanks to the BMW Group's scalable, modular construction system. The BMW iX3* is also available with its all-electric drivetrain.

Quite apart from battery-powered electric drivetrain systems, the BMW Group also continues to see the potential of fuel cells, a technology embedded in the hydrogen strategy of various countries. The Group is planning to produce a small series of the BMW i Hydrogen NEXT from 2022. Moreover, as an associated partner of H2 Mobility Deutschland GmbH, the BMW Group is interested in establishing the infrastructure required for hydrogen-powered vehicles.

ACHIEVING SUSTAINABILITY OVER THE ENTIRE LIFE CYCLE

The BMW Group considers both decarbonisation targets and market-specific fleet requirements right from the product development stage. In doing so, it defines specific targets that ensure well-balanced optimisation over the entire life cycle.

With its project i, the BMW Group was among the first manufacturers to pursue the aim of reducing carbon

and other pollutant emissions as well as the use of critical materials over the entire life cycle of its vehicles right from the very beginning. With the fifth generation of BMW eDrive, the Group reached an important milestone during the year under report. A special feature of the electric motor, which is being installed in the BMW iX3* for the first time (eDrive Gen5), has been designed so that it no longer requires the use of rare earth elements. For the fifth generation of its high-voltage storage system, the BMW Group obtains any critical raw materials it requires from sources outside the known conflict regions. Cobalt that is bought in directly by BMW Group and made available to suppliers is sourced from Morocco and Australia. The lithium used is also from Australia, where it is extracted by means of the so-called hard rock mining process. In addition, the BMW Group has successfully reduced the amount of cobalt required per kWh by two-thirds through the further chemical development of its battery cells. ▲ **Purchasing and Supplier Network**

The use of renewable energy in production processes – for example in the manufacture of energy-intensive materials such as carbon fibre reinforced plastic – or the choice of green electricity in the use phase – also help reduce the carbon footprint of the BMW Group's vehicles. Further information on how efficiently and therefore economically and sparingly the BMW Group uses resources in its production processes is provided in the section ▲ **Resource Consumption and Resource Efficiency**.

The BMW Group has entered into a contractual agreement with its battery cell manufacturers to ensure that they only use green electricity when producing the fifth

generation of battery cells. In a joint technology consortium with battery manufacturer Northvolt, the Group also plans to configure the value chain for battery cells in Europe with sustainability as its top priority.

Other approaches to handling resources in a responsible, sustainable manner include the reuse of batteries, such as in stationary storage systems with the aim of improving the use of renewable energy and promoting recycling. In collaboration with the recycling specialist Duesenfeld, for example, the BMW Group has developed the prototype of a process that enables 96 % of the material from battery cells to be recovered for recycling. Furthermore, the option exists for all customers whose vehicle contains a high-voltage battery for the BMW Group to take the battery back free of charge. This also applies to regions where there is no legal obligation to do so.

The BMW Group manages the implementation of its targets and assesses progress in vehicle development via its Life Cycle Assessment in accordance with the ISO 14040/44 standard. The Group utilises these assessments to record the environmental impacts occurring over the life cycle of a vehicle right from the development stage and make comparisons with predecessor models. However, the BMW Group's approach goes one step further: it breaks down the targets by product and then implements the appropriate measures. These include, for example, the use of green electricity for energy-intensive processes in the supply chain or in production as well as the use of recycled materials such as aluminium or plastics instead of deploying primary resources. □

* See ▲ Fuel Consumption and CO₂ Emissions Information.

▮ The BMW Group aims to ensure that electric and electrified vehicles make an effective contribution to climate protection not only in the use phase, but also in their overall footprint, including the supply chain. As an example, the environmental report of the BMW iX3* indicates that the greenhouse gas potential values of an all-electric vehicle are around 30 % lower than those of a conventional reference vehicle with a diesel drivetrain when the calculation is based on standard consumption and the European electricity mix. Furthermore, when the electricity used for charging is generated from renewable energy sources, the emissions values are around 60 % lower.

▮ Competence centre for battery cells

In 2019, the BMW Group began pooling its wealth of experience and comprehensive knowledge of battery cell technology in a new competence centre based in Munich. With this strategy, the Group is pursuing the twin aims of further improving its battery cell technology and fully penetrating production processes. Based on the battery technology currently in use, the BMW Group intends to substantially increase the potential range of its electrified vehicles by 2030 by continuing to develop its battery cells, modules and systems. Looking to the future, the focus will be even more on cutting battery system costs in order to make electric mobility more profitable.

The competence centre replicates the entire value chain of battery cell technology, from research and development to the structure and the design of the battery cell to the production of the first prototypes. It takes the complete life cycle of a battery cell into account, from purchasing the raw materials to recycling. Particularly in view of the high-voltage batteries needed to power electrified vehicles, which can entail the use of critical raw materials, the circular economy has a decisive role to play. ▲ Production, Purchasing and Supplier Network □

EXPANDING THE CHARGING INFRASTRUCTURE AND ENABLING FASTER CHARGING

A comprehensive charging infrastructure is a prerequisite for the rapid, widespread deployment of electric mobility. In order to promote this project, between 2015 and 2020 the BMW Group committed itself to improving the charging infrastructure in a total of over 50 projects and has initiated the installation of some 15,000 operational charging points. The BMW Group plans to install a total of 4,100 charging points at BMW Group properties in Germany by the end of 2021. Half of these charging points will be made accessible for public use. Together with other car manufacturers, charging station providers, charging service providers and energy suppliers, the BMW Group is working on simplifying not only access to charging stations, but also the charging process itself.

At European level, in close collaboration with the IONITY joint venture, the BMW Group is in the process of building a high-performance fast-charging network comprising some 400 charging stations along major transport routes by 2021. Fast-charging stations make charging up to seven times faster than standard 50 kW stations. Originally planned for completion by 2020, due to the coronavirus pandemic and the lack of approvals, the BMW Group and its partners were compelled to postpone the construction of certain stations until 2021. To date, 325 of the 400 planned IONITY fast-charging stations have been installed and a further 44 are currently under construction. At powerful and increasingly widespread DC fast-charging points with outputs of at least 150 kW, the BMW iX3* can be charged to achieve a range of over 100 km (WLTP) in around ten minutes.

The BMW Group intends to offer electric mobility to both private customers and companies operating entire fleets and is additionally expanding the BMW Charging product and service portfolio for trendsetting charging solutions at home, on the road and at the workplace. Charging infrastructure for both private and commercial purposes is a key prerequisite for the further expansion of electric mobility. The BMW Group welcomes the support provided by government premiums, as charging options both at home and at the workplace make a key contribution to the overall infrastructure from the point of view of customers.

GREEN ELECTRICITY FOR E-MOBILITY

During the year under report, the BMW Group continued to pursue and expand its approaches to the holistic ecological optimisation of electric mobility both at home and on the road. In addition to BMW Charging and MINI Charging, the Group already offers electricity from renewable sources as well as attractive solar power packages for homes in both Germany and Austria. As part of its strategic investment in the IONITY joint venture, the BMW Group is preparing to broaden its range of services to enter other markets as well as the field of public charging. □

* See ▲ Fuel Consumption and CO₂ Emissions Information.

IMPROVING POLITICAL CONDITIONS

In the BMW Group's view, there is still a need for political support for electric mobility in many countries and cities. In the EU, for example, market research points to the close correlation between the density of charging infrastructure and the sale of electrified vehicles. This correlation applies not only at member state level, but also in a regional comparison. The BMW Group is therefore seeking dialogue with policymakers to call for measures to be taken to improve consistency on both the supply and the demand sides. In concrete terms, the aim is to improve framework conditions with the aim of stimulating demand for electrified vehicles not only nationally, but also at local level. The focus here is on increasing the number of public charging points and offering usage incentives in everyday life, such as parking spaces reserved for electric vehicles or discounts on parking fees. In Germany, for example, only a few cities have so far taken advantage of the funding opportunities offered by the Electric Mobility Act.

To advocate for improved conditions, the BMW Group is involved, for example, in the National Platform for the Future of Mobility (NPM), in the European initiative EIT Urban Mobility and within the framework of the World Economic Forum. Furthermore, the BMW Group is in dialogue with think tanks such as Agora Verkehrswende and is a member of the International Consultative Committee of China EV 100 as well as at VELOZ, a non-profit organisation dedicated to promoting electric mobility in the US state of California.

MOBILITY PATTERNS

The BMW Group wants to make mobility more sustainable and more convenient to use. In recent years, numerous urban mobility offers have been developed and introduced in cooperation with selected towns and cities. The BMW Group therefore sees its 2020 target of providing sustainable support for changing mobility behaviour by offering integrated mobility services in selected metropolitan regions as having been met.

Moreover, the Group continues to work together with its subsidiaries and in dialogue with the respective cities to find solutions to the increasing density of road traffic and the corresponding rise in noise levels, air pollution and land use. The BMW Group is also meeting these challenges by developing connected vehicles. In view of the growing trend towards vehicle electrification, the Group is therefore making a significant contribution in particular to providing eco-friendlier modes of transport as well as promoting the better use of space in urban areas.

MAKING URBAN MOBILITY SUSTAINABLE WITH SERVICES

The BMW Group is currently working together with three German cities to improve the traffic situation and explore new mobility solutions. The New Mobility Berlin project aims to improve the quality of life within the city. For this reason, the BMW Group is developing tailor-made multimodal solutions, i.e. approaches that incorporate the entire range of transport modes. In selected districts of the city, via its subsidiaries, the BMW Group offers shared fleets of rental cars and e-scooters as an alternative to privately used vehicles. The strategy is intended to encourage better use of the road space occupied by rarely used private vehicles for other purposes going forward.

At the same time, the BMW Group has reached agreements with the cities of Munich and Hamburg, where it has carried out the first pilot projects for making city centres more pleasant to live in. Specific examples of the development of new, sustainable mobility options include the City2Share research project, which focuses on measures to reduce traffic in project districts in Munich and Hamburg, and the "umparken Schwabing-West" project, in which the BMW Group is working to transform public space and enable it to be used more appropriately by offering mobility packages for local residents.

The BMW Group is also involved in various urban platforms via which municipalities exchange information and collaborate on projects, including the **EIT Urban Mobility Platform** in Germany and the international **EIT Urban Mobility Platform** of the European Institute of Innovation and Technology. ▶

↳ Via its subsidiaries, the BMW Group promotes innovative service offerings in the fields of car sharing, driving services, parking and vehicle charging as well as multimodal transport. In 2019, the BMW Group therefore merged its own mobility services in a joint venture with those of Daimler Mobility Services GmbH to create the YOUR NOW service. The common goal of the two companies is to expand the use of on-demand mobility and offer new solutions for cities and municipalities looking to make road use more efficient and sustainable. In this context, the market development and the political-regulatory framework conditions in the cities are continuously being examined and the range of services further developed in collaboration with strategic partners.

The BMW Group has expanded its car-sharing service offering (SHARE NOW) to include a long-term rental of up to 30 days. It also continued to develop FREE NOW into a multimodal mobility platform by adding e-bikes and e-scooters. In 2020, FREE NOW had 46 million registered customers and offers ride services in 17 countries and 153 cities. In the year under report, around 2.9 million customers used the SHARE NOW car-sharing services, which are available in 16 cities and eight countries. The car-sharing fleet currently comprises around 9,500 vehicles, almost one-quarter of which are electrically powered. In 2020, the number of trips decreased due to the coronavirus pandemic.

The CHARGE NOW vehicle charging service currently provides access to around 246,000 public charging points operated by various providers in 32 countries. In addition to its CHARGE NOW services, the BMW Group is working with partners in other markets to provide customers with broad access to charging points. The PARK NOW digital parking service enabled around 45 million

customers in around 1,200 cities to pay more quickly and easily for parking spaces on a contactless basis. However, PARK NOW's business performance was also impacted by the coronavirus pandemic in 2020.

The BMW Group and its subsidiaries are working continuously on intelligently interconnecting vehicles, infrastructure and mobility services. The aim here is to make better use of the limited parking space available and reduce traffic congestion. The BMW Group is fully committed to complying with statutory limits for air quality, noise levels and carbon emissions as well as to restoring the quality of life for the residents of urban areas. For these reasons, the BMW Group intends to further intensify its dialogue with towns and cities and make an active contribution to the discussion on more sustainable mobility options as well as tailored traffic management measures. The Group also intends to transfer the results achieved in individual cities to other areas and adapt them on an international basis.

FURTHER DEVELOPING AUTOMATED DRIVING

Automated functions and digitally connected vehicles can help reduce traffic congestion, minimise the risk of accidents and cut emissions levels. These technologies are therefore making a direct contribution to improving the quality of life in cities, and electric mobility in particular is becoming more and more popular at the same time.

The latest BMW models are equipped with state-of-the-art driver assistance systems. In 2021, the BMW Group is taking automated driving a decisive step

further with the development of the BMW iX*. It will be the first BMW Group vehicle to offer both automated driving and parking functions via a new modular technology system. The BMW Group sees considerable potential in automated driving and will continue to develop this field intensively over the next few years. ↴

↳ Employee mobility

As the largest single employer in the Munich metropolitan region, the BMW Group has a special role to play in its hometown location and the surrounding urban areas by actively helping to reduce environmental pollution. The Group is planning to have one of the largest company charging networks in place by mid-2021, thereby helping to increase the popularity of electric mobility and reduce carbon dioxide as well as other pollutant emissions.

The BMW Group provides incentives for its employees to use public transport, including benefits such as a discounted monthly ticket within the Munich city area. Around 14,000 employees have chosen this option. The Group also operates a long-established shuttle bus service between its locations. It also provides its staff with rental bicycles and scooters for commuting. Last but not least, as a good example, with its BMW LeaseRad offer, the Group is actively supporting the growing number of employees who choose to ride to work by bicycle and also encourages travelling by bicycle and scooter in general. ↴

* See ↴ Fuel Consumption and CO₂ Emissions Information.

▮ The BMW Group is also leveraging vehicle connectivity with its new eDrive Zones technology, which automatically switches plug-in hybrids to fully electric driving mode when entering an environmental zone. The innovation makes it easier for customers to drive emissions-free to the greatest extent possible. The Group has already introduced this function in over 80 European cities.

The safety of its automated systems is a top priority for the BMW Group. For that reason, in 2019 it partnered with 11 leading companies in the field of automated driving to produce a Safety First for Automated Driving (SaFAD) white paper that highlights the importance of safety by design in the development of an industry standard for automated driving. The BMW Group sees this white paper as an important step towards defining industry-wide standards from the testing stage to the approval of highly and fully automated driving functions.

Since 2018, BMW assistance systems have been utilising artificial intelligence to anticipate typically dangerous situations such as the swerving of other vehicles in order to react in good time. The BMW Group can further improve the performance of artificial intelligence in this field by analysing anonymised data taken from real-life activities. Therefore, as a founding member of the European Gaia-X project, it is committed to developing standards for organising data and cloud-based measures with the aim of making traffic management more efficient.

In order to incorporate highly mature new technologies in series production and further raise its level of expertise in the field of automated driving, the BMW Group is building a new development and testing ground in the

Czech Republic, which is scheduled for completion in 2022. Complex everyday automated driving conditions can then be tested at the new facility in a realistic but controlled environment.

PREVENTIVELY PROTECTING CUSTOMER DATA

The protection of data and information within the BMW Group is based on the relevant laws and standards, particularly in accordance with the EU General Data Protection Regulation and the ISO/IEC 27001 international security standard. The personal data of customers is only collected, processed or utilised to the extent legally permitted and with the consent of the person in question. Any complaints can be reported to the Customer Interaction Centre, the Data Protection Officer or via the SpeakUP Line and will be dealt with promptly.

In order to protect its digital systems from tampering, the BMW Group systematically searches for possible weak points with a view to closing any potential gaps in good time before approving the respective component. The Group continuously translates any new insights into binding standards. Clear standards regarding data and information protection also apply to any collaborations and partner relationships.

With BMW CarData, the BMW Group introduced a secure, data-protection-compliant and transparent service for the non-discriminatory sharing of vehicle data, initially in Germany in 2017 and since 2018 across Europe. BMW CarData provides BMW Group customers with complete data sovereignty. Customers can decide

independently which of their vehicle data are transmitted to other market participants for a specific purpose. The BMW Group has also been offering this service in the USA since June 2020. ▷ **Design and Product Safety**

IDENTIFYING POTENTIAL FOR SUSTAINABLE MOBILITY AT AN EARLY STAGE

The BMW Group has combined the topics of sustainability and mobility in its corporate strategy. It analyses the opportunities and challenges arising from changes in mobility demand that result from new types of mobility on offer or regulatory framework conditions. The BMW Group then develops premises for its contribution to sustainable mobility on this basis. In corporate departments for both strategy and communication, the Group has established dedicated teams in a global network and provided them with funding to jointly define sustainability goals and monitor the extent to which they are being achieved. The BMW Group views developments in its main markets in a differentiated manner and engages in collaborative research projects in order to understand the changes, impacts and needs of urban mobility behaviour worldwide at an early stage. The Group is also in regular dialogue with its international stakeholders. One of the aims of these established events is to gain a better understanding of people's mobility needs worldwide and develop new products and services accordingly. ▷ **Dialogue with Stakeholders**

PRODUCTION, PURCHASING AND SUPPLIER NETWORK



PROMISED

We aim to reduce
CO₂ EMISSIONS
per vehicle produced.

DELIVERED

Since 2020, the electricity
for all BMW Group plants
has been sourced from
**100 % RENEWABLE
ENERGIES.**



"Our expertise in integrating new technologies and products into our production system is unique worldwide. Through innovation and digitalisation, we are setting new benchmarks in terms of efficiency and sustainability. This leads into a new era of automotive production: The next level of our BMW Group production system will be lean, green and digital."



Dr. Milan Nedeljković
Member of the
Board of Management
of BMW AG, Production



Dr.-Ing. Andreas Wendt
Member of the Board of Management
of BMW AG,
Purchasing and Supplier Network

"A company is much more than just the sum of its individual employees. It is about sharing the same goals, working together as partners and taking responsibility beyond one's own area. This applies to us at the BMW Group, as well as in cooperation with our suppliers."

We know where
TECHNOLOGY can still
leverage **POTENTIAL**.

That's why I'm **OPTIMISTIC**
we can reach the high goals
we set ourselves.



Jury Witschnig is responsible
for environmental protection in
production. Patricia Perez Szmak
heads the project dedicated to
sustainability in the supply chain.

MR WITSCHNIG, ENVIRON-
MENTAL PROTECTION IN
PRODUCTION. WHAT DOES
THAT MEAN EXACTLY?

THE GOAL IS TO REDUCE
CO₂ EMISSIONS IN PRO-
DUCTION BY ANOTHER 80 %
BY 2030. HOW WILL YOU
DO THAT?

SUPPLY CHAIN CO₂ EMIS-
SIONS ARE ALSO MEANT TO
BE REDUCED BY 2030.
MS PEREZ SZMAK, WHY BY
ONLY 20 %?

Our goal is clean production. That means minimising our environmental impact in a targeted manner – with regard to water, waste, energy, solvents, etc. We have achieved a great deal in recent years – for instance, reducing the amount of waste by 80 %. And all BMW Group plants worldwide have obtained their electricity from renewable energies since 2020.

We have already achieved a great deal when it comes to energy efficiency and sourcing green power. And we know where technology can still leverage potential. Our next big topic will be gas consumption.

Without corrective measures, expanding electromobility would increase CO₂ emissions in the supplier network by at least a third. We don't just want to stop this increase; we want to reverse it. So, actually, a reduction of at least 20% is a very ambitious goal.

Renewable energies will play a big part in this. A second topic is the reuse of materials – in other words, a circular economy. The best part is: Our suppliers are fully on board with this.

PRODUCTION NETWORK

The BMW Group's production system is efficient and flexible. It provides customers with a large number of customisation options when choosing their own vehicle. Moreover, during the reporting period the BMW Group's global production system once again demonstrated its ability to respond to highly volatile market developments, even under the demanding conditions of the 2020 pandemic year.

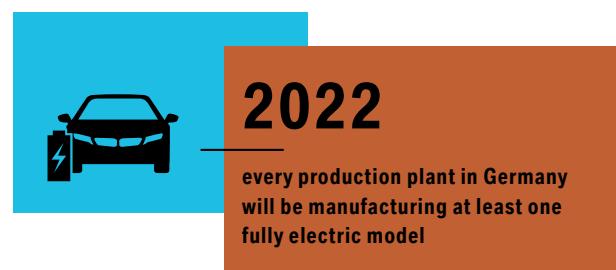
The production network leverages innovative technologies from the fields of digitalisation and Industry 4.0, including applications from the worlds of virtual reality, artificial intelligence, smart logistics and 3D printing.

SYSTEMATIC TRANSFORMATION TOWARDS ELECTRIC MOBILITY

The BMW Group continues to accelerate towards electric mobility and is bolstering its international production network for the increased manufacturing of electrified vehicles. By the end of 2022, every production plant in Germany should have the capacity to produce at least one fully electric vehicle model. The BMW Group's production system is capable of manufacturing both conventional internal combustion and electrically powered vehicles on a single line, enabling it to respond flexibly to changing customer requirements for various drivetrain systems. In 2020, the Group simultaneously manufactured electrified models at 13 locations in its global production network. By the middle of the current decade it will be deploying a new cluster architecture geared to fully electric drivetrains. Initially, the technology will be launched at the future Debrecen plant in Hungary and then transferred to the global production network in a step-by-step process.

Electrification is also becoming increasingly important in terms of drivetrain production. In the year under report, the BMW Group announced the construction of a pilot plant for the near-series production of battery cell prototypes. The aim is to further optimise the production of battery cells in terms of quality, performance and costs. The Battery Cell Competence Centre in Munich already covers the entire value chain in terms of battery cell technology – from research and development to the structure and design of the battery cell as well as its manufacturability.

The Group's Dingolfing plant has assumed a leading role as a competence centre for e-drive systems in the production of electric drivetrain components. It produces battery modules, high-voltage batteries and fifth-generation electric motors for the BMW Group's electrified vehicles. E-motors are also manufactured at the Landshut plant. Production facilities for battery components and high-voltage batteries are also being established at the Group's Leipzig and Regensburg sites. Currently, high-voltage batteries are manufactured at three BMW Group plants, i.e. Dingolfing (Germany), Spartanburg (USA) and Shenyang (China). In Thailand, the BMW Group collaborates closely with a partner that manufactures high-voltage batteries for electrified vehicles that are produced locally. By 2024, the production of internal combustion engines in Europe will be concentrated at BMW Group locations in Steyr (Austria) and Hams Hall (UK).



PRODUCTION SITES IN KEY MARKETS

The BMW Group's production network comprises 31 locations in 15 countries. The Group aims to strike a balance between production and deliveries in the various regions of the world. 20 of the 31 sites are BMW Group plants. Three sites belong to the BMW Brilliance Automotive joint venture in Shenyang (China), which is currently being further enlarged. Eight production sites are operated by partners or contract manufacturers. The same standards of quality, safety and sustainability apply at all locations within the BMW Group's production network worldwide.

Locations	Country	Products
BMW GROUP PLANTS		
Araquari	Brazil	BMW 3 Series, BMW X1, BMW X3, BMW X4, BMW X5
Berlin	Germany	BMW motorcycles, car brake discs
Chennai	India	BMW 2 Series, BMW 3 Series, BMW 5 Series, BMW 6 Series, BMW 7 Series BMW X1, BMW X3, BMW X4, BMW X5, BMW X7, MINI Countryman
Dingolfing	Germany	BMW 3 Series, BMW 4 Series, BMW 5 Series, BMW 6 Series, BMW 7 Series, BMW 8 Series, BMW M Chassis and drivetrain components, e-motors, high-voltage batteries, battery components Rolls-Royce bodywork, pressed parts
Eisenach	Germany	Toolmaking, vehicle components, aluminium tanks for BMW Motorrad
Hams Hall	United Kingdom	Petrol engines, core engine parts
Landshut	Germany	Vehicle and engine components, e-motors and special-purpose motors
Leipzig	Germany	BMW 1 Series, BMW 2 Series, BMW i, BMW M
Manaus	Brazil	Motorcycles
Munich	Germany	BMW 3 Series, BMW 4 Series, BMW M Petrol and diesel engines, high-performance engines for M models Core engine parts
Oxford	United Kingdom	MINI, MINI Clubman, MINI Cooper SE*
Rayong	Thailand	BMW 2 Series, BMW 3 Series, BMW 5 Series, BMW 7 Series BMW X1, BMW X3, BMW X5, BMW X7 Motorcycles
Regensburg	Germany	BMW 1 Series, BMW 2 Series, BMW 4 Series BMW X1, BMW X2, BMW M
Rosslyn	South Africa	BMW X3
San Luis Potosí	Mexico	BMW 3 Series
Spartanburg	USA	BMW X3, BMW X4, BMW X5, BMW X6, BMW X7, BMW M, High-voltage batteries
Steyr	Austria	Petrol and diesel engines Core engine parts High-performance engines for M models
Swindon	United Kingdom	Pressed parts and bodywork components
Wackersdorf	Germany	Distribution centre for parts and components Cockpit assembly Processing of carbon fibre components
Rolls-Royce Manufacturing Plant Goodwood	United Kingdom	Rolls-Royce Phantom, Ghost, Wraith, Dawn, Cullinan*

* See  Fuel Consumption and CO₂ Emissions Information.

Locations	Country	Products
JOINT VENTURE BMW BRILLIANCE AUTOMOTIVE HOLDINGS LTD.		
Dadong (Shenyang)	China	BMW 5 Series BMW X3 BMW iX3*
Tiexi (Shenyang)	China	BMW 1 Series, BMW 2 Series, BMW 3 Series BMW X1, BMW X2
Tiexi (Shenyang)	China	Petrol engines, high-voltage batteries, battery components, production of core engine parts

* See [L7](#) Fuel Consumption and CO₂ Emissions Information.

The BMW Group's four automotive partner plants in Jakarta (Indonesia), Cairo (Egypt), Kaliningrad (Russia) and Kulim (Malaysia) primarily serve their respective regional markets and produce BMW and MINI brand models.

The BMW Group also awards contracts to external partners for the production of specific types of vehicle as well as motorcycles. During the period under report, Magna Steyr Fahrzeugtechnik produced the BMW 5 Series Sedan and the BMW Z4 in Graz (Austria). VDL Nedcar manufactured the MINI Convertible and MINI Countryman models as well as the BMW X1 at its production plant in Born (the Netherlands). In addition, BMW motorcycles are produced at the TVS Motor Company in Hosur (India) as well as at the Loncin Motor Company in Chongqing (China).

HIGH PRODUCTION VOLUME DESPITE PANDEMIC

The coronavirus pandemic caused demand on international automotive markets to fall, in some cases substantially, especially in the first six months of the year. Production volumes were adjusted accordingly and, at 2,255,637¹ BMW, MINI and Rolls-Royce brand automobiles, were below the level recorded one year earlier (2019: 2,564,025¹ units; -12.0%). The figure comprised 1,980,740¹ BMW (2019: 2,205,841¹ units; -10.2%), 271,121 MINI (2019: 352,729 units; -23.1%) and 3,776 Rolls-Royce brand vehicles (2019: 5,455 units; -30.8%).

VEHICLE PRODUCTION OF THE BMW GROUP BY PLANT

in units	2020	2019	Change in %
Spartanburg	361,365	411,620	-12.2%
Dingolfing	231,970	284,907	-18.6%
Regensburg	199,991	255,804	-21.8%
Leipzig	200,968	230,284	-12.7%
Oxford	175,984	222,340	-20.8%
Munich	143,758	221,077	-35.0%
Rosslyn	50,760	69,463	-26.9%
Rayong	25,752	23,700	8.7%
Chennai	6,228	8,976	-30.6%
Araquari	8,400	8,208	2.3%
Goodwood	3,776	5,455	-30.8%
San Luis Potosí	56,081	25,538	119.6%
Tixi (BBA) ²	311,137	250,241	24.3%
Dadong (BBA) ²	291,798	286,268	1.9%
Born (VDL Nedcar) ³	125,666	174,097	-27.8%
Graz (Magna Steyr) ³	35,747	52,231	-31.6%
Partner plants	26,256	33,816	-22.4%
Total	2,255,637	2,564,025	-12.0%

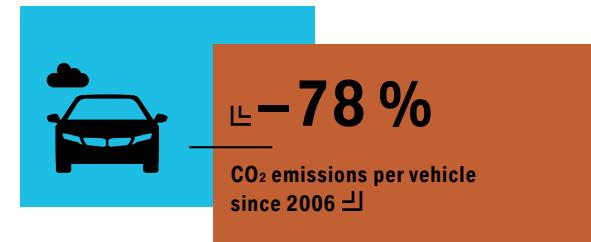
¹ Includes vehicles produced by the BMW Brilliance Automotive Ltd., Shenyang joint venture (2020: 602,935 units; 2019: 536,509 units).

² Joint Venture BMW Brilliance Automotive Ltd., Shenyang.

³ Contract production.

RESOURCE CONSUMPTION AND RESOURCE EFFICIENCY

The reduction of carbon emissions and the responsible use of resources are important cornerstones of the BMW Group's strategy. Its own plants and locations have a direct influence on both carbon emissions levels and resource consumption. The BMW Group has been committed to resource-efficient production at its plants for many years. This includes checking and monitoring the consumption of resources across the BMW Group's production network. The principle of continuous improvement applies throughout the BMW Group. It invests in efficient technologies and also continually seeks to optimise its existing processes and procedures. This principle has been highly successful, as the Group clearly surpassed its target of reducing resource consumption per vehicle produced by an average of 45 % by 2020 compared to 2006, achieving an overall reduction of 56.7 %. Apart from continuously reducing energy consumption in general, the BMW Group is now focusing on converting its electricity supply to renewable energy sources. Any remaining production-related emissions that cannot yet be avoided will be offset from 2021 onwards.



NEW PRODUCTION TARGETS UP TO 2030

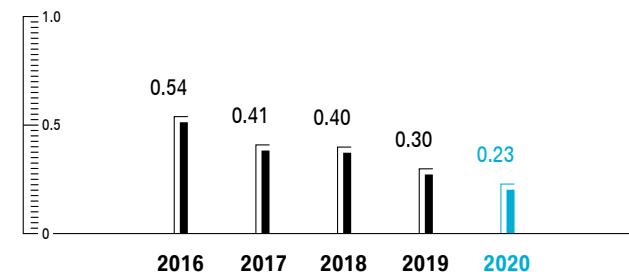
The biggest lever for reducing the BMW Group's Scope 1 and Scope 2 emissions is at its production locations, which account for around 90 % of these emissions. The BMW Group has had considerable success in this area and repeatedly set new standards in terms of sustainable production methods. Between 2006 and 2020, carbon emissions per vehicle produced fell by around 78 % by continually improving energy efficiency, generating renewable electricity in-house and entering into direct supply contracts for green power (including guarantees of origin). Nevertheless, the BMW Group has already set itself the next target: compared to 2019, these emissions levels are to be reduced by a further 80 % per vehicle by 2030. As from 2021, the Group will make the remaining carbon emissions from Scope 1 and Scope 2 completely carbon-neutral by using voluntary offset certificates.

CARBON FOOTPRINT IN PRODUCTION REDUCED AGAIN

Carbon emissions per vehicle produced fell by around 23 % to 0.23 t compared with the previous year. The reduction is a result of completely switching the BMW Group's production network to green electricity generated from renewable sources. The BMW Group also managed to reduce the absolute level of carbon emissions generated by the production network to 486,630 t (2019: 697,025 t). ¹ GRI 305-4

CO₂ EMISSIONS PER VEHICLE PRODUCED^{1,2}

in t



¹ GRI 305-4, 305-5

¹ Efficiency indicator calculated from Scope 1 and Scope 2 CO₂ emissions (market-based method according to GHG Protocol Scope 2 Guidance. Other climate-impacting gases than CO₂ not included) from vehicle production, without motorcycles, minus CHP losses divided by the total number of vehicles produced, incl. BMW Brilliance Automotive Ltd., joint venture, Shenyang/CN, not including the vehicles from the Magna Steyr and Nedcar contract production plants.

² The figures for 2016 to 2018 were examined by the external auditor on the basis of a limited assurance engagement.

↳ The absolute volume of carbon emissions fell by 13 % to around 66 million tonnes during the year under report. The main drivers were the reduction in fleet carbon emissions worldwide and the lower production volume due to the coronavirus pandemic. ↗ GRI 302-2, 305-1, 305-2, 305-3, 305-4, 305-5

↳ BMW GROUP CO₂ FOOTPRINT (CONDENSED VERSION)¹

in t CO ₂ /CO ₂ e	2020	2019
TOTAL EMISSIONS²	65,828,005	75,987,119
Scope 1	642,885	642,259
Scope 2	84,257	302,574
Scope 3	65,100,863	75,042,286



↳ **-56.7 %**

Resource consumption and emissions
from vehicle production since 2006 ↳

MINIMISING RESOURCE CONSUMPTION AND OTHER EMISSIONS

The BMW Group wants to lead the way by keeping resource consumption in its production processes to an absolute minimum. Apart from carbon emissions, further decisive factors are energy and water consumption, the amount of waste sent for disposal and the use of solvents. In recent years, the BMW Group has made a great deal of progress in terms of resource consumption. Between 2006 and 2020, the BMW Group reduced its average resource consumption and emissions generated per vehicle by 56.7 %, an improvement of 6.5 % year on year. ↳

↳ IMPROVEMENT IN RESOURCE CONSUMPTION AND EMISSIONS FROM VEHICLE PRODUCTION SINCE 2006

per vehicle produced	
Average of the values	-56.7 %
Energy consumption	-38.0 %
CO ₂ emissions	-78.1 %
Water consumption	-31.0 %
Process wastewater	-42.7 %
Waste for disposal	-82.4 %
Solvent emissions	-67.7 %

↗ GRI 302-3, 305-4

The pandemic-related interruption of production at most BMW Group plants had a significant impact on energy consumption per vehicle. When the production facilities were restarted, the same base load³ and simultaneously lower production volumes resulted in an overall increase in energy consumption per unit. Although the BMW Group's energy consumption fell to 5,714,610 MWh (2019: 5,974,625 MWh) in absolute terms during the pandemic ↗ Energy Consumption in Detail, energy efficiency was negatively impacted by lower unit volumes and not least also by hygiene measures such as the requirement to increase the frequency of ventilation. The BMW Group's specific energy consumption for vehicle production in 2020 therefore rose by 3.9 % to 2.12 MWh per vehicle produced compared to 2019.

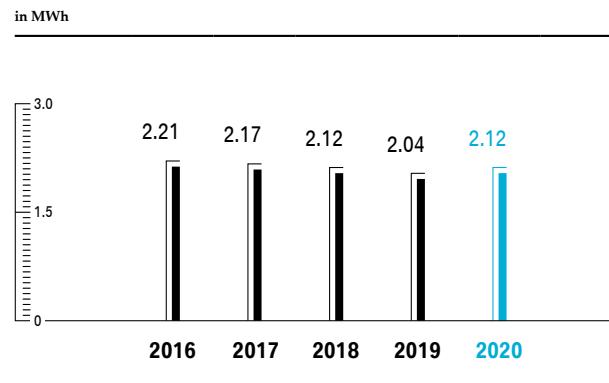
↗ GRI 302-1, 302-3, 302-4

¹ The detailed version of the BMW Group carbon footprint can be found in the section on ↗ BMW Group CO₂ Footprint.

² The emissions listed account for approximately 90 % of the BMW Group's total Scope 1 to Scope 3 emissions. Scope 1 and Scope 2 emissions exclude climate-impacting gases other than carbon dioxide.

³ The base load is the amount of power permanently required (e.g. standby consumption), regardless of how many vehicles are produced. The base load includes energy required for emergency and basic lighting, minimum ventilation or heating and air conditioning in standby mode.

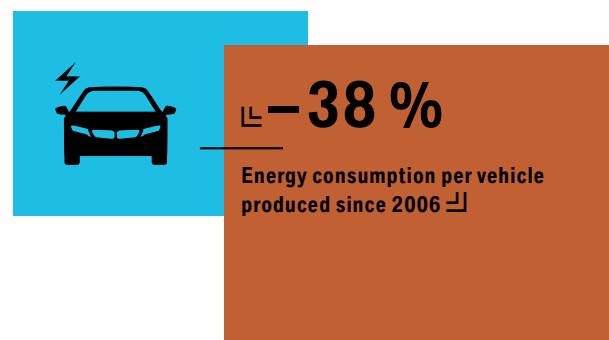
ENERGY CONSUMPTION PER VEHICLE PRODUCED^{1,2}



☒ GRI 302-3, 302-4

↳ At 2.25 m³ per vehicle produced, specific water consumption dropped by 3% compared to the previous year. ↗ Water Consumption per Vehicle Produced

The BMW Group continuously tries to further reduce energy and water consumption. It sees opportunities to save energy in particular by improving base load management, for example by reducing standby consumption during shift breaks. In order to reduce water consumption, the BMW Group's plants are further improving their circulation systems by means of wastewater treatment.



Optimisation measures are, however, offset by the higher consumption required to cool the newly installed combined heat and power plants. The BMW Group has investigated the use of water sources other than drinking water in a number of its plants in future. It focused on locations in dry climatic regions, such as the plant in San Luis Potosí (Mexico).

During the year under report, the volume of waste for disposal per vehicle produced decreased by 18.6 % to 3.33 kg compared to 2019. The main reason for differences in the volume of waste for disposal is changes in the structure of the existing waste disposal companies at the BMW Group's various locations. For example, in 2020 the Shenyang plant in China began using household-type commercial waste to generate energy, a strategy also introduced at the Rosslyn plant in South Africa.

↗ Waste for Disposal per Vehicle Produced

The BMW Group reduced its emissions of volatile organic compounds (VOC³) per vehicle produced by 4.7 % to 0.81 kg in the 2020 reporting period. This year-on-year improvement is attributable to process optimisations such as restricting the quantity of material used for cleaning work, the use of solvent-free cleaning agents, and the equipping of several new paint shops with extended thermal oxidisation facilities for base and clear coats, such as at the Munich, Dingolfing and Shenyang plants. ↗ Solvent Emissions per Vehicle Produced ↗ GRI 305-7

MONITORING RESOURCE CONSUMPTION

The monitoring of resource consumption is an integral part of the Group's environmental management strategy in the global production network and is managed by the Steering Committee of the BMW Group's international environmental protection network. Each facility, building and space at each location is allocated to an internal operator. Within this area, the operator is not only responsible for the facilities and technical systems as well as the smooth running of processes and procedures, but also for their environmental impact.⁴

An environmental management system in accordance with ISO 14001 has been implemented at all 31 BMW Group production plants. With the exception of the Manaus plant in Brazil (planned for 2021), all Group sites are certified according to this standard. The five competence centres – emissions, water, waste, qualification and environmental management system – coordinate the BMW Group's environmental protection measures worldwide. Accordingly, any ecological improvements that have proven to be effective at one location are implemented at other locations to the extent possible. Ongoing further training and the exchange of information between employees are aimed at ensuring the transfer of knowledge. ↘

¹ Efficiency indicator calculated from electricity, heat, natural gas and heating oil consumption from vehicle production (without motorcycles) minus CHP losses, divided by the total number of vehicles produced, excluding vehicles from the Magna Steyr and Nedcar contract production plants, plus energy consumption of the engine plants and electric engines as well as battery production, divided by engine production in Hams Hall, Steyr, Munich and BMW Brilliance Automotive Ltd. in Shenyang.

² The figures for 2016 to 2018 were examined by the external auditor on the basis of a limited assurance engagement.

³ VOC emissions (volatile organic compounds) are generated in particular during the painting process and can be reduced by deploying innovative painting technologies.

⁴ Each operator is required to describe the environmental impacts in the aspect register in accordance with the environmental management system and identify measures for improvement (e.g. long-term targets).

CIRCULAR ECONOMY MAXIMISES RESOURCE EFFICIENCY AND CONTRIBUTES TO CLIMATE PROTECTION

The responsible use of resources plays a key role in the BMW Group's business model. For example, if electric mobility is not only to be produced using primary materials in the long term, the underlying flows of resources need to undergo a sustainable transformation. The BMW Group intends to create high-quality secondary raw materials by promoting a greater degree of transparency in the recycling chain and tracking the actual further use of raw materials within the cycle. The Group wants to provide effective impetus for a circular economy that is viable in the long term by emphasising the importance of recycling valuable resources. At the same time, this strategy can significantly contribute to cutting carbon emissions (Scope 3 upstream), as the use of secondary raw materials can significantly reduce the size of the Group's carbon footprint in its procurement and production processes – even down to as little as one-sixth, depending on the material. For this reason, the BMW Group has defined the circular economy as a strategic focus for the coming years. This includes its own internal initiatives as well as increasing its external commitment in dialogue with major stakeholders.

The economical use of resources is already a key requirement in the design process and at the product development stage and guarantees that BMW Group products are designed to ensure that as much raw material as possible remains within the circular economy. In 2020, a total of 99.1 % of the waste generated in production processes was either recycled or recovered. To the extent viable, i.e. depending on the waste disposal market and distances to the supplier, the cycles of materials are physically closed so that the resulting recyclates can be reused.

End-of-life vehicles are therefore not considered as waste to be disposed of, but as a source of secondary raw materials. For this reason, the BMW Group promotes the return of end-of-life vehicles, components and materials to the raw materials cycle. Together with its sales organisations in each country, the Group has already organised the taking back of end-of-life vehicles in 30 countries and offers environmentally friendly recycling services at more than 2,800 take-back centres. All vehicles brought onto the market since 2008 comply with global requirements for the recycling of end-of-life vehicles, components and materials. Already today, vehicles are required to be 95 % recyclable. ↗ **GRI 301-3**

By 2030, the BMW Group intends to further increase the percentage of recycled secondary raw materials in its vehicles while systematically developing the recycling process at the same time. During the year under report, around 25 % of the steel and up to 20 % of the thermoplastics the Group used for vehicle manufacturing were derived from secondary sources. Up to 50 % of the aluminium the BMW Group uses to make its aluminium castings comes from secondary sources. ↗ **Average Distribution of Materials in BMW Group Vehicles** ↗ **GRI 301-2**

In its efforts to minimise waste, the BMW Group has developed recycling and reprocessing concepts that are adapted to the waste flows in its various plants, to regional legal requirements and to existing local waste disposal structures. Moreover, the Group intends to increase its level of expertise in the development and production of battery cells ↗ **Electric Mobility** and create greater transparency regarding the whereabouts and recycling of end-of-life vehicles and their resources. ↗ **Input/Output Assessment**

Through its own venture capital fund BMW i Ventures, the BMW Group has invested in key technologies that can make a decisive contribution towards achieving its long-term vision of carbon neutrality. In 2020, for example, BMWi Ventures invested in PureCycle, the first company in the world that can recycle polypropylene (an essential vehicle component) into a colourless and odourless native state. The BMW Group also invested in Prometheus Fuels, which has developed a technology that enables carbon-neutral synthetic fuels to be produced using green energy. ↘

↳ Logistics: freight carriers and carbon emissions

In close cooperation with freight carriers, infrastructure operators and commercial vehicle manufacturers, the BMW Group is developing ecologically sustainable logistics concepts. The Green Logistics strategy pursues the logistical aim of achieving climate-neutral transportation, thereby contributing to the Group's target of reducing carbon emissions in the supply chain by 20 % per vehicle by 2030 (base year 2019).

The carbon footprint and the use of carbon-efficient energy and modes of transport is a decisive criterion for the BMW Group when selecting freight carriers. Currently, more than half of the vehicles the Group produces are transported from manufacturing plants by rail. When supplying vehicles to the Chinese market, the BMW Group is further reducing its carbon footprint by using the railway lines along the Silk Road more intensively. In order to reduce carbon emissions, some of the spare parts sent to China by airfreight are being increasingly dispatched by rail. For other overseas markets, the option to switch to intermodal air-sea transport has been tested.

The BMW Group is increasingly working on the further development and piloting as well as the use of innovative technologies and already deploys battery- and gas-driven trucks to supply production facilities. In 2020, the BMW Group used the sea route from Belgium to Spain for vehicle production purposes. The use of biofuel from waste cooking oil led to a reduction in carbon emissions of 1,100 t. ↘

RENEWABLE ENERGY

All BMW Group locations worldwide as well as the BMW Brilliance Automotive (BBA) joint venture purchase 100 % green electricity, i.e. energy generated from renewable sources¹.  With the aim of cutting the carbon emissions it generates in production processes by an additional 80 % per vehicle by 2030 (base year 2019) in a further step, the BMW Group systematically continues to invest in optimising the energy efficiency of its global production network. The strategy includes the use of process heat in paint shops and data analysis to reduce the power consumption of its machinery to a minimum. Moreover, the BMW Group is further expanding its own renewable power generation capacities at its various locations and increasing its energy storage capability. Leveraging these and other measures, the Group is making steady progress towards its long-term goal of becoming a leader in the use of renewable energy in production and value creation.

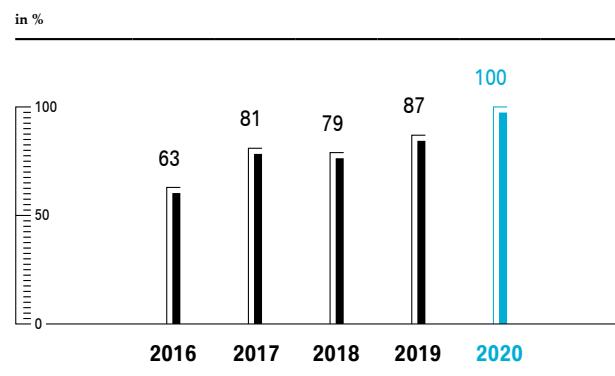
RENEWABLE ENERGY GENERATED IN-HOUSE

The BMW Group is reducing the size of its carbon footprint by generating its own electricity from renewable sources. It is utilising suitable technologies and developing solutions, depending on the location and the on-site conditions. The various options range from solar energy, for example in Mexico, to biogas in South Africa and wind power in Leipzig. As the BMW Group's in-house production cannot fully cover its energy requirements, it

buys in electricity from renewable sources – preferably locally. At the same time, in future the BMW Group intends to cover an increasing percentage of its electricity requirements through so-called power purchase agreements (PPAs), i.e. direct purchases from defined renewable energy generation facilities.

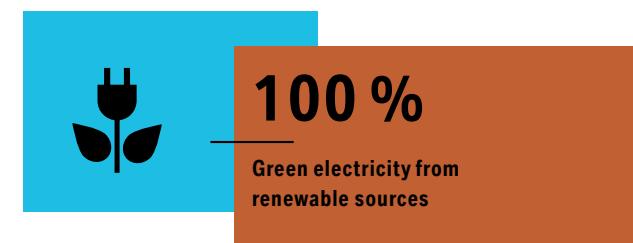
The Group is also working on solutions for storing renewable energy. For example, the storage farm at the BMW Group plant in Leipzig is equipped with high-voltage batteries from the BMW i3². The storage farm is integrated in the public power grid and provides control energy, which means the BMW Group is additionally helping to keep the public electricity grids stable.

SHARE OF GREEN ELECTRICITY PURCHASED FROM THIRD PARTIES^{3,4}



CLEAR PROCESSES, ROLES AND RESPONSIBILITIES

Independent processes have been established throughout the company for planning and implementing energy-related measures, which assign clear roles and responsibilities to the central strategy departments, the regional controlling offices and the plants at local level. The BMW Group also maintains a close dialogue with its energy suppliers in local markets, monitors regulatory developments and calls in external support as needed in order to respond to any changes in the percentage of renewable electricity supplied and the size of its carbon footprint. 



¹ Electricity from in-house renewable generation plants, direct supply contracts for green electricity and certified proofs of origin.

² See  Fuel Consumption and CO₂ Emissions Information.

³ Calculated based on volumes of green electricity purchased (including via certificates of origin). Relates to all BMW Group production locations including the BMW Brilliance Automotive Ltd., Shenyang, joint venture as well as motorcycle production and non-production areas.

⁴ The figures for 2016 to 2018 were examined by the external auditor on the basis of a limited assurance engagement.

PURCHASING AND SUPPLIER NETWORK

The BMW Group has laid the foundations for a stable and sustainable supply chain by organising its purchasing processes, managing international supply relationships with its partners and producing its own components.

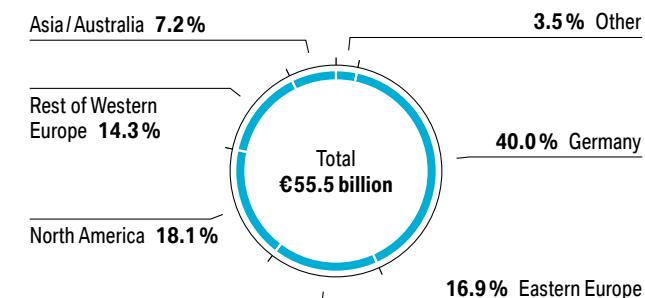
The Purchasing and Supplier Network therefore makes a significant contribution to the Group's focus on the strategic markets of tomorrow, such as e-mobility and connectivity, and takes steps to ensure corresponding production volumes in the supply chain. With the growing demand for electrified vehicles, the need for the respective components and parts in production is also increasing. For battery cells in particular, the BMW Group is taking a variety of measures to accommodate this growth. For example, it will purchase the battery cells for its entire fifth generation from four different suppliers, thus making itself less dependent on individual manufacturers. Flexibility in terms of volume is both a premise and a decisive criterion for selecting battery cell suppliers.

The Purchasing and Supplier Network has been operating on a global basis for many years and adheres to the principle of procuring parts and components locally. The BMW Group has efficient teams on the ground in all of its key purchasing markets. Direct contact with these local markets has proved particularly effective during the coronavirus pandemic. Despite the high level of pressure on the supply chain, the BMW Group again managed to ensure a seamless supply of parts to its globally located production plants throughout the 2020 reporting year. The supply chain has thus demonstrated its stability and flexibility, despite the exceptional conditions witnessed in the 2020 pandemic year. Its many years of sustainable activity in the purchasing and supplier network have also helped to build this resilience.

Overall, the Purchasing and Supplier Network is responsible for the global procurement and quality assurance of production materials, raw materials, capital goods and services as well as the in-house manufacturing of vehicle components. External suppliers are rigorously selected on the basis of competitiveness in terms of operational excellence, quality, innovation, flexibility, cost and sustainability.

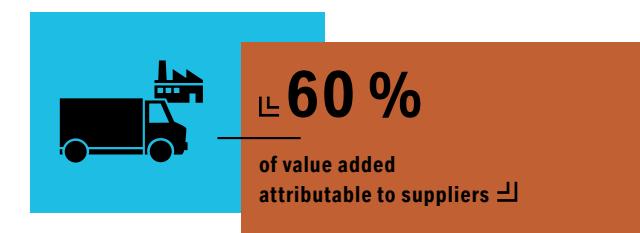
REGIONAL DISTRIBUTION OF BMW GROUP PURCHASE VOLUMES *

in € billion



* Direct and indirect purchasing; excluding Joint Venture BMW Brilliance Automotive Ltd., Shenyang.

↗ GRI 102-9



SUSTAINABILITY INTEGRAL TO PURCHASING AND SUPPLIER NETWORK

▮ The BMW Group places great emphasis on corporate due diligence. The Group already addressed this issue in 2008, defining and setting out comprehensive environmental and social standards for the awarding of contracts for the BMW i3. Since 2010, the BMW Group has required its partners and suppliers for BMW i models to comply with human rights and extended environmental and social standards, including environmental protection management systems. Since 2014, these specifications have been mandatory for suppliers of all vehicle models. In 2019, this requirement was supplemented to include occupational health and safety management systems wherever necessary.

For many raw materials, the requirement to ensure that environmental standards and human rights have not been violated poses a particular challenge, for instance in the case of lithium and cobalt, both of which are key raw materials for manufacturing battery cells.

The BMW Group is continuously expanding its sustainability activities across the supplier network. The focus is essentially on three key issues: 1. Decarbonisation, 2. Compliance with environmental and social standards, particularly human rights, and 3. The protection of natural resources. □

NEW TARGETS FOR DECARBONISATION IN THE SUPPLIER NETWORK

By the year 2030, the BMW Group intends to have over seven million electrified vehicles on the road. This means that the average carbon emissions generated by the BMW Group's supplier network (scope 3 upstream according to SBTi) will increase by more than one-third per vehicle by 2030 if no countermeasures are taken. Apart from the growing percentage of electrified models in the BMW Group's product range, the reasons are, for example, the energy-intensive production of battery cells, the greater use of aluminium and increased localisation in China, where the proportion of green electricity in the energy mix is still relatively low. Nevertheless, the BMW Group has set itself the goal of not only halting this trend, but even reversing it and reducing carbon emissions per vehicle in the supply chain¹ by at least 20%² (base year 2019) by 2030. With this aim in mind, among other measures, since 2020 it has established the carbon footprint as a criterion for awarding contracts within the supply chain.

One of the biggest levers for promoting decarbonisation in the supply chain is the use of green electricity. For this reason, the BMW Group has agreed with the suppliers of the current fifth generation of battery cells to use only green electricity from renewable sources for production purposes.

MOTIVATING PARTNERS TO OPERATE SUSTAINABLY

▮ Just as the BMW Group continuously implements optimisation and efficiency measures in its own production environment, it is also actively committed to promoting decarbonisation measures within its supplier network. By participating in the CDP supply chain programme, the Group motivates its suppliers to operate sustainably and, for example, utilise renewable energy in their production activities. The core of the programme consists of annual reporting that takes a multitude of climate-related aspects into account, including specific measures to reduce carbon emissions or increase the percentage of renewable energy deployed. The BMW Group strongly encourages its suppliers to set targets in line with the Paris Climate Agreement and thereby contribute to limiting global warming. The Group's success is reflected in the steadily growing number of suppliers participating: 63 suppliers (2019: 40) reported at least one 2-degree-compliant target system, and 59 (2019: 54) plan to publish one within the next two years. □



¹ Including transport logistics.

² Value rounded for simplification purposes. The target percentage validated in conjunction with SBTi is 22%.

↳ In 2020, a total of 218 suppliers to the BMW Group (2019: 199) reported via the CDP Supply Chain programme, accounting for approximately 79 % of the BMW Group's production-related purchasing volume (2019: 78 %). The participating suppliers reported carbon reduction totalling some 22 million tonnes of emissions (2019: 32 million tonnes), which are proportionately attributable to the materials and goods supplied to the BMW Group. Due to the coronavirus pandemic and the resulting decrease in production volumes, carbon emissions were generally lower in 2020. Accordingly, the reduction in reported carbon emissions was also lower. ↗**GRI 308-1, 308-2, 414-1, 414-2**

The BMW Group has integrated the assessments of the CDP Supply Chain Programme in its key purchasing processes. The results are used in discussions with suppliers, in strategic management meetings and in overall supplier strategies to point out potential for improvement. On average, suppliers that have been reporting within the CDP Supply Chain Programme for at least three years have improved. The BMW Group sees this fact as proof that the programme has become well established at the companies participating for longer periods and that it yields the intended results. In 2020, the Group also asked more than 1,000 additional suppliers who, as small and medium-sized companies, did not meet the criteria to be invited to the CDP Supply Chain Programme to complete a carbon-related questionnaire. The activity further covered approximately another 11 % (and therefore a total of 90 %) of the Group's production-related purchasing volume. The results of the survey provided the BMW Group with additional insights that enabled it to further establish the carbon footprint assessment in the supply chain as an award criterion in decision-making processes. This was already the case in 18 out of 31 tenders with the largest carbon footprint. ↗**GRI 308-1, 308-2, 414-1, 414-2**

RESPECT FOR ENVIRONMENTAL AND SOCIAL STANDARDS AND HUMAN RIGHTS

It is a major challenge to ensure compliance with human rights as well as environmental, health and safety standards in the extraction of raw materials. For this reason, BMW Group Purchasing goes beyond the mere contractual agreement of sustainability standards to a deeper point in the supply chain in order to conclude respective direct agreements at particularly critical points in the supplier network and ensures compliance with them by conducting audits.

The BMW Group is also involved in various initiatives to standardise management approaches towards implementing human rights due diligence and applying them throughout the entire supplier network. In Germany, for example, these include the industry dialogue on respect for human rights along the global supply and value chains of the German automotive industry, in which the BMW Group is actively involved. It is also active internationally and involved in initiatives to standardise the mining of raw materials. By certifying mines in accordance with the standards of the ↗**Initiative for Responsible Mining Assurance (IRMA)** or the ↗**Aluminium Stewardship Initiative (ASI)**, the BMW Group is promoting compliance with environmental and social standards right from the raw material extraction stage with the aim of making a significant contribution to improving compliance with human rights throughout international supply chains.

KEY ELEMENTS FOR SUSTAINABLE MATERIALS PURCHASING

During the year under report, the BMW Group included key sustainability issues such as biodiversity, deforestation and animal welfare in its ↗**Supplier Sustainability Policy**, which forms the basis for the Group's terms and conditions of purchase. Accordingly, BMW Group suppliers and all purchases are subject to the Group's comprehensive sustainability requirements.

In 2012, in its materials strategy the BMW Group identified particularly critical raw materials and other materials from a sustainability perspective and initiated the cross-industry study ↗**Material Change Report** (2018) on this basis. The Group continuously analyses the raw materials prioritised in the report as well as other materials essential for production with regard to their impact on the environment and society along the entire supply chain. By sourcing raw materials such as cobalt and lithium directly, the BMW Group can establish traceability and transparency with regard to environmental and social standards, which is critical for conducting due diligence in raw materials supply chains. ↘

RESPONSIBLE USE OF NATURAL RESOURCES

↳ In addition to compliance with environmental and social standards and respect for human rights, the responsible use of nature's finite resources also plays a major role.

With the aim of protecting stocks of critical raw materials, by 2030 the BMW Group plans to significantly increase the percentage of recycled raw materials, i.e. secondary raw materials, that it uses and to reuse these materials in line with circular economy principles. The growth of e-mobility is causing the topic of circular economy to become increasingly important, as a variety of critical raw materials are required to produce battery cells. The use of secondary raw materials significantly reduces the carbon footprint compared to primary materials: by a factor of 4 to 6 for aluminium and by a factor of 2 to 5 for steel and thermoplastics.

At its own plants, the BMW Group is gradually establishing closed recycling loops between the plants and the raw materials manufacturers, such as at the Landshut components plant. In late 2019, the ↗**foundry in Landshut** was certified by the Aluminium Stewardship Initiative (ASI) for its sustainable use of aluminium. Around half of the aluminium used at the BMW Group's Landshut plant comes from a closed recycling loop. The Group is consciously reducing the use of carbon-intensive primary aluminium via this method.

COMPREHENSIVE MEASURES AND COOPERATION IN A SPIRIT OF PARTNERSHIP ENSURE COMPLIANCE WITH SUSTAINABILITY STANDARDS.

We can only succeed in achieving our sustainability goals by interacting with suppliers on the basis of mutual cooperation. Ultimately, climate protection and compliance with environmental and social standards are a challenge for the whole of society. As with quality, sustainability is all about accomplishing ambitious goals in close collaboration with the supplier network.

With the aim of stepping up its efforts to ensure due diligence in the field of sustainability, since 2018 the BMW Group has been involved in developing the Automotive Sustainability Assessment (ASA) in the German Association of the Automotive Industry (VDA). Based on these guidelines, the performance of essential due diligence procedures can now be audited in a standardised manner, even at the premises of medium-sized suppliers to the automotive industry. The BMW Group already applies the Responsible Business Alliance (RBA) audit programme for major suppliers from the electronics industry. It also carries out qualification, standardisation and empowerment measures and holds informational events, particularly in the case of supply chains exposed to a higher degree of risk. The aim is to further develop and actively bring about transformation at suppliers with regard to sustainability issues. In its efforts to achieve this aim, the BMW Group leverages both individual and standardised elements of the Drive Sustainability Initiative and the Responsible Business Alliance to integrate sustainability in business processes such as procurement. ↴

↳ Electric mobility can only be sustainable if the raw materials it requires are also obtained as sustainably as possible. Take lithium for example:

The BMW Group currently sources lithium for its fifth generation of high-voltage batteries exclusively from Australia, where the material is extracted by means of a so-called hard rock mining process.

Furthermore, the Group has commissioned a study on sustainable lithium mining under the auspices of two renowned American universities in order to scientifically investigate water consumption in the extraction of lithium. The purpose of the study, which will be jointly conducted by the University of Alaska-Anchorage and the University of Massachusetts-Amherst, is to investigate the impact of lithium mining on local water supplies in Latin America.

Lithium is the lightest metal on earth and is mainly used to produce batteries, ceramics, glass and aluminium. It is therefore also an essential material for producing lithium-ion batteries and plays a key role in vehicle electrification.

Two-thirds of the world's lithium reserves are located in Latin America. To date, however, the impact of lithium mining in the region has not been sufficiently scientifically studied. The gap will now be closed by the study commissioned by the BMW Group. BASF SE is also partially financing the study. ↴

↳ Via the due diligence process, the BMW Group checks whether and how sustainability standards are being implemented by its suppliers. Suppliers contractually undertake to comply with a range of requirements in line with their environmental (ISO 14001, EMAS) and occupational health and safety management systems (OHSAS 18001, ISO 45001) and to demand and maintain compliance with these agreements from their subcontractors.

In 2020, the sustainability questionnaire for suppliers, which was initiated by the BMW Group in 2012 and jointly compiled by the automotive manufacturers, was comprehensively revised. The BMW Group's Supply Chain Response Team processes any information regarding potential breaches of its sustainability standards in the supplier network. Furthermore, the BMW Group's Human Rights Contact Supply Chain serves as the central point of contact and can be reached anonymously by telephone or email to report any potential violations of social or environmental standards by suppliers.

The BMW Group has agreed corrective measures with 64 % (2019: 62 %) of the suppliers at which sustainability shortfalls were identified in the course of the reporting year. The suppliers are required to remedy these deficits prior to the start of production. The main areas to be acted upon in particular were hazardous materials management, waste management, working conditions and occupational health and safety. ↗ **GRI 308-1, 308-2, 414-1, 414-2**

In 2020, responsibility for sustainability in the supply chain and also energy was combined in a separate department within Purchasing. It comprehensively manages the integration of sustainability factors in the BMW Group's procurement activities. At the same time, it works together closely with the Strategy department and continually adapts operational purchasing requirements.

A detailed presentation of sustainability-related activities undertaken in the supplier network and a description of the OECD Due Diligence Guidance is available on the ↗ **BMW Group** website. ↴

↳ The BMW Group follows the principle of empowerment before disengagement.

The mining of cobalt entails risks, particularly when it comes to upholding human rights. The BMW Group is committed to ensuring that the mining and processing of cobalt are carried out in accordance with sustainability standards and internationally applicable labour laws. For this reason, the Group purchases the cobalt needed to produce its fifth generation of battery cells directly from the mines themselves and makes it available to the battery cell suppliers. Around one-fifth of the BMW Group's cobalt requirement is purchased from mines in Morocco and the remaining four-fifths in Australia.

At the same time, the Group is engaged in a pilot project in the Democratic Republic of Congo in keeping with the principle of "empowerment before disengagement". In 2018, the BMW Group joined forces with other partners to initiate the cross-sector initiative "Cobalt for Development" with the aim of improving the working and living conditions of workers engaged in small-scale cobalt mining operations in the Congo. As part of the project, around 40 members of 12 mining cooperatives were trained as trainers on occupational and environmental risks who pass on the content to more than 1,500 miners in the form of training courses. These programmes are underpinned by activities in local communities by which the residents benefit from improved access to education and alternative income opportunities. The project is being implemented by the Gesellschaft für internationale Zusammenarbeit (GIZ) GmbH.

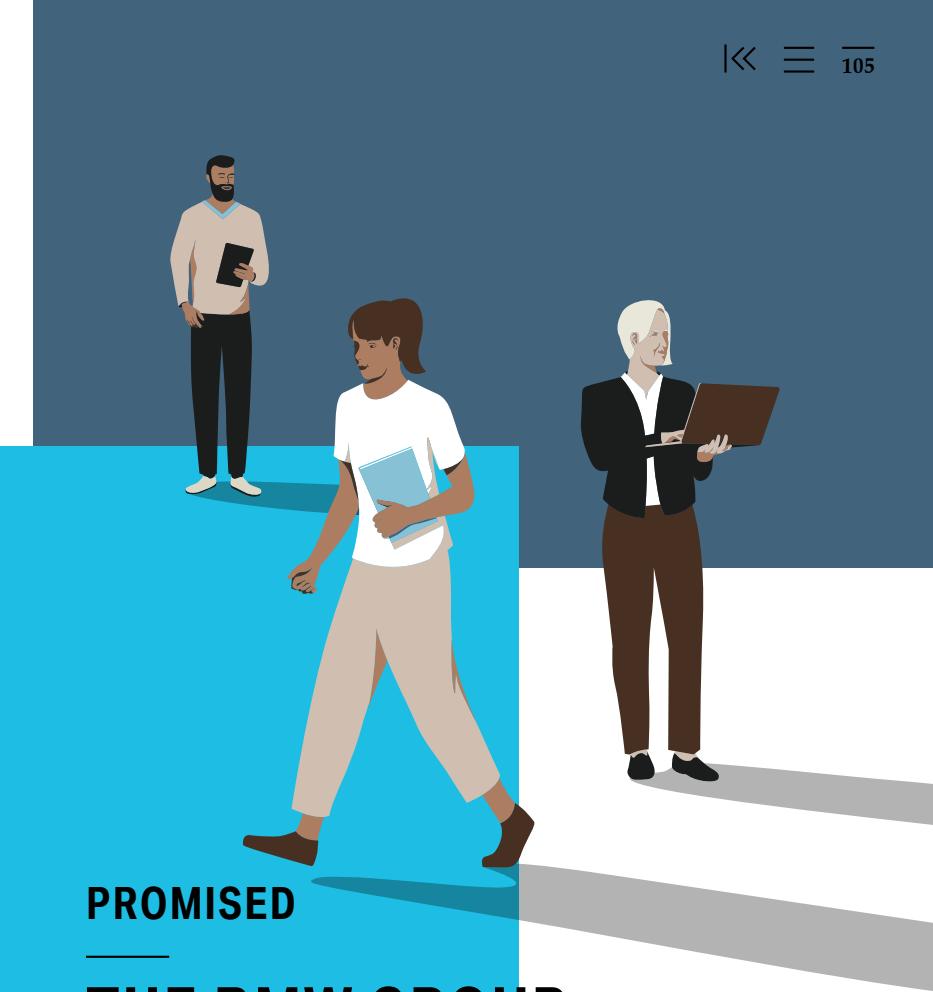
The aim of the project is to further develop and professionalise artisanal mining in the Congo to meet the BMW Group's strict sustainability requirements and could be an option for sourcing cobalt in the long term.

More information on this project is available ↗ **here**. ↴

EMPLOYEES AND SOCIETY

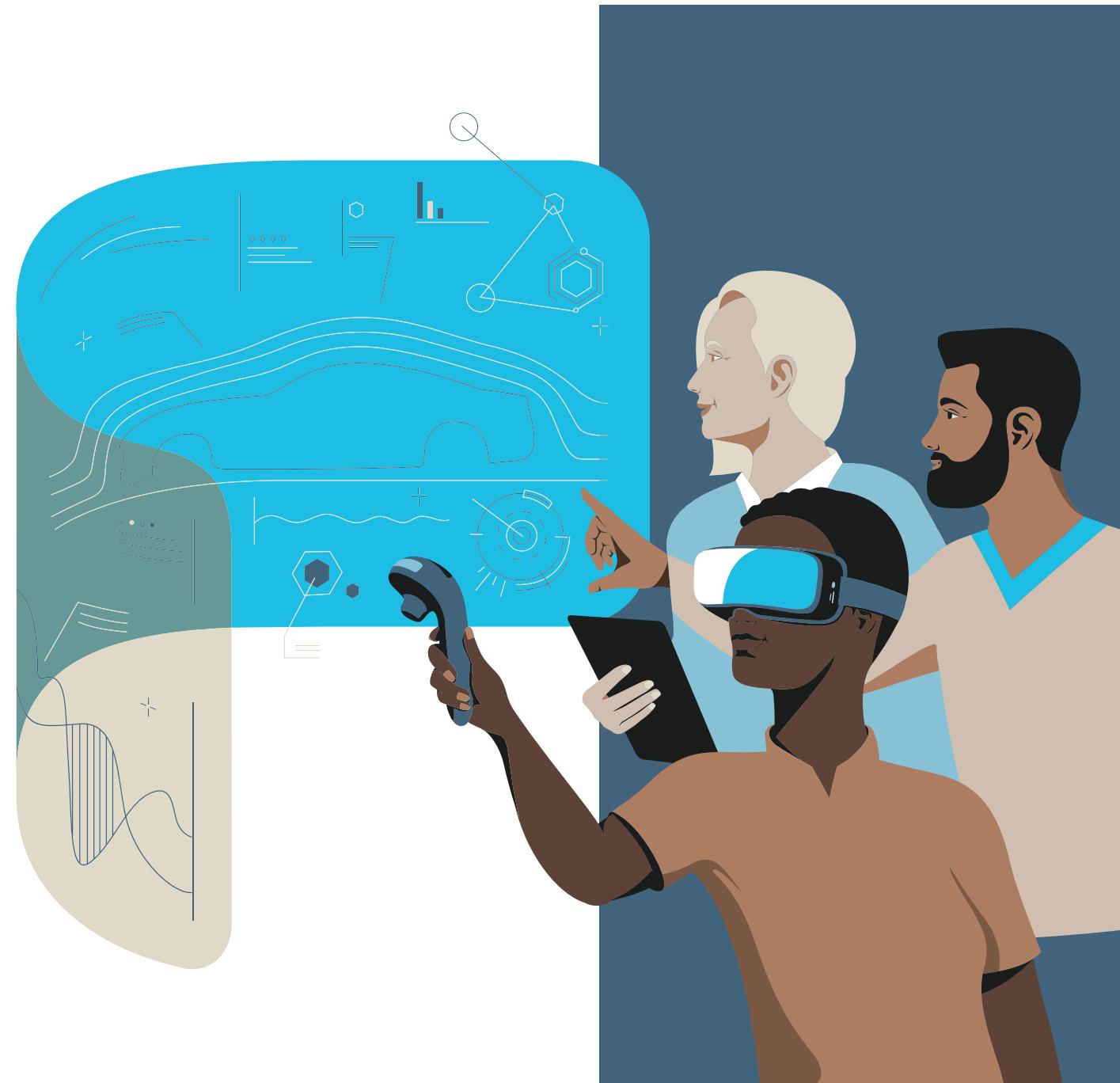


PROMISED
THE BMW GROUP
SEES DIVERSITY as a
STRENGTH. That is why it has
set targets for the long-term
advancement of women at all
levels of the company.



DELIVERED

The number
of female managers
at BMW AG has
more than **DOUBLED**
since 2011.



"Commitment to a sustainable future is no longer just an option. It is an obligation. This is valid for the BMW Group and every other company. BMW has been a leader in sustainability for years – and we are now setting ourselves even more ambitious goals for the coming decade. We are putting sustainability at the very centre of the company, measuring our success and making this even more transparent through the BMW Group Report."



Dr. Nicolas Peter
Member of the Board of Management
of BMW AG, Finance



Ilka Horstmeier
Member of the Board
of Management of BMW AG,
Human Resources,
Labour Relations Director

"Working at the BMW Group means taking responsibility far beyond our own premises – for our society, the environment and all our stakeholders. It is our associates who are creating more sustainable, connected and safer mobility. This is our contribution to a better future. This is what drives us forward every day."

Sabine Distler and Gabriele von Stetten are jointly responsible for diversity strategy at the BMW Group.



We need **DIVERSITY**:
It makes us **MORE**
INNOVATIVE and **MORE**
COMPETITIVE.

WHAT DOES DIVERSITY MEAN TO THE BMW GROUP?

The BMW Group firmly believes that diversity enhances our performance capabilities. Diverse teams are more innovative – because everyone brings a different perspective. Our customers are diverse, too. If we want to understand them, win them over and engage them, we also need this kind of diversity among our employees.

THE BMW GROUP ALSO SETS ITSELF TARGETS – FOR EXAMPLE, FOR THE PERCENTAGE OF WOMEN IN MANAGEMENT. HOW CAN THESE GOALS BE ACHIEVED?

We identify female talents at the company and develop them selectively. At the same time, we continue to bring qualified women into the company. We already make sure we have a high percentage of women in our talent development programmes.

WHAT ABOUT OTHER DIVERSITY FACTORS?

We have expanded our diversity strategy to include physical and mental ability, sexual orientation and identity, in addition to the previous dimensions of gender, cultural background, age and experience. For certain factors, quantitative targets make sense; for others, we need qualitative goals. It's about creating the best-possible working environment in an open and respectful corporate culture.

Further information is available at:
report.bmwgroup.com

LONG-TERM EMPLOYEE DEVELOPMENT AND EMPLOYER ATTRACTIVENESS

The success of the BMW Group is based on the personal commitment and technical expertise of its employees. As an attractive employer offering highly interesting future-oriented jobs, the BMW Group is looking to recruit new employees, deploy them in the best way possible and specifically promote their potential with the aim of ensuring their long-term employability. The success of this approach is reflected not only in the results of employee satisfaction surveys, but also in the awards the BMW Group has received as an attractive employer.

EMPLOYEE DEVELOPMENT AND EMPLOYER ATTRACTIVENESS – KEY ASPECTS OF SUSTAINABILITY

Promoting and developing the potential of its workforce and being an attractive employer are important aspects of sustainability for the BMW Group. And, as one of the most important stakeholder groups, it is logical to consistently involve employees in the dialogue when changing the Group's strategic course. In a series of international stakeholder dialogues with employees from various regions in 2020, the BMW Group discussed its perception as a sustainable company as well as the main focus of its strategy. ↗**Dialogue with Stakeholders**

QUALIFICATION, DEVELOPING AND RESTRUCTURING COMPETENCIES

Social, economic and technological developments require companies to continually adapt to new situations and qualify their employees to meet the challenges of the future. The BMW Group therefore invests continuously in measures aimed at establishing, broadening or adapting the necessary competencies, and offers its workforce numerous options for training and further education.

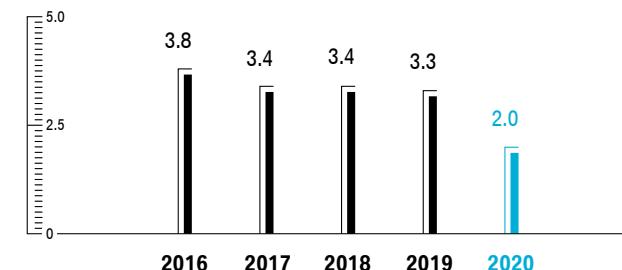
BROAD RANGE OF TRAINING AND FURTHER EDUCATION OPPORTUNITIES

Lifelong learning is an integral part of everyday working life at the BMW Group. It aims to ensure the efficiency and employability of its workforce and thus its own long-term competitiveness by offering a needs-oriented and innovative range of training courses, particularly in forward-looking fields of expertise such as digitalisation and electrification. ↗**GRI 404-2**

In 2020, BMW Group employees spent an average of 2.0 days on further training (2019: 3.3). ↘

AVERAGE DAYS OF FURTHER TRAINING*

Number of days



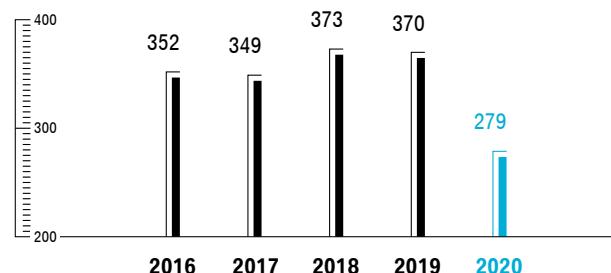
* Further training of employees and temp workers of the BMW Group in the consolidated companies worldwide. Data retrieved by direct representation of the number of participants as well as a small share by qualified extrapolation. The data also include e-learning courses.

↗**GRI 404-1**

Due to the coronavirus pandemic, face-to-face training was only conducted to a limited extent during the period under report. However, the increased use of e-learning formats ensured that qualification courses were held, for the most part, despite the situation. ↗**GRI 404-1**

INVESTMENT IN TRAINING AND FURTHER EDUCATION¹

in € million



Expenditure on training and further education totalled €279 million (2019: €370 million). The year-on-year decrease was due to the coronavirus pandemic, whereby much of the training initially planned as face-to-face events had to be transferred to virtual formats, the cost of which was significantly lower.

 Strategic human resources planning helps manage the need for systematically developing and/or restructuring competences, ensuring that vacancies are filled and employees are qualified in good time.



INVESTMENT AND TRAINING BOLSTER JOB SECURITY

As one of the pioneers in this field, the BMW Group is also shaping the transformation to electric mobility and digitalisation. For example, it already commissioned its Autonomous Driving Campus in Unterschleißheim near Munich back in 2018 and its Battery Cell Competence Centre in Munich in 2019. By 2026, the Group intends to invest some €400 million in a new vehicle assembly line on the site of the current internal combustion engine production facility at its main plant in Munich. The transformation of production sites and long-term job security thus go hand in hand. Employees are trained and qualified in order to take on new responsibilities in other areas. For example, the BMW Group is further expanding its e-drivetrain production competence centre in Dingolfing. It has also established production facilities for battery modules and high-voltage batteries at its Leipzig and Regensburg plants, which are scheduled to begin production in 2021. Since 2009, the BMW Group has provided more than 52,000 people, not only its own employees, but also those of suppliers, with further training in the field of electric mobility. 

DEVELOPMENT AND FURTHER TRAINING FOR MANAGERS

Excellent leadership is a vital prerequisite for delivering outstanding performance in a competitive environment. The BMW Group's managers play a key role in implementing its new corporate strategy. In order to develop this expertise, the BMW Group promotes personalities who have the right attitude and individual, context-related behaviour, joint team leadership skills and a high degree of connectedness within the company. Apart from careers in management, the BMW Group also offers the Expert Career². It empowers its managers to develop excellent leadership qualities based on a uniform understanding of leadership. 

 Future orientation and innovative capability with FIZ Future

The technological heart of the BMW Group beats in its Research and Innovation Centre (FIZ). With the FIZ Future programme, the BMW Group is combining its knowledge, expertise and creativity at its location in Munich (Germany) in order to research and develop the individual mobility of the future, characterised by electrification, digitalisation and connectivity.

The opening of the FIZ Nord project building was a major milestone in the year under report. At the new FIZ Nord, the BMW Group is pooling the innovative strength and key competences it will need to take on the challenges of the future. For the first time, all its vehicle drivetrain developers are working under one roof – on both state-of-the-art, highly efficient petrol engines and the latest generation of electric drivetrains. The key aim here is to promote intensive collaboration and thus also the transfer of knowledge between the various technologies. With this strategy, the BMW Group has taken an important step towards developing the competences and networking of the people who work there as well as bolstering its innovative strength. 

¹ Training and further education encompasses BMW Group vocational training in 11 countries and further education for employees and temp workers of the BMW Group in the consolidated companies worldwide.

² Unlike the conventional management career with its focus on disciplinary leadership, the Expert Career programme focuses on technical-, project- or company-related topics that do not entail line responsibility for others. This Expert Career option enables the BMW Group to offer employees an additional career path.

PROMOTING YOUNG TALENT

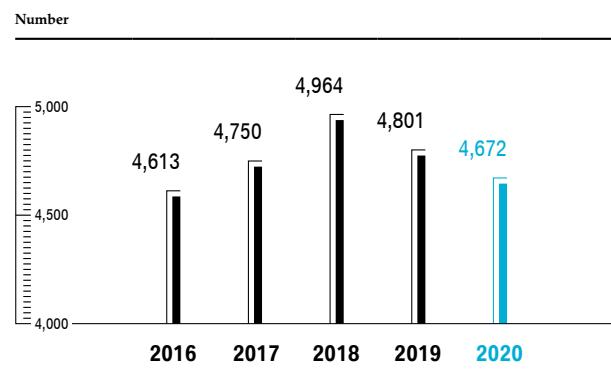
Vocational training at the BMW Group makes an important contribution to meeting the constant demand for young talent within the company, thus underlining the attractiveness of the Group as an employer. At the same time, the Group has the ambition to develop personalities through vocational training and enable young people to participate in society. With this point in mind, the BMW Group invests in vocational training and thus in the skilled workers of tomorrow. Despite the challenges posed by the pandemic, the BMW Group again recruited 1,200 trainees in Germany alone during the year under report. This social responsibility still includes the promise that BMW AG will offer its trainees permanent positions after completing their vocational training at its various plants and at the company headquarters.

For several years now, the BMW Group has been additionally investing in digitalised training, which has been even more widely used since the outbreak of the coronavirus pandemic. Innovative learning platforms and formats as well as digitalised learning content ensured that numerous training locations were able to continue offering training with virtually no gaps, even when the vocational schools were closed.

Trainees are preparing for their future occupations in 30 skilled trades and 17 dual courses of study at 19 training locations around the world. The training opportunities on offer are geared towards the Group's future fields of activity. Graduate trainees thus play a key role in developing expertise within the BMW Group. ↗ GRI 404-2

The BMW Group attracts further young talents by offering academic programmes for junior staff and supports them in their professional and personal development through mentoring, networking and a wide range of qualification opportunities in practical and international assignments. Despite the coronavirus pandemic, the BMW Group managed to implement all of its programmes. Face-to-face events were partially replaced by digital formats and the international assignments that form part of the Global Leader Development Programme¹ were largely conducted at BMW AG level, despite the unfavourable conditions. The total number of apprentices and trainees participating in development programmes for junior staff within the BMW Group remained at the high level of 4,672 in the year under report (2019: 4,801; -2.7%).

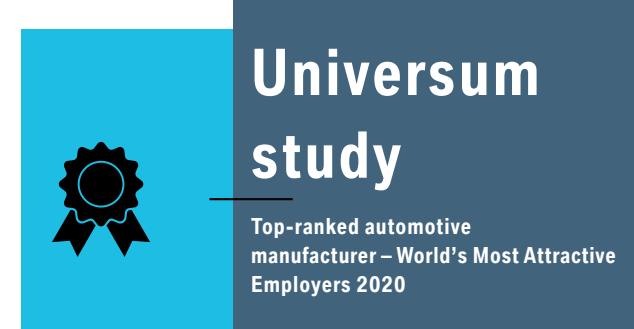
APPRENTICES AND PARTICIPANTS IN YOUNG TALENT PROGRAMMES²



THE BMW GROUP REMAINS AN ATTRACTIVE EMPLOYER

Highly regarded industry ratings once again ranked the BMW Group as one of the world's most attractive employers in 2020. The BMW Group is therefore the world's top-ranked automotive manufacturer in the current ranking of the World's Most Attractive Employers 2020 as rated by the well-known study provider Universum. In the study – which counts as one of the leading studies in the field of employer attractiveness worldwide – the BMW Group ranked fourth among engineering and IT students worldwide, after Google, Microsoft and Apple. When conducting the study, Universum surveyed 235,000 students from the 12 economically largest nations worldwide. This recognition is a major success for the BMW Group. In the Trendence Young Professionals Barometer for Germany, the BMW Group again achieved top spot in 2020.

As an attractive employer, the BMW Group offers future-oriented jobs and the right conditions for employees to grow personally and contribute towards shaping the future. Outstanding performance is a daily motivation to develop individual potential and make the company successful together.



¹ International trainee programme for university graduates and young professionals across all disciplines.

² Includes SpeedUp (an undergraduate programme) and Fastlane (a master's programme).

↳ In our efforts to ensure that the BMW Group remains an attractive employer, we also offer above-average salaries for the respective labour markets. To verify this fact, we conduct remuneration studies each year on a worldwide basis. The total salary package consists of monthly remuneration and a variable component. We also offer a wide range of additional benefits, such as a company pension. ↴ GRI 401-2

Depending on their stage of life or living circumstances, employees have different needs when it comes to organising their work and their working hours. For this reason and to help employees find a good work-life balance, the BMW Group offers a great deal of individual personal scope in the form of working time arrangements such as flexible working hours, remote working, additional holidays in return for a corresponding reduction in salary, sabbaticals or temporary and permanent part-time solutions. These factors form the basis for individually adjusting contractually agreed working hours. The BMW Group is also investing in so-called new working environments with the aim of offering employees contemporary and attractive spaces in which to collaborate.

Every two years, the BMW Group conducts a company-wide employee survey. The survey conducted in autumn 2019 again showed a slight improvement in the High Performance Index (HPO-I) compared to 2017. The HPO-I is integrated as a parameter in the BMW Group's management system and measures the performance of the organisation as a whole. The results of the 2019 employee survey were evaluated, analysed and internal measures derived accordingly. Among other aspects, attractiveness as an employer and overall satisfaction were rated with 85 % and 82 % approval respectively. Despite overall positive approval ratings with regard to employer attractiveness, a declining trend is discernible, which shows that topics such as climate change, sustainability

and electric mobility are becoming increasingly important for the workforce and thus also for the survey results. The BMW Group is responding to this development with its new strategy, focusing on sustainability and numerous internal initiatives, including stakeholder dialogues with employees on the topic of sustainability. The Group is also implementing the new strategic guidelines in its various corporate divisions. Its assessment regarding processes has also developed highly positively, albeit still at a low level. In order to encourage this positive trend, activities aimed at improving interdisciplinary cooperation have been stepped up. The results of the follow-up process were reported to the Board of Management in July 2020. The next employee survey is currently being prepared and will be conducted in autumn 2021. ↴

MANAGING EMPLOYMENT AND WORKFORCE PLANNING

As of 31 December 2020, the BMW Group employed a total of 120,726 people worldwide. From the 2020 reporting period onwards, the figure denoting the size of the workforce only includes core and temporary employees. The number of employees is slightly below that of the previous year (2019: number of employees based on new definition: 126,016; - 4.2%). ↴ GRI 102-7, 102-8

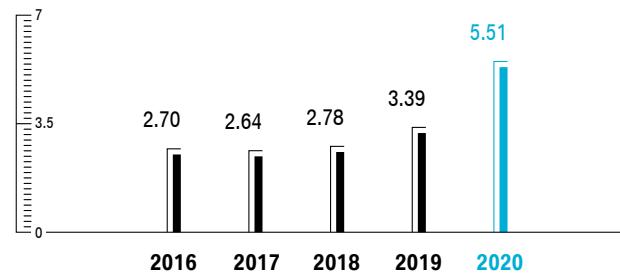
The widespread restrictions on public life and the economy caused by the coronavirus pandemic also had a negative impact on the automotive industry in 2020. The BMW Group responded by taking a number of personnel measures. Initially, it made use of flexible arrangements such as reducing excess hours on time and holiday accounts, followed by the introduction of short-time working hours. In dialogue with the Works Council, the Group also agreed on a balanced package

of personnel measures that reconciled the future viability of the organisation with the interests of the workforce. Firstly, the number of employees was reduced through natural fluctuation, and secondly by reaching voluntary agreements such as early retirement part-time working arrangements or direct early retirement.

Appropriate provisions were recognised and the expected cost included in personnel expenses. For details see ↴ note 15 to the Group Financial Statements.

EMPLOYEE ATTRITION RATE*

as a percentage of workforce



* BMW AG; number of employees on unlimited employment contracts leaving the Company.

Strategic personnel planning serves as a tool for identifying the need to readjust personnel and competence structures at an early stage. The BMW Group uses this information as the basis for making targeted improvements in the areas of training and further education, personnel development, marketing, recruiting and young talent programmes.

HEALTH AND PERFORMANCE

↳ The BMW Group places great emphasis on maintaining and promoting the health and the performance of its employees. It therefore encourages personal responsibility and designs its work environments with the idea of maintaining the health of its people in the long term. In line with this strategy, employees at all BMW Group locations have a comprehensive health management system available to them. The Group's very high standards of occupational safety also serve as a preventive measure.

HEALTH MANAGEMENT WITH A HOLISTIC APPROACH

Since 2011, the BMW Group has combined a set of coordinated measures to promote the health and performance of its workforce within its health initiative programme. A range of campaigns inform the workforce on subjects such as addiction prevention or ways of maintaining good mental health. Regular campaign days, dialogue events and training courses address current health topics such as nutrition, exercise and fitness, cancer prevention or mental resilience and raise awareness of these issues accordingly. Due to the unprecedented circumstances caused by the pandemic, many of these events took place virtually. ↗[GRI 403-6](#)

The BMW Group greatly emphasises the importance of all of its employees having access to the company's in-house health services. In Germany, the focus is mainly on providing acute treatment for employees and temporary workers during working hours. In certain countries, however, the Group's health service also takes on primary care tasks, such as in Thailand, India or Mexico. The BMW Group's company doctors also advise employees on individual preventive measures if requested to do so and help them adapt their work environment to ensure that their health and performance are maintained in the long term. ↗[GRI 403-2, 403-3](#)

↳ Measures to address the coronavirus pandemic

In terms of health protection for the BMW Group's workforce, the exceptional challenges posed by the coronavirus pandemic had to be addressed during the year under report. The primary aim was to ensure the Group's ability to perform while at the same time protecting the health of its staff. For these reasons, the BMW Group set up a crisis management team without delay to draw up and implement effective protection and hygiene concepts. Staff and managers were promptly provided with information and recommendations for action, not only to protect themselves, but others too. The crisis management team kept a watchful eye on international developments, as the infection spread extremely quickly during the year under report. The BMW Group responded effectively in a challenging situation that had to be reassessed on a daily basis at times.

Specially trained teams were sent out to the Group's various locations and plants, advising managers and employees on how best to implement the protection and hygiene measures. The experts from the hygiene teams were also available to answer questions at any time. Moreover, a Group-wide information campaign helped inform employees on how best to contribute to curbing the rate of infection. Regular safety and hygiene inspections ensure that the measures are being implemented effectively and on a sustained basis during the pandemic.

The BMW Group ensured the health and safety of its entire workforce at its various locations throughout the year under report, despite the exceptional challenge posed by the coronavirus pandemic. The new SARS-CoV-2 occupational health and safety regulations were implemented at BMW AG and a works agreement was concluded to that effect. A comprehensive manual based on this agreement is ensuring the implementation of infection control measures worldwide. ↘

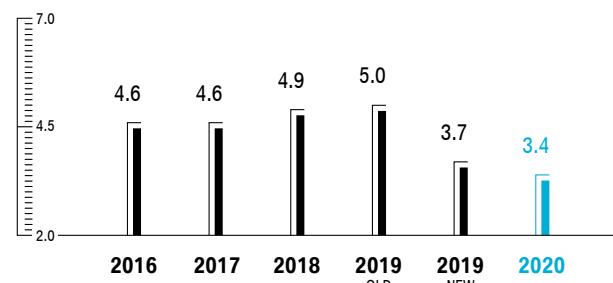
↳ In line with the general demographic change, the increasingly high average age of the workforce presents further challenges in terms of healthcare. The BMW Group's Health Initiative also closely addresses the concerns of employees looking to remain as healthy and productive as possible at an advanced age. ↗ GRI 403-3, 403-6

One of the parameters the BMW Group uses to quantify the success of its health management measures is the sickness rate. At 3.4 %, the sickness rate at BMW AG was lower than in the previous year (2019: 5.0 % or 3.7 % according to the new definition). ↗ GRI 403-10

The Group continuously strives to improve this figure by means of its health management measures.

↳ SICKNESS RATE¹

in %



↗ GRI 403-10

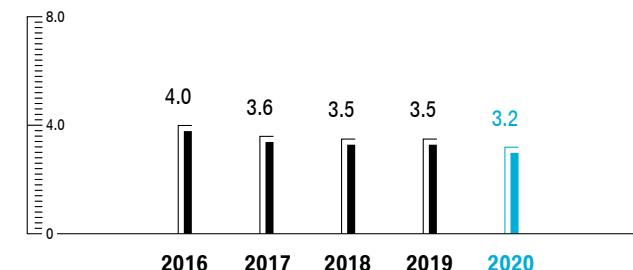
OCCUPATIONAL SAFETY AT ALL GROUP LOCATIONS

Occupational safety is one of the BMW Group's foremost preventive measures for protecting and maintaining the health of its workforce. The strategy is based on a comprehensive management system that not only meets legal requirements applicable at the Group's various locations, but frequently goes beyond them. Accordingly, the BMW Group is committed to ensuring and certifying the highest level of occupational safety at all its locations. The right to occupational health and safety is also a key feature enshrined in the BMW Group's Code on Human Rights and Working Conditions. In the Code, the company undertakes to consistently comply with currently applicable occupational health and safety legislation worldwide and also to set its own additional standards for improving occupational safety. ↗ GRI 403-1

Fortunately, in 2020 the accident frequency rate across the workforce as a whole dropped further to 3.2 accidents per 1 million hours worked (2019: 3.5). However, one fatal accident occurred at the Group's Dingolfing plant during the year under report. By 2015, the BMW Group had already achieved the target it set itself in 2011 of halving the accident frequency rate to 4.5 accidents per 1 million hours worked by 2020. Since then, the BMW Group has endeavoured to continue reducing this rate. ↗ GRI 403-9



↳ ACCIDENT FREQUENCY RATE²



↗ GRI 403-9

69,092 or 99.7 % of people employed at BMW Group plants work at a location certified in accordance with an international occupational health and safety management system³. ↗ GRI 403-1, 403-8

¹ BMW AG; Number of hours of absence due to paid sick leave divided by the contractually agreed target number of working hours; up to 2019, absence due to unpaid sick leave was also taken into account. Figures up to 2018 are not comparable.

² Number of occupational accidents with at least one day of absence from work per one million hours worked.

³ OHAS 18001/ISO 45001 (Occupational Health and Safety Assessment Series) or OHRIS (Occupational Health and Risk Management System).

External companies and their employees also need to be able to work safely at BMW Group locations. For this reason, cooperation with contractual partners is regulated in a separate contractor declaration, enabling potential hazards to be identified and appropriate protective measures taken on this basis. On large construction sites, all employees of external companies are given safety briefings by BMW Group experts. On smaller construction sites, however, this duty is performed by the contractors themselves. The company department responsible for placing the order monitors compliance with the occupational health and safety regulations, supported by the relevant occupational health and safety unit as required.

In order to improve occupational safety at the upstream stages of the value chain, too, the BMW Group requires its suppliers to comply with internationally recognised occupational health and safety requirements¹ via its **Purchasing Conditions**. ↗ GRI 403-7

MANAGEMENT, TRAINING AND QUALITY ASSURANCE

All topics relating to health and occupational safety within the BMW Group are combined in the Work Environment, Health, Group Safety and Group Data Protection unit and allocated to the Board of Management's Human Resources area of responsibility. Moreover, the managers in the various specialist departments are responsible for all related in-house processes. Health management and occupational safety, i.e. occupational health professionals, occupational medical staff, safety specialists and safety officers support and advise the respective internal departments. ↗ GRI 403-1

The BMW Group continually assesses and improves occupational health and safety at all its locations based on recognised management systems such as ISO 45001, OHSAS 18001 or OHRIS², via occupational health and safety committees and by way of in-house risk assessments. Health and safety committees that include both employer and employee representatives work actively at nearly all BMW Group locations, making continuous improvements to occupational health and safety standards. ↗ GRI 403-4

In order to identify work-related risks in both production facilities and offices, the BMW Group conducts wide-ranging risk and stress analyses. For example, during the year under report, the internal analysis of an industrial accident uncovered a risk in the production of high-voltage batteries. A technical solution was then found to automate this stage of production. The employees concerned were then trained and instructed and their protective equipment was adapted accordingly. A specific risk assessment was also carried out pertaining to the coronavirus pandemic. Employees are encouraged to contact their managers at any time if hazards or risks are identified. Employees can also approach their designated work representative at any time, or report risks and hazards anonymously via the Compliance hotline. ↗ GRI 403-2

On the basis of management systems, the BMW Group regularly evaluates all the methods and instruments used within the company. The results are then used to improve internal standards. As part of its co-determination process, the BMW Group involves the Works Council as well as representatives of the severely disabled and personnel management as required.

The Group ensures the quality of its processes by conducting internal audits on an annual basis. Tests at the BMW Group's various locations are performed by external certification organisations and the specialists responsible for implementation are given regular training. Due to the challenges posed by the coronavirus pandemic, in order to comply with safety and hygiene regulations, audits were conducted partly on-site and partly virtually in the year under report. ↗ GRI 403-2, 403-4, 403-9, 403-10

To ensure occupational health and safety standards at all its locations, the BMW Group provides its staff with regular training. The BMW Group Academy is solely responsible for all training measures relating to environmental protection and occupational health and safety. It prepares its various seminars in cooperation with the relevant departments for occupational safety, ergonomics, environmental protection and health management. However, the occupational safety, ergonomics and environmental protection departments or the health services can also develop and offer their own measures if required to do so at short notice. The BMW Group is also adapting these programmes in line with the current pandemic situation and increasingly switching to virtual solutions. ↗ GRI 403-5 ↘

¹ In accordance with OHSAS 18001/ISO 45001 and management systems derived from ILO (International Labour Organization) or UNGC (United Nations Global Compact).

² OHSAS 18001/ISO 45001 (Occupational Health and Safety Assessment Series) or OHRIS (Occupational Health and Risk Management System).

EMPLOYEE DIVERSITY

The BMW Group sees diversity as a strength and this factor in its workforce is one of the keys to its corporate success. The BMW Group believes that diversity fosters innovation and therefore also boosts competitiveness. A deeper understanding of the needs of customers around the world is just one example. In recent years, the BMW Group's diversity concept has continued to broaden the eclectic nature of its workforce in terms of gender, cultural background, age and experience. For this reason, the Board of Management not only approved the Group's existing diversity concept, but broadened it during the year under report.

PROMOTING DIVERSITY AT ALL LEVELS

The BMW Group places great emphasis on an unprejudiced, appreciative and inclusive working environment for all its employees. To underline its conviction, in 2020 the BMW Group continued expanding the diversity concept with the existing dimensions of gender, cultural background, age and experience to include sexual orientation and identity as well as disability.

The BMW Group promotes a culture that sees strength in diversity and difference as a valued asset. It seeks to raise awareness of diversity issues among its employees and managers by means of training, presentations and dialogue formats and also promotes diversity and equal opportunity via its recruiting and personnel development measures. During the year under report, the BMW Group again organised an international Diversity Week with the aim of raising awareness of every dimension of diversity within the company and exerting a positive influence on its corporate culture. However, the programme was conducted exclusively online due to the coronavirus pandemic. The Diversity Week and the simultaneously run global diversity awareness campaign were transmitted in a variety of digital formats and reached an approximate total of 92,000 BMW Group employees online.

The equal treatment of all employees is a fundamental principle firmly enshrined in Group policy. The BMW Group Code of Conduct and the BMW Group Code of Human Rights and Working Conditions rigorously address discrimination of all kinds. Employees are asked to contact their managers, the relevant specialised units, the personnel department or the Works Council if they have any pertinent concerns. The BMW Group SpeakUP Line is a telephone service available in over 30 languages that gives employees worldwide the opportunity to report possible violations both anonymously and confidentially.

Diversity-promoting concepts have also been developed for selecting the future composition of the Board of Management and the Supervisory Board. The BMW Group provides information on the respective diversity criteria and how to implement them in its [Corporate Governance Statement](#). ▶

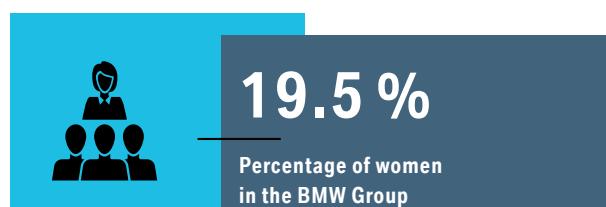
PERCENTAGE OF FEMALE EMPLOYEES

The BMW Group is committed to the sustained advancement of women and has therefore set targets for the percentage of women employed at all levels of the company. This target framework was valid up to and including 2020.

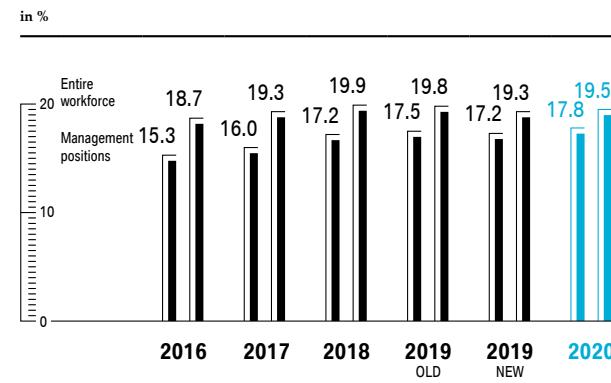
The percentage of women in management positions¹ within the BMW Group has been rising steadily for many years. Globally, the proportion of female managers in the BMW Group stood at 17.8 % at the end of 2020 (2019: new definition; 17.2 %). At BMW AG, the number of women in management positions has more than doubled between 2011 and the present day. Expressed as a percentage, the proportion of female managers at BMW AG was 16.2 % (2019: new definition; 15.5 %) at the end of 2020.

The percentage of women employed in the BMW Group's total workforce reached 19.5 % during the period under report (2019: new definition; 19.3 %), exceeding the internally agreed target range of 15 % to 17 %. At 15.9 %, the proportion of women working for BMW AG was within the target range of 15 % to 17 % (2019: new definition; 15.7 %).

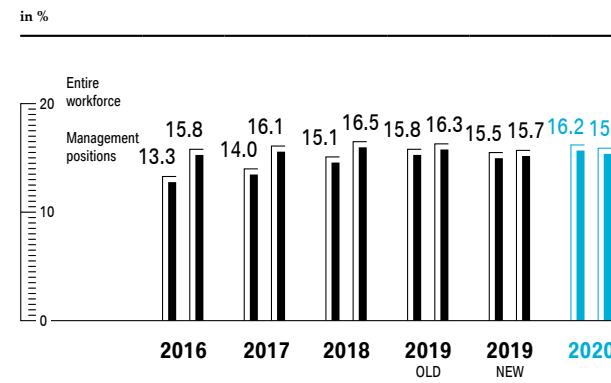
▮ The proportion of women in young talent training programmes such as the Global Leader Development Programme increased to around 42 % (2019: 39 %) during the period under report. In the student promotion programmes such as Fastlane and SpeedUp, the figure was around 33 % (2019: 28 %). □ GRI 405-1 □



PERCENTAGE OF WOMEN IN MANAGEMENT POSITIONS AND IN THE TOTAL WORKFORCE OF THE BMW GROUP²



PERCENTAGE OF WOMEN IN MANAGEMENT POSITIONS AT BMW AG²



By 2025, the BMW Group aims to increase the proportion of women in the workforce in general as well as in management positions to between 20 % and 22 %. BMW AG is aiming for a proportion of 17 % to 19 % of women in the total workforce and 19 % to 21 % in management positions. To achieve this target, BMW AG carefully analysed the effectiveness of its existing measures and programmes during the year under report, focused on specifically optimising them to suit requirements and derived new measures. These include, for example, new formats for the targeted promotion of young female managers and the option of filling management positions with two people at the same time in a form of joint leadership. In addition, the BMW Group ensures a high proportion of women in its young talent promotion programmes and is committed to a seamless return to working life after parental leave.

▮ In order to ensure gender pay parity, BMW AG has established a process that compares the monthly pay of men and women based on the categories of full-time, part-time and pay grade. In 2020, there were no significant differences in the total remuneration packages offered to women and men at BMW AG. □ GRI 405-2 □

¹ The proportion of women in management functions includes management levels I to IV. Management levels are defined in terms of their functional level and follow a comprehensive job evaluation system based on Mercer.

² The new definition of the term "employee" is provided in the □ Glossary. The difference between old and new definitions in previous years is similar to the difference between 2019 new and old.

DIVERSITY IN ALL DIMENSIONS

↳ Cultural background

Employees from over 110 countries work together at the BMW Group. The ability to work together in international teams in a spirit of trust and respect is key to the Group's success. A broad range of opportunities for personnel development, qualification and further training promotes intercultural understanding. For example, the Global Leader Development Programme for newly recruited employees is deliberately geared towards international participants. In 2020, new employees from eight countries took part in the programme (2019: 11 countries). With its "Courage to be more open" campaign, the BMW Group is also actively fighting against racism, for an unprejudiced working environment and mutual respect.

Age and experience

The BMW Group sees demographic change as both a challenge and an opportunity, as it offers people the chance to combine (life) experience and fresh ideas in a productive way. Since 2019, as part of the Senior Expert Programme, retired employees have been passing on their knowledge and experience to their younger colleagues. Within the Reverse Mentoring Programme organised by the BMW Group, older employees benefit from the new knowledge of the younger generation. Managers are qualified to recognise and leverage the opportunities and challenges that mixed-age teams offer. ↗ GRI 404-2

↳ BMW AG EMPLOYEES BY AGE GROUP, DIVIDED INTO FUNCTIONS AND GENDER¹

in %	< 30 years old	30–50 years old	>50 years old
2018 total	11.7	59.2	29.1
2019 total	11.1	59.1	29.8
2019 total new ¹	11.6	59.2	29.2
2020 total	10.4	59.9	29.7
direct ²	14.1	53.3	32.6
indirect ³	8.3	63.8	27.9
male	9.4	59.3	31.3
female	16.1	63.0	20.9

¹ Up to 2019: number of employees on unlimited employment contracts. From 2020, reporting based on new employee definition ↗ Glossary.

² Clock-controlled and production employees.

³ All employees without clock control.

↗ GRI 405-1

It is supported in this respect by its internal network BMW Group PRIDE. Confirmation of this commitment can be seen, among other things, in the Group's top 5 ranking in the DAX 30 LGBT+ Diversity Index 2020.

Disability

Employees with disabilities need to be offered an inclusive and accessible working environment that enables them to fully develop their performance. That is the BMW Group's mission. It begins with providing training opportunities for severely disabled young people and continues by designing workplaces that meet their needs. As part of an internal communication campaign, during the year under report the BMW Group encouraged greater openness and assuredness in interaction with disabled employees.

In the coming years, the BMW Group intends to analyse its activities in all five dimensions of the extended diversity concept and add new measures and programmes as the need arises. The Human Resources Policy and Strategy department and the operational Human Resources department, together with the disciplinary managers, are responsible for all the measures provided for in this concept. ↗

Sexual orientation and identity

Diversity also means living a corporate culture in which employees of all sexual orientations and identities are treated with equal appreciation and respect. With this point in mind, the BMW Group is committed, for example, to raising awareness among employees and managers for the concerns of lesbians, gays, bisexuals and transgender people, as well as to various campaigns as part of the LGBT+ movement's PRIDE Month.

CORPORATE CITIZENSHIP

↳ Corporate citizenship is an integral part of the BMW Group's corporate identity. The company's commitment to corporate citizenship focuses in particular on long-term and international projects in which it can provide targeted support with its own core competences. At all the Group's international locations, this commitment aims at attaining better living conditions, intercultural understanding and good education.

↳ Support provided during the coronavirus pandemic

The coronavirus pandemic posed major challenges for society and companies worldwide in the year under report. In order to help handle this exceptional situation, the BMW Group has oriented its measures internationally and focused on its areas of core competence. For example, the BMW Group made vehicles available to social and healthcare facilities. It also donated protective equipment to health authorities and medical facilities. ↳

BUILDING BRIDGES BETWEEN CULTURES

The BMW Group aims to play a leading role in intercultural understanding. As a corporation with a multi-national workforce and locations on five continents, the BMW Group has a keen interest in encouraging tolerance and understanding between various nations, cultures and religions. Together with the United Nations Alliance of Civilisations (UNAOC), since 2011 the Group has regularly presented the ↳ **Intercultural Innovation Award**. The Award is designed to promote innovative projects that seek solutions to intercultural tensions and conflicts.

Originally, the BMW Group had set itself the goal of reaching around one million people with the award-winning projects by 2020, but it surpassed that figure at an early stage. Since 2017, the Group has therefore been pursuing the new aim of supporting six million people with the award winners' projects by 2025. By the end of 2020, the award-winning projects had already helped some five million people.* The BMW Group therefore believes it is well on the way to exceeding the target it has set itself.

* The number of people supported is provided by the award winners at the end of each year. It is calculated based on combined data from media and sources. The figure reported relates only to the people who benefit directly from the projects concerned.

VOLUNTARY COMMITMENT OF EMPLOYEES

The BMW Group is increasingly involving its employees in its social commitment efforts. Since 2011, the company has presented the BMW Group Awards for Social Commitment to its employees. The award goes to staff members who have made a special contribution through their voluntary work. In 2020, five employees were honoured for their charitable social commitment, two of them even received special awards from the Doppelfeld Foundation. The BMW Group Awards for Social Commitment are each endowed with € 5,000, which go directly to the respective aid projects. This year's award winners come from India (Ooruni Foundation), Germany (Gesellschaft für Kinderkrebsforschung e.V. and Hilfe für Kinder in Kenya) and South Africa (Gauteng Community Organization and Golden Youth Club). In addition to the award winners, each of the other five finalists received prize money of € 2,500.

The organisation Waves For Water is another project with employee involvement that the BMW Group has been successfully working together with for five years. As part of this initiative, employees near the Group's locations in Mexico, India, Thailand and Indonesia help provide families with water filters to facilitate their access to clean drinking water. In the year under report, the project was unfortunately interrupted by the coronavirus pandemic, but will be continued as soon as circumstances permit. ↳

EDUCATION CREATES BETTER PROSPECTS FOR LIFE

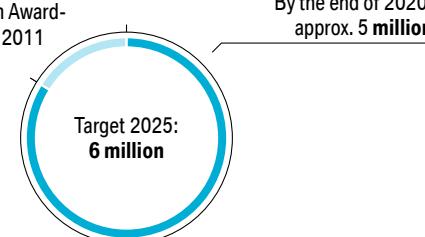
At its various locations, the BMW Group develops educational projects that facilitate young people's first steps into the labour market and offer them better prospects for life. With its programmes from primary school level through to higher education, the BMW Group is making a lasting contribution towards more equal opportunity. The BMW Group bases its funding approach on the specific needs and requirements at its various locations. During the year under report, the BMW Group again supported a range of educational projects in the USA, Thailand, India, Brazil, Mexico, China, Korea, South Africa and Germany. However, due to the coronavirus pandemic, it was unable to offer its support to the same extent as before.¹ The workshops were therefore conducted with a smaller number of participants and online whenever possible. The BMW Group used any funds that could not be deployed for educational measures due to the coronavirus restrictions to mitigate the immediate consequences of the pandemic. ↗ **Support provided during the coronavirus pandemic**

For further information and additional projects, see the website ↗ **BMW Group's Corporate Citizenship**.

The BMW Group's investment in corporate citizenship totalled €33.6 million in 2020 (2019: €33.2 million). ↘

PEOPLE REACHED BY THE BMW GROUP'S CORPORATE CITIZENSHIP ACTIVITIES¹

People reached by Intercultural Innovation Award-winning projects since 2011
By the end of 2020: approx. 5 million



¹ Due to the coronavirus pandemic, the number of people who took part in educational projects was not recorded in 2020. ↘

DONATIONS WORLDWIDE²

in € million

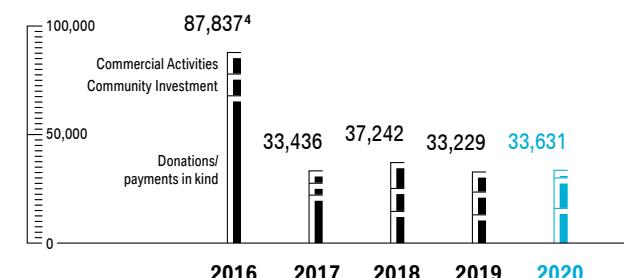
Sports 5.2%
Environment/Sustainability 2.4%
Culture 8.6%
Society/Community 26.7%
Total 16.2
Politics 0.1%

Science/Education 57.0%

² In the form of donations and payments in kind. ↘

TOTAL EXPENDITURE ON CORPORATE CITIZENSHIP BY TYPE OF ACTIVITY³

in € thousand



³ The activities of the BMW Group in the area of corporate citizenship are divided into three main areas: monetary donations and payments in kind; community investment, which refers to investment in project initiatives and partnerships conceived in-house as well as corporate volunteering by BMW Group employees; and our commercial activities, which encompass sponsorship and so-called cause-related marketing.

⁴ The relatively high amount in 2016 is due to a one-off donation to increase the capital of the BMW Foundation in the BMW centenary year 2016 from €50 million to €100 million. ↘

↗ **€ 33.6 m**

Expenditure on
Corporate Citizenship ↘



MANAGING CORPORATE CITIZENSHIP IN A TARGETED AND EFFECTIVE MANNER

↳ To ensure transparency regarding all the measures taken in this area, the Group-wide guidelines on sponsoring, donations and memberships have been binding since 2011. Apart from transparency, it is also essential to carefully document all the measures in order to ensure that legal requirements are complied with.

The BMW Group will continue to be socially active on a global basis and focus its commitment on the UN Sustainable Development Goals going forward. The joint initiatives of the BMW Group and its partners, particularly the BMW Foundation Herbert Quandt, therefore focus on the topics in which they can have the greatest impact and benefit society to the greatest extent. ↴

↳ Inspiring, connecting, investing – the BMW Foundation Herbert Quandt

The BMW Foundation Herbert Quandt* is an independent corporate foundation whose activities contribute towards the BMW Group's corporate citizenship and mission. The Foundation's mission is to inspire executives worldwide to take social responsibility and work as responsible leaders for a peaceful, just and sustainable future. Moreover, the Foundation invests in initiatives and organisations that develop solutions to social, environmental and political crises.

Through its Responsible Leadership programmes, the global Responsible Leaders Network and its impact-oriented investments (the Eberhard von Kuenheim Fund), the BMW Foundation Herbert Quandt has promoted the UN Sustainable Development Goals since their adoption in 2015.

The digital transformation expedited by the coronavirus pandemic also impacted the Foundation's programmes in 2020. For example, the Responsible Leaders Table format events on the topic of Europe featuring selected leaders from the worlds of politics, business and civil society were held virtually. The Foundation also conducted the Responsible Leaders forums that had already been planned for Turkey and India online. The RISE-City programme was carried out in Amsterdam, Madrid, Athens and Singapore – either physically or on a hybrid basis – depending on the local situation. The Responsible Leaders Network, which

currently has 1,854 members in 109 countries, also maintained its collaboration via online meetings.

In order to actively support the ongoing transformation to a sustainable society and a sustainable economic system, the Foundation launched the RESPOND Accelerator programme in 2020. For the first group, ten start-ups were selected that aim to successfully develop their sustainable business models. RESPOND aims to demonstrate that social responsibility and successful entrepreneurship are not contradictory concepts. As part of the five-month programme, which got off to a successful start despite the adverse conditions caused by the pandemic, the start-ups received support from mentors and investors from the Foundation's network.

In response to the challenges posed by the coronavirus pandemic, the BMW Foundation Herbert Quandt supported the German government's #WirVsVirus hackathon both financially and via its RESPOND network during the year under report. This world's largest hackathon aims to develop creative solutions to combat the impact of the pandemic.

Further information about the BMW Foundation Herbert Quandt is available here: ↗ www.bmw-foundation.org/en/ ↴

* The BMW Foundation Herbert Quandt is a corporate foundation of BMW AG. The Foundation implements its programme with the income earned on endowment assets or received in the form of regular financial contributions from the benefactor. In accordance with the Articles of Incorporation, the independent Foundation is advised by the Board of Trustees (Kuratorium), on which the Chairman of the Supervisory Board and one member of the Board of Management of BMW AG are represented.

REPORT ON ECONOMIC POSITION

GENERAL AND SECTOR- SPECIFIC ENVIRONMENT

In 2020, the coronavirus crisis caused the global economy to slump on a scale not seen since the Great Depression of the 1930s. The International Monetary Fund (IMF) estimates the contraction in global gross domestic product (GDP) at 3.5 %. All G7 countries saw a significant drop in economic output. The BRIC countries also suffered sharp declines – with the notable exception of China.

Europe's economy was hit harder than any other major region. In the eurozone, the economy contracted sharply by 7.6 % year-on-year. Significant losses were recorded in Germany (-5.0 %), France (-8.3 %), Italy (-9.0 %) and Spain (-11.0 %), the eurozone's largest economies. With many areas of the economy completely paralysed at times due to lockdowns lasting several weeks, both production and consumption slumped dramatically. Unemployment rates rose in all countries, despite the increases being at least partially held down by short-time work programmes. Governments across the region implemented extensive economic stimulus packages to support their countries' economies. The assistance programmes caused government spending to rise sharply in 2020, resulting in higher debt ratios in the respective countries.

GDP in the United Kingdom (UK) slumped by 10.7 % in 2020. The performance was influenced not only by the consequences of the coronavirus pandemic, but also by the ongoing uncertainty surrounding the terms of the Brexit trade deal, which would ultimately govern the UK's future relations with the European Union (EU).

In the USA, GDP fell by 3.5 % during the year under report. Due to the lockdowns and in the absence of short-time work programmes, the unemployment rate rose significantly. Consumer sentiment and exports both slumped during various parts of the year. Both corporate investment and industrial production suffered a significant decline. In light of the ensuing economic situation, the US Federal Reserve (FED) further lowered its benchmark interest rates in 2020.

Although China was the only economy to expand in 2020, its growth rate of 2.3 % was significantly down on the previous year. Consumer demand collapsed almost completely during the spring lockdown. However, strong pent-up demand set in from early summer and lasted through to the end of the year, thereby helping the economy to recover.

Export-reliant Japan also suffered a considerable decline in economic output (-5.3 %) due to the coronavirus pandemic during the period under report. The main factors here were lower private consumption, particularly in the spring, and the drop in exports.

CURRENCY MARKETS

The US dollar/euro exchange rate became far more volatile in 2020 due to the coronavirus crisis. It fluctuated between 1.07 and 1.22 to the euro, and resulted in an average rate for the year of 1.14 US dollars to the euro.

The value of the British pound was affected by both the coronavirus pandemic and the uncertainties surrounding a free trade agreement with the EU. For a while, the British currency fell to 0.93 pounds to the euro before finishing the year at 0.83 pounds to the euro. The average exchange rate of 0.89 pounds to the euro for the year was slightly lower than one year earlier.

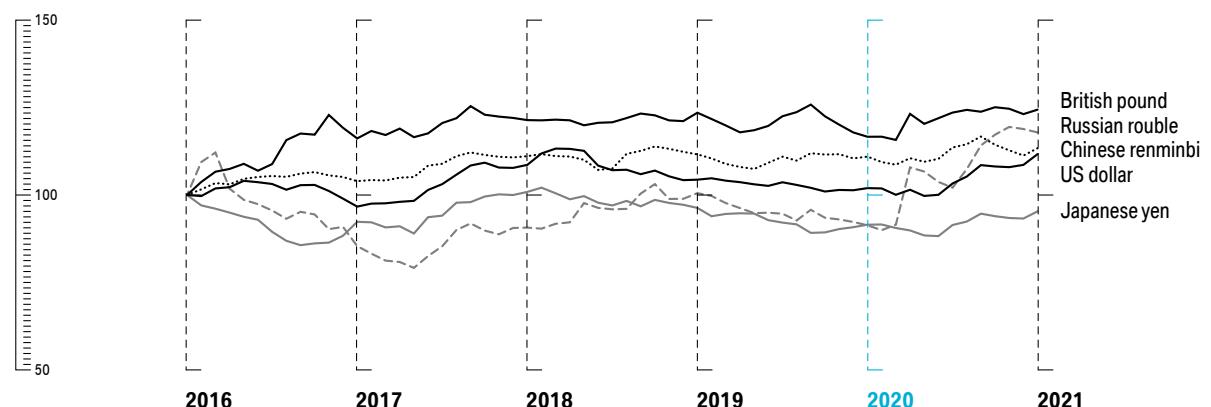
The same applies to the Chinese renminbi, which averaged 7.87 renminbi to the euro over the year as a whole.

The Japanese yen fluctuated between 114 and 127 yen to the euro, resulting in an average exchange rate for the year of 122 yen to the euro.

The currencies of major emerging markets also lost in value in 2020 as a consequence of the coronavirus crisis. The Indian rupee and the Russian rouble fell by around 5 % and 14 % respectively against the euro on average, while the Brazilian real depreciated by as much as 33 % against the euro.

EXCHANGE RATES COMPARED TO THE EURO

Index: December 2015 = 100



Source: Reuters.

ENERGY AND RAW MATERIALS PRICES

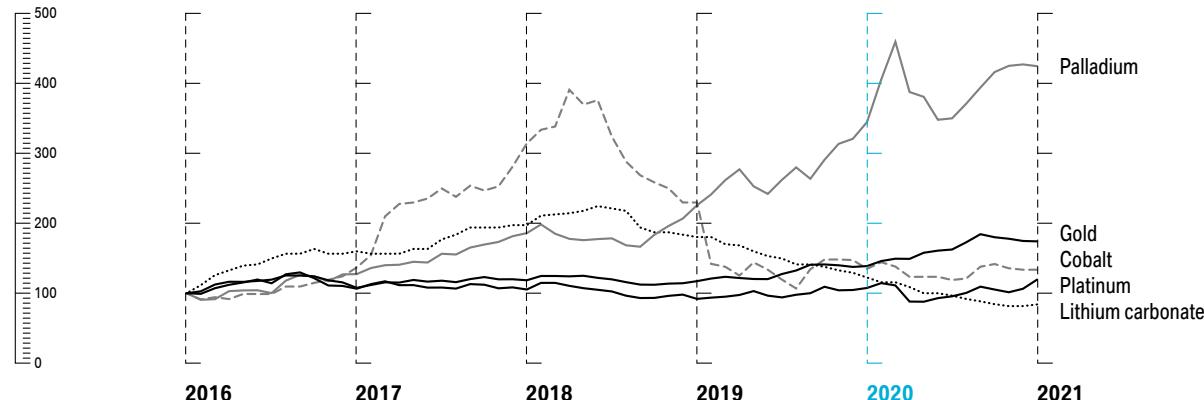
The impact of the coronavirus pandemic was also felt on practically all commodities markets in 2020. After falling noticeably in mid-year, steel and aluminium prices rose again sharply towards the end of the year.

Prices for precious and non-ferrous metals also followed a similar trend. One exception, however, was rhodium, which is mainly used in catalytic converters. In this case, prices continued to rise significantly throughout the 12-month period. By the end of the year the price of this precious metal had almost tripled compared to one year earlier.

Looking at raw materials for batteries, the price of cobalt remained largely stable compared to the previous year. By contrast, the price of lithium fell slightly, reflecting lower demand due to the coronavirus pandemic on the one hand and oversupply on the other.

DEVELOPMENT OF METALS PRICES

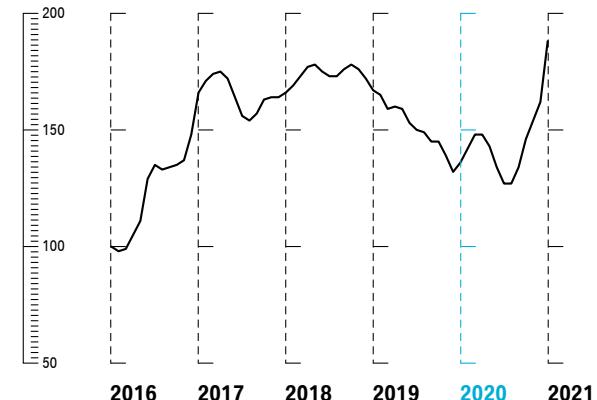
Index: December 2015 = 100



Source: Reuters.

STEEL PRICE TREND

Index: January 2016 = 100

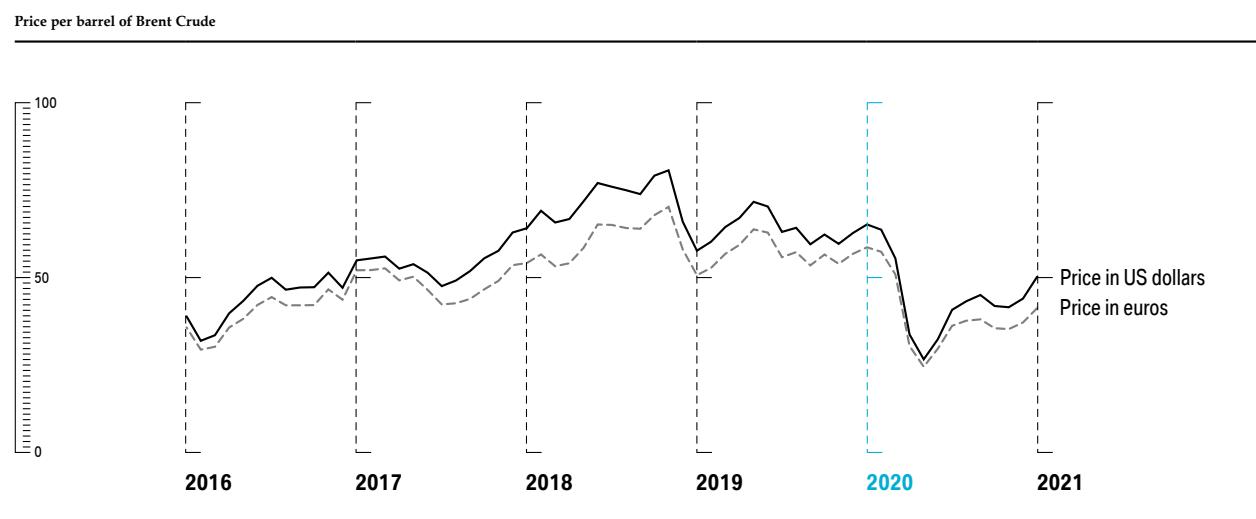


Source: Working Group for the Iron and Metal Processing Industry.

Oil prices reacted sharply to the coronavirus pandemic and the related collapse in demand. The market price of WTI crude even turned negative for a short time. Although the price recovered somewhat by the end of 2020, it remains slightly lower than one year earlier. The price of Brent crude sank to a low of 19

US dollars before recovering to stand at 51 US dollars by the end of the year. For a short time in April, WTI crude was quoted at a negative market price of 37 US dollars, ultimately finishing the year at a positive market price of 48 US dollars.

OIL PRICE TREND



Source: Reuters.

AUTOMOBILE MARKETS

Automobile markets slumped worldwide in 2020 due to the impact of the coronavirus pandemic. In total, registration figures for passenger cars and light commercial vehicles fell sharply by 13.3 % to a total of 72.4 million units during the year under report.

INTERNATIONAL AUTOMOBILE MARKETS

	Change in %
Europe	-24.3
thereof Germany	-19.1
thereof France	-25.5
thereof Italy	-27.7
thereof Spain	-32.3
thereof United Kingdom (UK)	-29.4
USA	-14.5
China	-5.0
Japan	-11.4
Total	-13.3

INTERNATIONAL MOTORCYCLE MARKETS

International motorcycle markets in the 250 cc plus class were down slightly overall (-0.9 %) in 2020 due to the pandemic. Markets in Europe were also negatively impacted by the developments and contracted by 1.1 %. In Spain, the decline was significantly higher at 13.7 %. Registration figures were also down in Italy (-9.1 %) and France (-4.6 %). By contrast, Germany saw a significant increase, with new registrations up by 15.0 %. The US market was at a similar level to the previous year (+0.1 %). Brazil, on the other hand, recorded a significant drop (-17.7 %).

INTERNATIONAL MOTORCYCLE MARKETS

	Change in %
Europe	-1.1
thereof Germany	15.0
thereof France	-4.6
thereof Italy	-9.1
thereof Spain	-13.7
America	-3.5
thereof USA	0.1
thereof Brazil	-17.7
Total	-0.9

INTERNATIONAL INTEREST RATE ENVIRONMENT IN 2020

The coronavirus pandemic and its severe impact on the economy in 2020 also prompted central banks around the world to adopt drastic countermeasures. The aim of their monetary policies was to mitigate the effects of the downturn, for example by making it easier for smaller companies to access cheap credit.

In the first half of the year, the European Central Bank (ECB) decided to increase the existing bond purchase programme to €120 billion per month and launch an additional emergency bond purchase programme (Pandemic Emergency Purchase Programme – PEPP) with a total volume of €1,850 trillion.

As a direct response to the economic impact of the coronavirus pandemic, the Bank of England (BoE) cut its benchmark interest rate in two steps from 0.75 % to 0.1 % during the first quarter and increased its bond-buying programme to a total volume of 895 billion British pounds.

In the USA, in two emergency meetings held during the first quarter, the Fed lowered its target range for the benchmark interest rate from between 1.50 and 1.75 % to between 0.00 and 0.25 %. It also announced further measures, including a commitment to make unlimited bond purchases.

After suffering an economic slump at the beginning of the year, but then avoiding a second wave of infections, China recovered earlier and faster than other major economies. Instead of introducing massive stimulus programmes, China increasingly relied on other instruments, such as lowering the reserve requirement ratio to 12.5 % and the loan prime rate to 3.85 %.

OVERALL ASSESSMENT BY MANAGEMENT OF THE FINANCIAL YEAR

The BMW Group coped well with the major challenges that arose during the pandemic year 2020 and, in view of the pronounced level of volatility on international markets, can look back on a business performance over the last 12 months that can be regarded as satisfactory overall.

Despite declining key performance indicators in 2020, the BMW Group's results of operations, financial position and net assets are indicative of its solid financial condition. Overall, business developed in line with management's revised expectations. This assessment also takes into account events after the end of the reporting period. The outlook for 2021 factors in the expected impact of the coronavirus pandemic.

COMPARISON OF FORECASTS WITH ACTUAL OUTCOMES

The following table shows the development of key performance indicators for the BMW Group as a whole as well as for the Automotive, Motorcycles and Financial Services segments in the financial year 2020 compared to the forecasts made in the Annual Report 2019. In light of the rapid escalation of the coronavirus crisis during the first quarter 2020, the BMW Group partially revised its outlook for the year. The changes are shown below.

Detailed information on the Group's key performance indicators is provided in conjunction with the analysis of the Group's results of operations, financial position and net assets below. Changes in key performance indicators for the Automotive, Motorcycles and Financial Services segments are explained in the separate sections for each segment.

BMW GROUP COMPARISON OF 2020 FORECASTS WITH ACTUAL OUTCOMES 2020

	Forecast for 2020 in 2019 Annual Report	Forecast revision during the year	Actual outcome in 2020
GROUP			
Profit before tax	significant decrease		€ million 5,222 (–26.6%) significant decrease
Workforce at year-end	in line with last year's level	Q1: slight decrease	120,726 (–4.2%) slight decrease
AUTOMOTIVE SEGMENT			
Deliveries to customers ¹	significant decrease		units 2,325,179 (–8.4%) moderate decrease
Emissions new vehicle fleet ²	significant decrease		g CO ₂ /km 99 (–22.0%) significant decrease
EBIT margin	between 2 and 4	Q1: between 0 and 3	% 2.7 (–2.2 %-pts.)
Return on capital employed	significant decrease		% 12.7 (–16.3 %-pts.) significant decrease
MOTORCYCLES SEGMENT			
Deliveries to customers	slight decrease	Q1: significant decrease Q3: moderate decrease	units 169,272 (–3.4%) slight decrease
EBIT margin	between 6 and 8	Q1: between 3 and 5	% 4.5 (–3.7 %-pts.)
Return on capital employed	slight decrease	Q1: significant decrease	% 15.0 (–14.4 %-pts.) significant decrease
FINANCIAL SERVICES SEGMENT			
Return on equity	slight decrease	Q1: moderate decrease	% 11.2 (–3.8 %-pts.) slight decrease

¹ Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 602,247 units).

² EU including Norway and Iceland.

RETAIL VEHICLE DELIVERY DATA*

In December 2019, BMW Group was informed by the SEC that the SEC had commenced an inquiry into BMW Group's vehicle sales and sales reporting practices. On January 22, 2020, the SEC formally opened an investigation into potential violations of U.S. securities laws by BMW Group relating to disclosures regarding BMW Group's unit sales of new vehicles. On September 24, 2020, BMW AG and two of its U.S. subsidiaries settled the matter with the SEC and, without admitting or denying the allegations, consented to the entry of an order (the "SEC Order") finding violations of Sections 17(a)(2) and 17(a)(3) of the U.S. Securities Act and agreed to pay a penalty of U.S.\$18 million. The SEC Order alleged, among other things, that the disclosures that BMW Group had provided to investors in its U.S. bond offerings conducted under Rule 144A in the period from 2016 to 2019 had contained material misstatements and omissions regarding BMW Group's U.S. retail vehicle deliveries.

In connection with the above, BMW Group reviewed prior period retail vehicle delivery data for automobiles and determined that certain vehicle deliveries of automobiles were not reported in the correct periods. BMW Group has corrected its reported delivery data, as further described below, to report deliveries in the period in which they occurred and has made, and will continue to make in the future, certain adjustments to its policies and procedures (together, the "Revised Reporting Process") in order to further improve the reliability and validity of its retail vehicle delivery data, in particular with respect to the timing of the recognition of retail vehicle deliveries.

BMW Group has applied the Revised Reporting Process to all markets with effect from the year 2020. While BMW Group revised retail vehicle delivery data for certain of its most significant markets for the years 2016 through 2019 presented in this report, such data were not revised for BMW Group's other markets. As a result, retail vehicle delivery data presented in this report for the years 2016 through 2019 is not directly comparable to such data presented for the year 2020. Specifically, the retail vehicle delivery data for automobiles presented in this report have been revised as follows:

When presenting total retail vehicle delivery data for automobiles other than model-by-model data, data relating to the years 2016 through 2019 for BMW Group's 16 most significant markets were adjusted to reflect the Revised Reporting Process. In the years 2016 through 2019, these 16 markets represented on average approximately 87% of BMW Group's total retail deliveries of automobiles. For each of the years 2016 through 2019, these revisions amounted to less than 1% of BMW Group's total retail deliveries of automobiles.

The retail vehicle delivery data for automobiles for BMW Group's other markets have not been adjusted for any period prior to 2020, nor have any retail vehicle delivery data for motorcycles been adjusted for any period prior to 2020. BMW Group believes the impact on BMW Group's retail vehicle delivery data presented in this report of such data not having been adjusted to reflect the Revised Reporting Process to be immaterial.

* See  Glossary for the definition of deliveries.

The preparation of BMW Group's retail vehicle delivery data involves a variety of estimates and judgments, some of which are complex and all of which are inherently subjective, and is subject to other uncertainties, including:

- The vast majority of deliveries of vehicles are carried out by independent dealerships or other third parties, and BMW Group is reliant on such third parties to correctly report relevant data to BMW Group.
- The definition of deliveries includes vehicles delivered in the United States and Canada if the relevant dealers designate such vehicles as service loaner vehicles or demonstrator vehicles.
- Retail vehicle delivery data for periods prior to 2020 include an immaterial number of pre-series vehicles that were never intended to be sold to end users (such as vehicles for use by government agencies in connection with safety evaluations (e.g., crash tests) or for other tests).

BMW Group believes the retail vehicle delivery data presented in this report are materially correct in accordance with BMW Group's current definition and related policies and procedures of retail vehicle deliveries.

Retail vehicle deliveries during a given reporting period do not correlate directly to the revenue that BMW Group recognizes in respect of such reporting period.

RESULTS OF OPERATIONS OF THE BMW GROUP

BMW GROUP CONDENSED INCOME STATEMENT

in € million	2020	2019	Change in %
Revenues	98,990	104,210	-5.0
Cost of sales	-85,408	-86,147	0.9
Gross profit	13,582	18,063	-24.8
Selling and administrative expenses	-8,795	-9,367	6.1
Other operating income and expenses	43	-1,285	-
Profit before financial result	4,830	7,411	-34.8
Financial result	392	-293	-
Profit/loss before tax	5,222	7,118	-26.6
Income taxes	-1,365	-2,140	36.2
Profit from continuing operations	3,857	4,978	-22.5
Profit / loss from discontinued operations	-	44	-
Net profit	3,857	5,022	-23.2
Earnings per share of common stock in €	5.73	7.47	-23.3
Earnings per share of preferred stock in €	5.75	7.49	-23.2

in %	2020	2019	Change in %-pts.
Pre-tax return on sales ¹	5.3	6.8	-1.5
Post-tax return on sales ²	3.9	4.8	-0.9
Gross profit margin ³	13.7	17.3	-3.6
Effective tax rate ⁴	26.1	30.1	-4.0

¹ Group profit before tax as a percentage of Group revenues.² Group net profit as a percentage of Group revenues.³ Gross profit as a percentage of Group revenues.⁴ Income tax expense as a percentage of Group profit before tax.

Group revenues by region were as follows:

BMW GROUP REVENUES BY REGION

	2020	2019
in %		
Europe	44.3	44.4
Asia	32.1	30.6
Americas	21.4	22.7
Other regions	2.2	2.3
Group	100.0	100.0

BMW GROUP COST OF SALES

	2020	2019	Change in %
in € million			
Manufacturing costs	46,878	48,776	-3.9
Cost of sales relating to financial services business	27,114	25,828	5.0
thereof interest expense relating to financial services business	1,960	2,288	-14.3
Research and development expenses	5,689	5,952	-4.4
thereof amortisation of capitalised development costs	1,710	1,667	2.6
Service contracts, telematics and roadside assistance	1,411	1,641	-14.0
Warranty expenses	2,971	2,566	15.8
Other cost of sales	1,345	1,384	-2.8
Cost of sales	85,408	86,147	-0.9

Due to coronavirus-related dealership closures, Group revenues for the financial year under report were moderately down on the previous year (2020: €98,990 million; 2019: €104,210 million; -5.0%). Negative currency effects caused by the unfavourable development of the US dollar, the Russian rouble and the Chinese renminbi also had a downward impact on revenues.

Factors working in the opposite direction included product mix effects due to the less pronounced drop in the sale of high-revenue models, higher selling prices on the back of a rejuvenated product range, and a portfolio-related upturn in leasing revenues. Positive developments on pre-owned vehicle markets were reflected in higher revenues generated from the sale of returned lease vehicles, particularly in the third and fourth quarters. Due to the drop in new leasing business in the first half of the year as well as the expected decline in new leasing business in light of lower inventory levels at dealerships, the amount of revenues eliminated on consolidation decreased year-on-year.*

Group cost of sales amounted to €85,408 million, similar to the previous year's level (2019: €86,147 million; -0.9%). Higher risk-provisioning expenses, mainly arising in connection with the measurement of credit and residual value risks, were partially offset by reduced manufacturing costs due to lower production volumes.

* Further information is provided in note 5 to the Group Financial Statements.

In addition, warranty expenses were negatively impacted in 2020 by the recognition of provisions in connection with the exhaust gas recirculation cooler and vehicle recalls (such as for contaminated battery cells in plug-in hybrid vehicles).

Cost of sales relating to Financial Services business went up as a result of the costs associated with the sale of returned lease vehicles, mirroring the impact on revenues.

Furthermore, the eliminations described above had an equal and opposite impact on revenues, resulting in a year-on-year decrease in the amount of cost of sales eliminated on consolidation.

Research and development expenses were slightly lower than in the previous year. Higher expenses were incurred in 2019 including those relating to the BMW iX¹ for instance. By contrast, the amount capitalised for future vehicle model start-ups increased in the financial year under report. The higher level of capitalised development costs mainly related to new models, the electrification of the vehicle fleet and automated driving.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses totalled €6,143 million (2019: €6,017 million).

Selling and administrative expenses decreased year-on-year, influenced in particular by lower personnel expenses (due to a year-on-year decline in the number of employees) and a decrease in expenses for marketing and communication (including the impact of new model launch events transmitted via digital formats). Stringent fixed cost management also contributed to the reduction in selling and administrative expenses.

BMW GROUP RESEARCH AND DEVELOPMENT EXPENDITURE

in € million	2020	2019
Research and development expenses	5,689	5,952
Amortisation	-1,710	-1,667
New expenditure for capitalised development costs	2,300	2,134
Total research and development expenditure	6,279	6,419

BMW GROUP PERFORMANCE INDICATORS RELATING TO RESEARCH AND DEVELOPMENT EXPENSES

in %	2020	2019	Change in %-pts.
Research and development expenditure ratio ²	6.3	6.2	0.1
Capitalisation rate ³	36.6	33.2	3.4

The net amount of other operating income and expenses improved significantly, whereby the year-on-year change was attributable to the expense recognised in the first half of the previous financial year for the provision relating to ongoing antitrust proceedings.⁴

Profit before financial result dropped sharply to €4,830 million (2019: €7,411 million), reflecting the various negative impacts on gross profit described above.

The financial result improved significantly year-on-year. The figure reported for 2020 benefited in particular from an increase to €1,212 million (2019: €918 million) of at-equity earnings generated by the Chinese joint venture BMW Brilliance Automotive Ltd., Shenyang, as well as from the gain of €105 million recorded by

THERE Holding B.V. on the sale of shares in the card service provider HERE International B.V. to Mitsubishi Corporation (MC) and Nippon Telegraph and Telephone Corporation (NTT)⁵ during the first half of 2020. In the previous year, the financial result also included higher impairment losses recognised in connection with the strategic realignment of the YOUR NOW Group.

¹ See [Fuel Consumption and CO₂ Emissions Information](#).

² Research and development expenditure as a percentage of Group revenues.

³ Capitalised development costs as a percentage of research and development expenditure.

⁴ Further information is provided in [note 10](#) to the Group Financial Statements.

⁵ Further information is provided in [note 24](#) to the Group Financial Statements.

As forecast most recently in the quarterly statement to 30 September 2020, Group profit before tax of €5,222 million was significantly lower than one year earlier (2019: €7,118 million) and therefore in line with the revised outlook.

Income tax expense for the year decreased to €1,365 million (2019: €2,140 million), mainly due to the pandemic-related drop in earnings. The effective tax rate fell to 26.1% (2019: 30.1%). In the previous financial year, the effective tax rate was raised due to the non-deductibility of items for tax purposes, namely the recognition of the provision relating to the EU Commission's antitrust proceedings and impairment losses relating to the YOUR NOW Group, the latter of which was reported within other financial result.

The size of the workforce decreased slightly to 120,726 employees year-on-year and was therefore in line with expectations (2019: 126,016*; -4.2% employees).

FINANCIAL POSITION OF THE BMW GROUP

The consolidated cash flow statements for the Group and the Automotive and Financial Services segments show the sources and applications of cash flows for the financial years 2020 and 2019, classified according to operating, investing and financing activities. Cash and

cash equivalents in the cash flow statements correspond to the amounts disclosed in the balance sheet.

Cash flows from operating activities are determined indirectly, starting with Group/segment profit before tax. By contrast, cash flows from investing and financing activities are based on actual payments and receipts.

BMW GROUP CASH FLOWS

in € million	2020	2019	Change
Cash inflow (+)/outflow (-) from operating activities	13,251	3,662	9,589
Cash inflow (+)/outflow (-) from investing activities	-3,636	-7,284	3,648
Cash inflow (+)/outflow (-) from financing activities	-8,254	4,790	-13,044
Effects of exchange rate and changes in composition of Group	140	-111	251
Change in cash and cash equivalents	1,501	1,057	444

* Since the reporting year 2020, a new definition for workforce size has been applied (see  Glossary). To enable better comparability, the value for 2019 was adjusted accordingly (2019 before adjustment: 133,778 employees).

Despite lower earnings, the increase in net cash inflows from operating activities can be explained primarily by the pandemic-related drop in new business recorded by the Financial Services segment. The swift measures taken at production level to adjust to the coronavirus situation also resulted in lower levels of inventories at dealerships and simultaneously to a reduction in receivables from sales financing, primarily in the form of lower credit financing for dealerships. Advance tax payments also dropped year-on-year due to the lower earnings. The reduction in inventories had a positive impact on the change in working capital, whereas the decrease in trade payables, caused mainly by earlier plant closures and stringent cost management, had an offsetting effect.

The year-on-year change in cash flows from investing activities was positively influenced by the level of net outflows disbursed in 2019 for investment assets, primarily for the acquisition of the YOUR NOW companies. In addition, the higher level of investments in property, plant and equipment and intangible assets in 2019 – particularly for the market launch of new vehicle models such as the BMW 1 Series, the BMW 3 Series and the X5 – resulted in a year-on-year decrease in cash outflows. Proceeds from the sale of marketable securities also had a positive impact on the net cash outflow from investing activities.

The net cash outflow from financing activities was mainly attributable to lower financing requirements in the Financial Services segment and the related reduction in bond issues, the reduced volume of asset-backed financing and the repayment of liabilities to banks.

REFINANCING

A broad range of instruments on international money and capital markets is used to refinance worldwide operations. The funds raised are used almost exclusively to refinance the BMW Group's Financial Services business. The overall objective of Group financing is to ensure the solvency of the BMW Group at all times, focusing on three areas:

- 1.** The ability to act through permanent access to strategically important capital markets
- 2.** Autonomy through the diversification of refinancing instruments and investors
- 3.** Focus on value through the optimisation of financing costs

Financing measures undertaken at corporate level ensure access to liquidity for the Group's operating subsidiaries at standard market conditions and consistent credit terms. Funds are acquired in line with a target liability structure, comprising a balanced mix of financing instruments. The use of longer-term instruments to refinance the Group's Financial Services business and the maintenance of a sufficiently high liquidity reserve serves to rule out any imminent liquidity risk for the portfolio. This conservative financial approach also has a favourable effect on the Group's rating. Further information is provided in the section "Liquidity risks" within the "Report on Outlook, Risks and Opportunities".

Focused capital market management, good ratings and the high level of acceptance enjoyed by the BMW Group on those markets enabled it to refinance itself on the world's debt capital markets at favourable conditions during the period under report, despite the temporary impact of the coronavirus pandemic on those markets. In addition to bonds, loan notes and private placements, the Group also issued commercial paper. As in previous years, the issues were all in high demand, not only from institutional investors, but also from private investors for selected transactions. In addition, retail customer and dealership financing receivables as well as rights and obligations from leasing contracts are securitised in the form of asset-backed securities (ABS) financing arrangements. Specific banking instruments, such as the customer deposits used by the Group's own banks in Germany and the USA, are also deployed for financing purposes. In addition, loans are also taken from international banks.

In 2020, the BMW Group issued one euro benchmark bond on the European capital market with a total issue volume of €2.3 billion as well as one bond on the US capital market with a total issue volume of 4.0 billion US dollars. In addition, one bond was issued for a total amount of 0.4 billion British pounds. Private placements totalling €3.6 billion were also issued, including so-called "Panda Bonds" for an amount of 6.0 billion Chinese renminbi. A total of nine public ABS transactions were executed in 2020, including three transactions in China, two in Germany and one each in Japan, the USA, Canada and the UK, with a total financing volume equivalent of €5.8 billion. In addition, further financing equivalent to €10.7 billion was realised or secured in the UK, Germany, the USA, Switzerland and Australia via new and prolonged ABS conduit transactions. Other transactions remain in place in Germany, China, the UK, the USA, Canada, Japan and South Africa, amongst others.

The following table provides an overview of amounts utilised at 31 December 2020 in connection with the BMW Group's money and capital market programmes:

Programme	Programme framework	Amount utilised*
in € billion		
Euro Medium Term Notes	50.0	35.3
Australian Medium Term Notes	1.6	–
Commercial Paper	13.0	0.6

* Measured at exchange rates at the relevant transaction dates.

Liquidity-related measures were put in place during the first half of the year to enable the Group to respond flexibly to ongoing uncertainties caused by the coronavirus pandemic and to manage operations at short notice in the event of possible renewed containment measures. Reflecting the improved situation on capital markets in the second half of the year, the BMW Group was able to reduce the amount of liquidity on hand to €17.8 billion at 31 December 2020, similar to the previous year's level.

The BMW Group also has access to a syndicated credit line, which was renegotiated in July 2017. The syndicated credit line of €8 billion has a term ending in July 2024 and is being made available by a consortium of 44 international banks.

The credit line was not being utilised at 31 December 2020. Further information with respect to financial liabilities is provided in [notes 31, 35 and 39](#) to the Group Financial Statements.

NET ASSETS OF THE BMW GROUP

Adjusted for currency effects, the BMW Group's balance sheet total was slightly lower than at 31 December 2019. Including currency effects from the US dollar and pound sterling, amongst others, the balance sheet total decreased moderately.¹

Property, plant and equipment (adjusted for currency effects) were slightly down on the previous year, mainly due to the lower amount of capital expenditure in 2020. In the previous year, investments at the BMW plants in Spartanburg, USA and San Luis Potosí, Mexico had the effect of increasing property, plant and equipment.

BMW GROUP CONDENSED BALANCE SHEET AT 31 DECEMBER

in € million	Group		Change in %	Currency-adjusted change ² in %	Proportion of balance sheet total in % 2020
	2020	2019			
ASSETS					
Intangible assets	12,342	11,729	5.2	5.6	5.7
Property, plant and equipment	21,850	23,245	-6.0	-3.5	10.1
Leased products	41,995	42,609	-1.4	2.6	19.4
Investments accounted for using the equity method	3,585	3,199	12.1	12.0	1.7
Other investments	735	703	4.6	11.8	0.3
Receivables from sales financing	84,277	92,437	-8.8	-4.7	38.9
Financial assets	7,752	7,325	5.8	7.2	3.6
Deferred and current tax	3,065	3,403	-9.9	-7.1	1.4
Other assets	10,326	12,939	-20.2	-17.9	4.8
Inventories	14,896	15,891	-6.3	-3.1	6.9
Trade receivables	2,298	2,518	-8.7	-6.7	1.1
Cash and cash equivalents	13,537	12,036	12.5	14.9	6.2
Total assets	216,658	228,034	-5.0	-1.6	100.0
EQUITY AND LIABILITIES					
Equity	61,520	59,907	2.7	7.1	28.4
Pension provisions	3,693	3,335	10.7	11.7	1.7
Other provisions	13,982	13,209	5.9	8.9	6.5
Deferred and current tax	1,256	1,595	-21.3	-18.9	0.6
Financial liabilities	106,376	116,740	-8.9	-5.9	49.1
Trade payables	8,644	10,182	-15.1	-13.3	4.0
Other liabilities	21,187	23,066	-8.1	-4.2	9.8
Total equity and liabilities	216,658	228,034	-5.0	-1.6	100.0

¹ Further information is provided in note 5 to the Group Financial Statements.

² The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year figures.

Leased products (adjusted for currency effects) were slightly up on the previous year due to portfolio growth, mainly in Germany, Italy and Switzerland.

Receivables from sales financing (adjusted for currency effects) went down slightly compared to 31 December 2019, primarily due to the decrease in dealership financing, mainly in the USA, Germany, the UK and France. A total of 1,238,286 new credit financing contracts were concluded with retail customers during the financial year 2020. The number of contracts in place with dealerships and retail customers decreased by 0.6% to 4,040,231 contracts.

Group equity rose slightly by €1,613 million to €61,520 million, driven primarily by the profit of €3,775 million attributable to shareholders of BMW AG. The dividend payment for the financial year 2019 amounted to €1,646 million, reducing equity accordingly.

Other provisions increased year-on-year due to additions to risk provisions in connection with the exhaust gas recirculation cooler and various recalls, such as for contaminated battery cells in plug-in hybrids.

Financial liabilities decreased moderately over the twelve-month period, with repayments of maturing bonds exceeding new issues.

Despite the volatility caused by the outbreak of the coronavirus pandemic, the results of operations, financial position and net assets of the BMW Group remained stable throughout the financial year, thanks to a raft of measures that were immediately implemented, including focused working capital management, strict investment and fixed cost management and targeted liquidity management.

BMW GROUP EQUITY RATIO*

in %	31.12.2020	31.12.2019	Change in %-pts.
Group	28.4	26.3	2.1
Automotive segment	37.0	35.5	1.5
Financial Services segment	10.5	9.9	0.6

* Equity capital as a percentage of the balance sheet total, respectively.

VALUE ADDED STATEMENT

The value added statement shows the value of work performed by the BMW Group during the financial year, less the value of work bought in. Depreciation and amortisation, cost of materials, and other expenses are treated as bought-in costs in the value added calculation. The allocation statement applies value added to each of the participants involved in the value added process. The bulk of the net value added benefits the employees. The remaining proportion in the Group is retained to finance future operations. The gross value added amount treats depreciation and amortisation as a component of value added which, in the allocation statement, would be treated as internal financing.

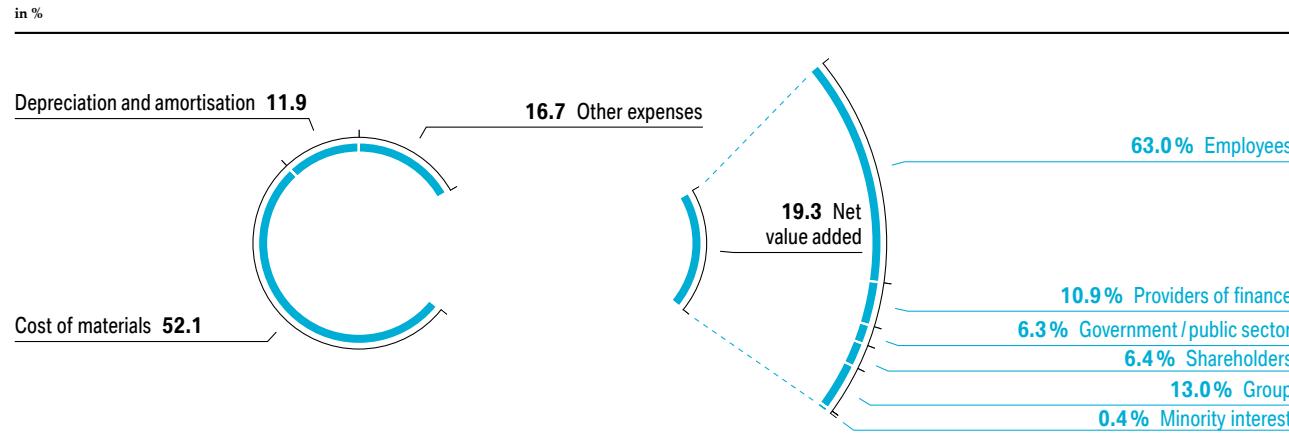
Net value added by the BMW Group remained at a high level in the financial year 2020.

BMW GROUP VALUE ADDED STATEMENT

	2020 in € million	2020 in %	2019 in € million	2019 in %	Change in %
WORK PERFORMED					
Revenues	98,990	98.4	104,210	99.0	-5.0
Financial income	650	0.6	-22	-	-
Other income	916	0.9	1,031	1.0	-11.2
Total output	100,556	100.0	105,219	100.0	-4.4
Cost of materials*	52,355	52.1	57,358	54.5	-8.7
Other expenses	16,766	16.7	14,923	14.2	12.4
Bought-in costs	69,121	68.8	72,281	68.7	-4.4
Gross value added	31,435	31.3	32,938	31.3	-4.6
Depreciation and amortisation of total tangible, intangible and investment assets	11,976	11.9	10,749	10.2	11.4
Net value added	19,459	19.3	22,189	21.1	-12.3
ALLOCATION					
Employees	12,244	63.0	12,451	56.1	-1.7
Providers of finance	2,129	10.9	2,466	11.1	-13.7
Government/public sector	1,229	6.3	2,250	10.1	-45.4
Shareholders	1,253	6.4	1,646	7.4	-23.9
Group	2,522	13.0	3,269	14.7	-22.9
Minority interest	82	0.4	107	0.5	-23.4
Net value added	19,459	100.0	22,189	100.0	-12.3

* Cost of materials comprises all primary material costs incurred for vehicle production plus ancillary material costs (such as customs duties, insurance premiums and freight).

BMW GROUP VALUE ADDED 2020



RESULTS OF OPERATIONS BY SEGMENT

BMW GROUP REVENUES BY SEGMENT

in € million	2020	2019	Change in %	Currency adjusted change* in %
Automotive	80,853	91,682	-11.8	-10.5 %
Motorcycles	2,284	2,368	-3.5	-1.1 %
Financial Services	30,044	29,598	1.5	2.9 %
Other Entities	3	5	-40.0	0.0 %
Eliminations	-14,194	-19,443	27.0	-26.5 %
Group	98,990	104,210	-5.0	-3.5 %

* The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year figures.

BMW GROUP PROFIT / LOSS BEFORE TAX BY SEGMENT

in € million	2020	2019	Change in %
Automotive	2,722	4,467	-39.1
Motorcycles	100	187	-46.5
Financial Services	1,725	2,272	-24.1
Other Entities	-235	-96	-
Eliminations	910	288	-
Group	5,222	7,118	-26.6

BMW GROUP MARGINS BY SEGMENT

in %	2020	2019	Change in %-pts.
Automotive			
Gross profit margin ¹	11.6	14.9	-3.3
EBIT margin ²	2.7	4.9	-2.2
Motorcycles			
Gross profit margin ¹	15.0	19.3	-4.3
EBIT margin ²	4.5	8.2	-3.7

¹ Gross profit as a percentage of segment revenues.

² Profit/loss before financial result as a percentage of segment revenues.

REVIEW OF OPERATIONS

AUTOMOTIVE SEGMENT

BMW GROUP ASSERTS ITS POSITION AS LEADING PREMIUM MANUFACTURER

The worldwide restrictions placed on public and private life due to the coronavirus pandemic also affected the BMW Group and its dealership organisation. Against this backdrop, deliveries¹ were extremely volatile in 2020. After a promising start to the year, sales figures slumped in the spring, before recovering from the third quarter onwards. During the final months of the year, the BMW Group returned to its successful course.

In 2020, the BMW Group delivered a total of 2,325,179² BMW, MINI and Rolls-Royce brand automobiles to customers (2019: 2,537,504^{2,3} units; -8.4 %), once again leading the premium segment worldwide.

Due to the impact of the coronavirus crisis in the first half of 2020, deliveries were originally expected to drop significantly over the year as a whole. In the end, however, the decrease was relatively moderate at 8.4 %, largely on the back of a distinct recovery, particularly in the final quarter.

A strong second six-month period also contributed significantly to the brands making up for a major part of the coronavirus-related decline in the first half of the year. Over the full year, the BMW brand delivered 2,028,841² units to customers worldwide, 7.1 % below the record figure set one year earlier (2019: 2,184,939^{2,3} units). MINI was also down year-on-year at 292,582 units (2019: 347,465³ units; -15.8 %). Following the previous year's record high, Rolls-Royce Motor Cars delivered a total of 3,756 of its ultra-luxury brand vehicles to customers in 2020 (2019: 5,100³ units; -26.4 %).

PROPORTION OF ELECTRIFIED VEHICLES UP SIGNIFICANTLY

The growing number of electrified models offered by BMW and MINI brands was again reflected in the sharply rising delivery figures recorded in 2020. Over the twelve-month period, the BMW Group sold a total of 192,662 electrified BMWs and MINIs worldwide, around one-third (31.8 %) up on the previous year (2019: 146,158³ units). Accordingly, electric mobility has become a significant growth driver for business. In the meantime, the BMW Group has expanded its portfolio of electrified vehicles to 14 models, which are available in a total of 95 countries worldwide. Based on its existing plans, the BMW Group will have 25 electrified models on the road by 2023.

The launch of the fully electric MINI⁴ and the presentation of the BMW iX3⁴ during 2020 will be followed in 2021 by the first deliveries of the two fully electric models, the BMW iX⁴ and the BMW i4.

DELIVERIES OF ELECTRIFIED MODELS³

in units	2020	2019	Change in %
BMW Group PHEV	148,121	106,639	38.9
BMW Group BEV	44,541	39,519	12.7
Total	192,662	146,158	31.8

¹ See ↗ Glossary for the definition of deliveries.

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 602,247 units, 2019: 538,612 units).

³ Retail vehicle delivery data presented for 2020 is not directly comparable to such data presented for previous years. For further information on retail vehicle delivery data, please see ↗ Comparison of Forecast with Actual Outcomes.

⁴ See ↗ Fuel Consumption and CO₂ Emissions Information.

FLEET CO₂ TARGETS MORE THAN ACHIEVED¹ – EMISSIONS WITHIN THE LEGAL LIMIT

Measures taken by the BMW Group to reduce fleet-wide carbon emissions are having a marked effect. The increased share of electrified vehicles delivered and the rigorous use of Efficient Dynamics technologies have enabled the BMW Group to achieve the stipulated fleet CO₂ limit for 2020, based on regulatory requirements. Fleet carbon emissions of vehicles delivered in Europe at the end of the reporting period were 99 g CO₂/km (2019: 127 g CO₂/km; -22.0 %).

Figures for the UK deteriorated significantly, with deliveries falling to 163,174 units (2019: 233,771³ units; -30.2 %), not least due to uncertainty over reaching a trade deal with the EU and the course of the pandemic.

Sales of the BMW Group's three brands on the American continent totalled 379,714 units (2019: 472,879³ units; -19.7 %).

A total of 307,876 units were delivered to customers in the USA (2019: 375,726³ units; -18.1 %). Despite a challenging environment due to the coronavirus pandemic, the final quarter here finished strongly on the back of rising demand.

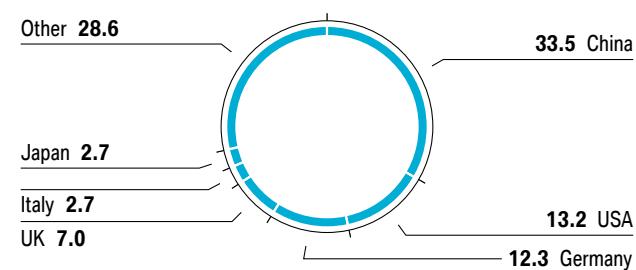
DELIVERIES UP IN ASIA AND DOWN IN EUROPE AND AMERICA

BMW Group sales in Asia grew solidly in 2020, with deliveries to customers rising by 6.0 % to a total of 986,464² BMW, MINI and Rolls-Royce brand vehicles (2019: 930,767^{2,3} units). In China in particular, the BMW Group surpassed the previous year's figure by 7.4 %, with 778,412² units delivered to customers (2019: 724,711^{2,3} units).

By contrast, sales performance in Europe was affected more severely by the coronavirus crisis. In an unprecedented year marked by restrictions strongly affecting retail business, the BMW Group delivered a total of 913,642 units across the region (2019: 1,081,649³; -15.5 %). The number of vehicles delivered in Germany fell by 13.8 % to 285,019 units (2019: 330,507³ units).

BMW GROUP – KEY AUTOMOBILE MARKETS 2020

as a percentage of sales volume



BMW GROUP DELIVERIES OF VEHICLES BY REGION AND MARKET³

in 1,000 units	2020	2019	2018	2017	2016
Europe	913.6	1,081.6	1,097.4	1,101.9	1,089.8
thereof Germany	285.0	330.5	310.6	296.5	298.5
thereof UK	163.2	233.8	236.8	242.4	252.4
Americas	379.7	472.9	457.1	456.1	453.7
thereof USA	307.9	375.7	355.4	358.8	359.5
Asia ²	986.5	930.8	871.8	847.7	738.2
thereof China ²	778.4	724.7	635.8	595.0	508.8
Other markets	45.4	52.2	59.9	59.3	68.3
Total²	2,325.2	2,537.5	2,486.1	2,465.0	2,350.0

¹ EU including Norway and Iceland.

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 602,247 units, 2019: 538,612 units, 2018: 455,581 units, 2017: 385,705 units, 2016: 311,473 units).

³ Retail vehicle delivery data presented for 2020 is not directly comparable to such data presented for previous years. For further information on retail vehicle delivery data, please see ^{1,2} Comparison of Forecast with Actual Outcomes.

BMW BRAND^{1,2} BENEFITS FROM STRONG LUXURY SEGMENT

The BMW brand finished the year with a total of 2,028,841 units delivered to customers worldwide (2019: 2,184,939^{2,3} units; -7.1 %), whereby the BMW 8 Series and the BMW X7 contributed in particular to the improved model mix. In addition, the 8 Series, the X6 and the X7 proved highly popular, each posting double-digit percentage increases. The highly successful BMW 3 Series model also recorded solid growth during the twelve-month period. Deliveries of the BMW 4 Series declined due to model life cycle factors.

NEW BMW BRAND PRODUCTS¹

The BMW brand introduced a variety of innovative new products over the course of 2020, starting with the BMW X3 plug-in hybrid variant in January, followed by the BMW X1 plug-in hybrid and the BMW 2 Series Gran Coupé in March. The second half of the year saw the launch of model revisions of the BMW 5 Series and the BMW 6 Series Gran Turismo as well as the plug-in hybrid variants of the BMW 3 Series Touring and the BMW X2. The new BMW 4 Series Coupé was launched in October. The fully electric BMW iX3 celebrated its market début in China in November, with other markets to follow in early 2021. Additional hybrid variants of the BMW 5 Series were also added to the product range.

¹ See L² Fuel Consumption and CO₂ Emissions Information.

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 602,247 units, 2019: 538,612 units).

³ Retail vehicle delivery data presented for 2020 is not directly comparable to such data presented for previous years. For further information on retail vehicle delivery data, please see L² Comparison of Forecast with Actual Outcomes.

MOST SUCCESSFUL YEAR TO DATE FOR BMW M¹

BMW M GmbH finished the most successful year in its history with a 5.9 % rise in deliveries to 144,231 units (2019: 136,165³ units; +5.9 %), boosted by good contributions from the new high-performance BMW X5 M and X6

M models. In addition to these two models, BMW M also presented the new BMW M8 Gran Coupé and the M2 CS during the year under report. The new BMW M3 and the BMW M4 Coupé, which both celebrated their world premières in 2020, will be launched as further important models in 2021.

DELIVERIES OF BMW VEHICLES BY MODEL VARIANT^{1,2,3}

in units	2020	2019	Change in %	Proportion of BMW sales volume 2020 in %
BMW 1 Series	164,056	173,870	-5.6	8.1
BMW 2 Series	104,859	115,095	-8.9	5.2
BMW 3 Series	381,416	358,643	6.3	18.8
BMW 4 Series	38,879	74,236	-47.6	1.9
BMW 5 Series	302,564	353,249	-14.3	14.9
BMW 6 Series	19,893	25,170	-21.0	1.0
BMW 7 Series	46,025	50,552	-9.0	2.3
BMW 8 Series	20,703	12,219	69.4	1.0
BMW Z4	14,982	15,819	-5.3	0.7
BMW X1	230,041	266,124	-13.6	11.3
BMW X2	74,229	91,765	-19.1	3.7
BMW X3	292,328	316,883	-7.7	14.4
BMW X4	55,237	61,569	-10.3	2.7
BMW X5	168,674	165,498	1.9	8.3
BMW X6	38,100	22,116	72.3	1.9
BMW X7	48,693	39,882	22.1	2.4
BMW i (i3 and i8)	28,162	42,249	-33.3	1.4
BMW total	2,028,841	2,184,939	-7.1	100

MINI FIGURES DOWN ON PREVIOUS YEAR¹

In a highly challenging environment, MINI deliveries worldwide fell to 292,582 units (2019: 347,465² units), a drop of 15.8 %.

At the same time, the importance of electric mobility for the MINI brand is steadily growing. In addition to the MINI Countryman plug-in hybrid variant, the fully electric MINI Cooper SE has been available since March 2020. The latter generated a great deal of market interest, with 17,580 units delivered to customers by the end of the reporting year. The revised model of the MINI Countryman became available in September. Deliveries of John Cooper Works high-performance models went up by 21.2 % to 20,628 units (2019: 17,025 units²). The MINI John Cooper Works GP made its market début in March.

ROLLS-ROYCE: FIGURES DOWN IN CHALLENGING ENVIRONMENT AFTER PREVIOUS YEAR'S RECORD PERFORMANCE¹

Due to the global impact of the coronavirus pandemic, Rolls-Royce deliveries fell to 3,756 units (2019: 5,100² units; -26.4 %). Nevertheless, the leading marque in the ultra-luxury segment continued to expand its model range, including the launch of the new Rolls-Royce Ghost in September 2020.

Rolls-Royce Motor Cars' Bespoke programme allows customers to select their own personalised configurations with maximum flexibility. The marque also offers the Dawn, Ghost, Wraith and Cullinan models in Black Badge variants. Black Badge vehicles can be customised to include special features as well as higher engine performance.

DELIVERIES OF ROLLS-ROYCE VEHICLES BY MODEL VARIANT^{1,2}

in units	2020	2019	Change in %
Phantom	360	604	-40.4
Ghost	324	662	-51.1
Wraith / Dawn	873	1,326	-34.2
Cullinan	2,199	2,508	-12.3
Rolls-Royce total	3,756	5,100	-26.4

DELIVERIES OF MINI VEHICLES BY MODEL VARIANT²

in units	2020	2019	Change in %	Proportion of MINI sales volume 2020 in %
MINI Hatch (3- and 5-door)	157,040	177,553	-11.6	53.7
MINI Convertible	24,875	30,383	-18.1	8.5
MINI Clubman	32,958	40,683	-19.0	11.3
MINI Countryman	77,709	98,846	-21.4	26.5
MINI total	292,582	347,465	-15.8	100.0

¹ See Fuel Consumption and CO₂ Emissions Information.

² Retail vehicle delivery data presented for 2020 is not directly comparable to such data presented for previous years. For further information on retail vehicle delivery data, please see Comparison of Forecast with Actual Outcomes.

AUTOMOTIVE SEGMENT PERFORMANCE

Automotive segment revenues amounted to €80,853 million (2019: €91,682 million; -11.8%, currency-adjusted: -10.5%) and were therefore significantly lower than one year earlier. Lower sales volumes due to the coronavirus pandemic and negative currency effects were partially offset by overall favourable product mix effects brought about by the less pronounced drop in the sale of high-revenue models. Improved selling prices also helped to cushion the impact of the drop in revenues.

Segment cost of sales decreased moderately to €71,456 million compared to the previous year (2019: €78,062 million; -8.5%). The volume-related decline in cost of sales was offset by expenses for various provisions, including those recognised in connection with the exhaust gas recirculation cooler and recalls (such as contaminated battery cells in plug-in hybrid vehicles).

In addition, lower capitalised overhead costs due to the reduction of inventories accounted for at Group level as well as higher expenses for depreciation and amortisation had the effect of increasing segment cost of sales year-on-year.

Expenses recognised for workforce measures were largely offset by lower expenses for performance-related remuneration components.

The net amount of other operating income and expenses improved by €1,361 million, largely due to the provision recognised in relation with the EU Commission's ongoing antitrust proceedings in the previous financial year.*

The segment EBIT margin (profit before financial result as a percentage of revenues) came in at 2.7% (2019: 4.9%; -2.2 percentage points). As forecast in the quarterly statement to 30 September 2020, the EBIT margin was within the target range of between 0 and 3% and therefore in line with the revised outlook. In the 2019 Annual Report, a segment EBIT margin within a target range of between 2 and 4% was forecast.

At €560 million, the Automotive segment's financial result was significantly up on the previous year (2019: negative €32 million), mainly reflecting the improved result from at-equity accounted investments described in the section on Group earnings above.

Profit before tax for the year amounted to €2,722 million and was therefore significantly lower than one year earlier (2019: €4,467 million; -39.1%).

The Automotive segment's RoCE for 2020 was significantly lower at 12.7% (2019: 29.0%; -16.3 percentage points). The decline was mainly attributable to the lower EBIT. The higher volume of capital expenditure in previous years – including amounts invested to expand the product portfolio – also contributed to this development.

As forecast for the financial year 2020, RoCE declined significantly and was well below the long-term strategic target valid through 2020 of at least 26% for the automotive segment.

* Further information is provided in note 10 to the Group Financial Statements.

Free cash flow for the Automotive segment was as follows:

FREE CASH FLOW AUTOMOTIVE SEGMENT

in € million	2020	2019	Change
Cash inflow (+) / outflow (-) from operating activities	8,178	9,690	-1,512
Cash inflow (+) / outflow (-) from investing activities	-3,933	-7,165	3,232
Adjustment for net investment in marketable securities and investment funds	-850	42	-892
Free cash flow Automotive segment	3,395	2,567	828

The main factor influencing the decrease in the net cash inflow from operating activities was the pandemic-related year-on-year deterioration in operational pre-tax earnings. The change in working capital was positively impacted by the reduction in inventories, while the lower level of trade payables – mainly due to an earlier closure of plants – had an offsetting effect compared to the prior year. The decrease in the net cash outflow from investing activities was mainly attributable to the changes described in the Group Cash Flow Statement.

In the Automotive segment, net financial assets comprised the following:

NET FINANCIAL ASSETS AUTOMOTIVE SEGMENT

in € million	31.12.2020	31.12.2019	Change
Cash and cash equivalents	9,522	9,077	445
Marketable securities and investment funds	3,759	4,470	-711
Intragroup net financing	7,996	7,784	212
Financial assets	21,277	21,331	-54
Less: external financial liabilities*	-2,815	-3,754	939
Net financial assets Automotive segment	18,462	17,577	885

* Excluding derivative financial instruments.

MOTORCYCLES SEGMENT

MOTORCYCLE DELIVERIES DOWN DURING PANDEMIC YEAR

Motorcycles segment deliveries dropped slightly to 169,272 units (2019: 175,162 units; -3.4%) due to the global pandemic. Favourable market developments in the fourth quarter, however, caused the total number of motorcycles delivered over the twelve-month period to exceed the revised outlook announced in the quarterly statement to 30 September 2020.

DELIVERIES BY MARKET

The spread of the coronavirus caused international motorcycle markets to develop unevenly in 2020. Overall, however, the number of motorcycles delivered by BMW Motorrad worldwide fell only slightly by 2.8% to 102,026 units (2019: 104,994 units). Germany, however, managed to buck the general trend with deliveries up by 4.7% to 27,516 units (2019: 26,292 units). Motorcycle deliveries in France also edged up, rising by 1.4% to 17,539 units (2019: 17,300 units). By contrast, figures for Italy (13,918 units; 2019: 15,580 units; -10.7%) and Spain (11,030 units; 2019: 12,607 units; -12.5%) – both of which were particularly hard hit by the pandemic – dropped sharply year-on-year.

Sales in China grew strongly, with motorcycle deliveries climbing by 33.7% to 11,788 units (2019: 8,818 units). Brazil saw a solid increase of 6.4% to 10,707 units (2019: 10,064 units), also bucking the market trend. By contrast, deliveries in the USA fell moderately to 12,135 units (2019: 13,379 units; -9.3%).

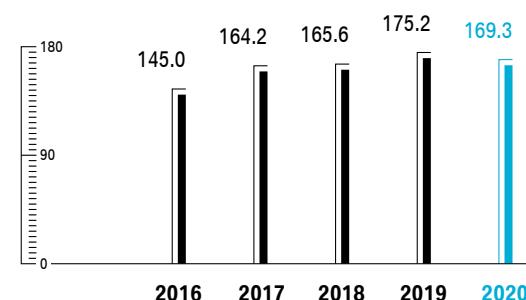
MARKET LAUNCHES IN 2020: MODEL RANGE REJUVENATED

Four new models and several model revisions were launched in 2020.

In February, BMW Motorrad completed its mid-range offering with the market launches of the F 900 R (Roadster segment) and the F 900 XR (Adventure segment). The Adventure Sport model S 1000 XR followed in March. In the Heritage segment, the R18 – a cruiser with the largest boxer engine ever built by BMW Motorrad – has been available since September. The model revisions of the highly successful Enduro models R 1250 GS and R1250 GSA as well as that of the R nine T family followed in October. In addition, various special editions were introduced to mark the 40th anniversary of the GS series.

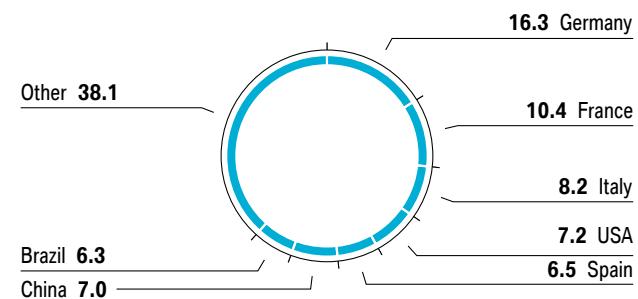
BMW GROUP DELIVERIES OF MOTORCYCLES

in 1,000 units



BMW GROUP – KEY MOTORCYCLE MARKETS 2020

as a percentage of sales volume



BMW MOTORRAD OFFERS A GLIMPSE INTO THE FUTURE

In light of the pandemic-related restrictions, BMW Motorrad increasingly turned to virtual formats to showcase its new models over the course of 2020.

In November 2020, products such as the Definition CE04 – an electrically powered scooter featuring innovative connectivity solutions for urban mobility – were presented online using a virtual format on the BMW Group's innovation platform #NEXTGen.

Numerous series models scheduled for launch in 2021 were also presented online, including the M 1000 RR – BMW Motorrad's first-ever M model – in September. This was followed in October by the launch of the R18 Classic and in November by the launch of the S 1000 R. With the R18 Classic, BMW Motorrad is expanding its product range in the cruiser segment with the addition of a model that is also ideally suited for touring.

Revised models of the G 310 GS, the G 310 R and the R 1250 RT were also presented in October and November.

MOTORCYCLES SEGMENT PERFORMANCE

Motorcycles segment revenues were slightly down year-on-year. The main reasons for this development were the pandemic-related drop in sales and unfavourable currency effects, which were partially offset by positive product mix effects.

The segment EBIT margin (profit before financial result as a percentage of revenues) came in at 4.5% (2019: 8.2%; -3.7 percentage points) and thus within the most recently forecast target range of between 3 and 5%.

Profit before tax for the year was significantly lower than one year earlier.

The RoCE for the Motorcycles segment in 2020 was 15.0%, significantly down on the previous year's level (2019: 29.4%; -14.4 percentage points), mainly due to the lower level of EBIT.

The performance was in line with the outlook communicated in the quarterly statement to 30 September 2020, but well short of the Motorcycles segment's RoCE target valid through 2020 of 26%.

FINANCIAL SERVICES SEGMENT

FINANCIAL SERVICES BUSINESS HELD DOWN BY CORONAVIRUS PANDEMIC

In a difficult environment dominated by the global impact of the coronavirus pandemic, business developed significantly less favourably for the Financial Services segment in 2020 compared to one year earlier, a fact reflected in a 24.1% drop in profit before tax to €1,725 million (2019: €2,272 million). As reported in previous quarters, this development was primarily due to the recognition of risk provisioning expenses for credit and residual value risks, thereby reducing reported earnings over the course of the twelve-month period. Due to the impact of the coronavirus pandemic, the segment's total business volume in balance sheet terms decreased moderately by 6.8% to €133,093 million (2019: €142,834 million). The contract portfolio under management at 31 December 2020 comprised 5,981,928 contracts and was therefore at a similar level to one year earlier (2019: 5,973,682 contracts; +0.1%).

NEW BUSINESS WITH RETAIL CUSTOMERS MODERATELY DOWN ON PREVIOUS YEAR

A total of 1,845,271 new credit financing and leasing contracts was signed with retail customers during 2020, a moderate decrease of 7.9% on the previous year (2019: 2,003,782 contracts).

New credit financing contracts also dropped moderately by 6.2%, while new leasing contracts saw a more pronounced decrease of 11.1%. Overall, leasing accounted for 32.9% and credit financing for 67.1% of new business.

By contrast, customer demand for pre-owned vehicles picked up in a number of key sales markets including the USA. Overall, a total of 405,713 credit financing and leasing contracts relating to pre-owned BMW and MINI brand vehicles were signed in 2020, a year-on-year improvement of 1.9% (2019: 398,144 contracts).

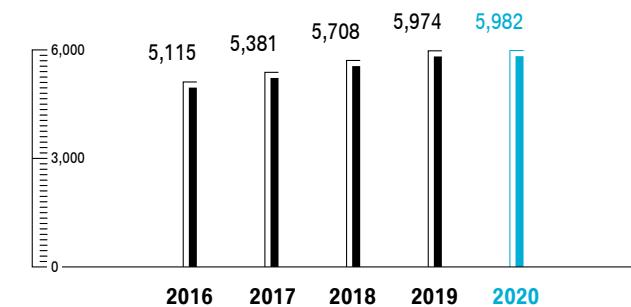
The total volume of new credit financing and leasing contracts concluded with retail customers during the twelve-month period amounted to €57,200 million, moderately lower than one year earlier (2019: €61,353 million; -6.8%).

The share of new BMW Group vehicles leased or financed by the Financial Services segment stood at 49.8%¹ in 2020, 2.4 percentage points down on the previous year (2019: 52.2%), mainly attributable to increased competition in China.

The total portfolio of credit financing and leasing contracts in place with retail customers edged up year-on-year, rising by 1.9% to stand at 5,591,799 contracts at the end of the reporting period (2019: 5,486,319 contracts). China remained the region with the highest growth rate, this time coming in with a moderate year-on-year rise of 8.7%. Figures for the Europe/Middle East/Africa region (+2.6%) and the EU Bank² region (+2.2%) were also up on the previous year. By contrast, the contract portfolios in the Americas and Asia/Pacific regions fell slightly by 1.1% and 1.9% respectively.

CONTRACT PORTFOLIO OF FINANCIAL SERVICES SEGMENT

in 1,000 units

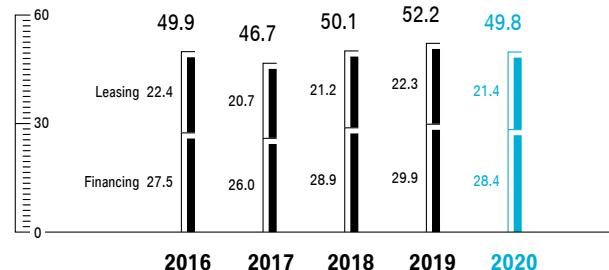


¹ The calculation only includes automobile markets in which the Financial Services segment is represented by a consolidated entity.

² EU Bank comprises BMW Bank GmbH with its branches in Italy, Spain and Portugal.

BMW GROUP NEW VEHICLES FINANCED OR LEASED BY FINANCIAL SERVICES SEGMENT¹

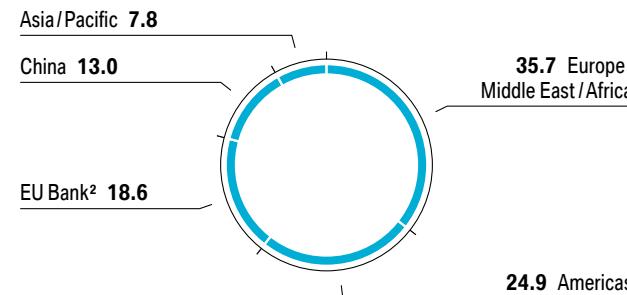
in %



¹ Values adjusted retrospectively due to the restatement of delivery figures. See [Glossary](#) for the definition of deliveries.

CONTRACT PORTFOLIO RETAIL CUSTOMER FINANCING OF FINANCIAL SERVICES SEGMENT 2020

in % per region



² With effect from the beginning of the fourth quarter of 2019, the EU Bank comprises BMW Bank GmbH and its branches in Italy, Spain and Portugal. The former subsidiary in France was transferred for organisational purposes to the Europe/Middle East/Africa region in conjunction with strategic realignments.

FLEET BUSINESS DOWN SLIGHTLY ON PREVIOUS YEAR

Under the brand name Alphabet, the Financial Services segment's fleet management business offers leasing and financing arrangements as well as specific services to commercial customers.

At 31 December 2020, the segment was managing a portfolio of 704,977 fleet contracts (2019: 717,353 contracts), down slightly by 1.7% over the twelve-month period.

DEALERSHIP FINANCING SIGNIFICANTLY LOWER

The total volume of dealership financing was significantly lower compared to one year earlier, falling by 23.5% to €16,241 million at the end of the reporting period (2019: €21,227 million).

FINANCIAL SERVICES SEGMENT PERFORMANCE

Revenues generated by the Financial Services segment rose slightly to €30,044 million (2019: €29,598 million; 1.5%; currency-adjusted: +2.9%) due to portfolio growth mainly in Germany, Italy and Switzerland as well as due to higher revenues from the sale of returned lease vehicles.

Cost of sales relating to Financial Services business went up by €1,020 million (2019: €25,938 million; +3.9%). Apart from depreciation on leased vehicles and costs associated with the sale of returned lease vehicles, the increase was driven primarily by additional risk provisions related to expected residual value and credit losses.

Segment profit before tax amounted to €1,725 million (2019: €2,272 million; -24.1%), significantly down on the previous year.

Return on equity (RoE) finished at 11.2%, slightly below the level achieved one year earlier (2019: 15.0%; -3.8 percentage points). The decline was primarily attributable to the pandemic-related increase in risk provisions for residual value risks and, to an even greater extent, for credit risks, in both cases causing earnings to deteriorate.

The improved risk profile in the fourth quarter, mainly due to better remarketing outcomes and lower risk provisions for credit losses, contributed greatly to the RoE for the full year 2020 being above the forecast value ("moderate decline") communicated in the quarterly statement to 30 September 2020.

Net cash inflows and outflows for the Financial Services segment were as follows:

As described above, the net cash inflow from operating activities recorded by the Financial Services segment for the financial year 2020 resulted primarily from the fact that lower vehicle inventories at dealerships had the effect of reducing receivables from sales financing, mainly in the area of dealership financing. The net cash outflow from financing activities mainly reflected the repayment of loans and the decrease in asset-backed securities financing.

NET CASH FLOWS FOR THE FINANCIAL SERVICES SEGMENT

in € million	2020	2019	Change
Cash inflow (+) / outflow (-) from operating activities	2,762	-5,345	8,107
Cash inflow (+) / outflow (-) from investing activities	424	129	295
Cash inflow (+) / outflow (-) from financing activities	-2,508	5,300	-7,808
Net	678	84	594

CHANGE IN RISK PROFILE

In 2020, the risk profile across the Financial Services segment's total portfolio was shaped primarily by the volatility arising due to the coronavirus pandemic and the resulting additional risk provisioning measures recognised in connection with expected credit and residual value risks, mainly provisions and allowances to cover future credit and/or residual value losses.

The initial and continuous testing of customer creditworthiness is an important aspect of the BMW Group's credit risk management. As explained in previous quarters, for accounting purposes the Financial Services segment has raised credit loss allowances over the course of 2020 in order to reflect the potential longer-term economic impact of the coronavirus pandemic on retail and dealership business. The amounts recognised were based on reasonable and appropriate market-specific information and estimates available at the end of the reporting period.

The credit loss ratio on the total credit portfolio amounted to 0.21 % at 31 December 2020, and was therefore slightly lower than one year earlier (2019: 0.26 %). More specifically, the loss ratio stood at 0.16 % (2019: 0.15 %) for leasing business and 0.31 % (2019: 0.41 %) for credit financing business with retail customers. The overall improvement in the loss ratio was also attributable to government measures (such as payment moratoriums or restrictions in the receivables management process) implemented in many countries around the world.

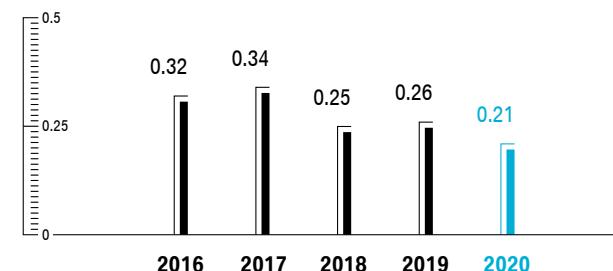
In the premium segment for pre-owned vehicles, remarketing selling prices for vehicles coming out of leases developed positively overall in 2020. Whereas restrictions on sales and the lower supply of new vehicles had a negative impact on demand for new and pre-owned vehicles during the first lockdown, the market saw an upward trend during the second half of the year. Despite this moderate recovery, economic development remains exposed to an increased level of uncertainty due to the pandemic. This point is particularly relevant for the development of prices for pre-owned premium segment vehicles in the short and medium term. Under the prevailing circumstances, the BMW Group sees prices as likely to fluctuate significantly in subsequent quarters, as in 2020, due to a number of factors, including possible changes in demand patterns or the renewal of temporary restrictions that could have an impact on the remarketing process. Accordingly, in 2020 market-specific risk provisioning expenses were recognised relating to the vehicle portfolio subject to residual value risks.

In line with customary business practice, the Financial Services segment makes provision to take account of significant business risks on an ongoing and comprehensive basis. Based on current assessments, however, the segment has recognised appropriate levels of provisions/allowances to cover residual value and credit risks.

Further information on the segment's risk profile is provided in the section on risks and opportunities and in [note 38](#) to the Group Financial Statements.

DEVELOPMENT OF CREDIT LOSS RATIO

in %



OTHER ENTITIES SEGMENT/ELIMINATIONS

The combined profit before tax in the Other Entities segment and eliminations saw a significant improvement of €483 million. This was attributable to reversal effects from the leased products portfolios, lower eliminations due to the decline in new leasing business and the lower expected new leasing business resulting from the reduced levels of inventories at dealerships.

COMMENTS ON FINANCIAL STATEMENTS OF BMW AG

Bayerische Motoren Werke Aktiengesellschaft (BMW AG), based in Munich, Germany, is the parent company of the BMW Group. The comments on the BMW Group and Automotive segment provided in earlier sections apply to BMW AG, unless presented differently in the following section. The Financial Statements of BMW AG are drawn up in accordance with the provisions of the German Commercial Code (HGB) and the relevant supplementary provisions contained in the German Stock Corporation Act (AktG).

The key financial performance indicator for BMW AG is the dividend payout ratio (unappropriated profit of BMW AG in accordance with HGB in relation to net profit for the year of the BMW Group in accordance with IFRS). The key non-financial performance indicators are essentially identical and concurrent with those of the BMW Group. These are described in detail in the Report on Economic Position section of the Combined Management Report.

Differences in accounting treatments based on HGB (used for the Company Financial Statements) and IFRS (used for the Group Financial Statements) are mainly to be found in connection with the capitalisation of intangible assets, the creation of valuation units, the recognition and measurement of financial instruments and provisions as well as the recognition of deferred tax assets. Differences also arise in the presentation of assets and liabilities and of items in the income statement.

BUSINESS ENVIRONMENT AND REVIEW OF OPERATIONS

The general and sector-specific environment of BMW AG is essentially the same as that of the BMW Group and is described in the Report on Economic Position section of the Combined Management Report.

BMW AG develops, manufactures and sells automobiles and motorcycles as well as spare parts and accessories manufactured in-house, by foreign subsidiaries and by external suppliers, and performs services related to these products. Sales activities are carried out primarily through branches, subsidiaries, independent dealerships and importers. Mainly due to the impact of the coronavirus pandemic, automobile deliveries fell by 305,852 units to 2,249,943 units in the financial year 2020. This figure includes 598,853 units relating to series sets supplied to the joint venture BMW Brilliance Automotive Ltd., Shenyang, an increase of 64,215 units over the previous year.

At 31 December 2020, BMW AG employed a workforce of 84,668 people (31 December 2019: 86,700 people, adjusted). With effect from the financial year 2020, the key performance indicator for the size of the workforce comprises only core and temporary employees. The change in presentation is in line with the change in the internal management system, which now focuses on these employee groups.

RESULTS OF OPERATIONS

BMW AG INCOME STATEMENT

in € million	2020	2019
Revenues	75,040	84,691
Cost of sales	−63,726	−70,178
Gross profit	11,314	14,513
Selling expenses	−4,030	−3,979
Administrative expenses	−2,747	−2,776
Research and development expenses	−5,394	−5,528
Other operating income	1,237	1,295
Other operating expenses	−1,250	−2,526
Result on investments	3,084	1,858
Financial result	−280	39
Income taxes	−214	−767
Profit after income tax	1,720	2,129
Other taxes	−18	−22
Net profit	1,702	2,107
Transfer to revenue reserves	−449	−461
Unappropriated profit available for distribution	1,253	1,646

Revenues fell by €9,651 million year-on-year, primarily reflecting the lower volume of deliveries to customers caused by the coronavirus pandemic. In geographical terms, the scale of decline was most pronounced in the Rest of Europe and USA regions. Revenues totalled €75,040 million (2019: €84,691 million), of which Group internal revenues accounted for €49,348 million (2019: €57,412 million) or 65.8 % (2019: 67.8 %).

Cost of sales went down by 9.2 % to €63,726 million, mostly due to the lower number of deliveries. Expenses incurred in connection with the exhaust gas recirculation cooler, however, along with a number of other items, had a negative impact in the financial year under report. Gross profit fell by €3,199 million to €11,314 million.

Overall, selling and general administrative expenses were at a similar level to the previous year.

Research and development expenses related mainly to new vehicle models (including the iX3* as well as the new 4 Series Coupé and Convertible), expenses for the development of reference architectures, drivetrain systems, digital products and automated driving as well as increased expenses in connection with electrification. R&D expenses decreased by 2.4 % year-on-year, in line with activities relating to new model start-ups.

Other operating income decreased to €1,237 million (2019: €1,295 million), whereby the main reasons for the change were lower income from the reversal of other provisions, offset by higher gains on financial transactions.

Other operating expenses decreased to €1,250 million (2019: €2,526 million), mainly due to the prior-year recognition of a provision relating to EU Commission antitrust proceedings.

Income from profit transfer agreements with Group companies, reported in the line item Result on investments, increased year-on-year. By contrast, financial result deteriorated by €319 million, mainly due to lower income from designated plan assets offset against pension obligations.

The expense for income taxes related primarily to withholding taxes incurred during the financial year 2020.

After deducting the expense for taxes, the Company reports a net profit of €1,702 million, compared to €2,107 million in the previous year.

Subject to the shareholders' approval of the appropriation of results at the Annual General Meeting, the unappropriated profit available for distribution amounts to €1,253 million (2019: €1,646 million). As a percentage of Group net profit, the dividend corresponds to a payout ratio of 32.5 % (2019: 32.8 %).

FINANCIAL AND NET ASSETS POSITION

BMW AG BALANCE SHEET AT 31 DECEMBER

in € million	2020	2019
ASSETS		
Intangible assets	488	405
Property, plant and equipment	12,520	12,473
Investments	3,826	3,762
Tangible, intangible and investment assets	16,834	16,640
Inventories	5,748	5,994
Trade receivables	778	964
Receivables from subsidiaries	18,939	16,698
Other receivables and other assets	3,849	3,513
Marketable securities	3,336	4,109
Cash and cash equivalents	6,822	6,757
Current assets	39,472	38,035
Prepaid expenses	73	58
Surplus of pension and similar plan assets over liabilities	1,261	1,086
Total assets	57,640	55,819



	2020	2019
EQUITY AND LIABILITIES		
Subscribed capital	660	659
Capital reserves	2,239	2,210
Revenue reserves	11,013	10,564
Unappropriated profit available for distribution	1,253	1,646
Equity	15,165	15,079
Registered profit-sharing certificates	27	28
Pension provisions	229	205
Other provisions	10,093	8,784
Provisions	10,322	8,989
Liabilities to banks	101	511
Trade payables	4,785	5,751
Liabilities to subsidiaries	23,404	21,777
Other liabilities	221	187
Liabilities	28,511	28,226
Deferred income	3,615	3,497
Total equity and liabilities	57,640	55,819

Capital expenditure on intangible assets and property, plant and equipment in the year under report totalled €2,790 million (2019: €3,233 million), down by 13.7 % compared to the previous year. Depreciation and amortisation amounted to €2,646 million (2019: €2,573 million).

Investments increased to €3,826 million (2019: €3,762 million) mainly due to a contribution of €88 million made to the capital reserves of BMW Bank GmbH, Munich.

Inventories decreased to €5,748 million (2019: €5,994 million), mainly due to the lower level of finished goods held.

Receivables from subsidiaries rose to €18,939 million (2019: €16,698 million), mainly reflecting the higher level of intragroup trade receivables.

The increase in other receivables and other assets to €3,849 million (2019: €3,513 million) was mainly attributable to higher receivables from companies with which an investment relationship exists. The decrease in tax receivables had an offsetting effect.

Equity rose by €86 million to €15,165 million due to the transfer to other revenue reserves and the issue of shares of preferred stock in conjunction with the BMW AG's Employee Share Programme. These increases were offset by the lower balance of unappropriated profit available for distribution compared to the paid-out dividend for the previous financial year. The equity ratio changed from 27.0 % to 26.3 %.

In order to secure pension obligations, cash funds totalling €531 million were transferred to BMW Trust e.V., Munich, in conjunction with a Contractual Trust Arrangement (CTA), to be invested in plan assets. Plan assets are offset against the related guaranteed obligations. The resulting surplus of assets over liabilities is reported in the BMW AG balance sheet on the line item Surplus of pension and similar plan assets over liabilities.

Provisions for pensions increased from €205 million to €229 million, after offsetting of pension plan assets against pension obligations.

Other provisions increased year-on-year, mainly due to additions to provisions for statutory and non-statutory warranty and product guarantees obligations in connection with the exhaust gas recirculation cooler on the one hand and for selling activities on the other.

Liabilities to banks decreased by €410 million as a result of the repayment of project-related loans.

Liabilities to subsidiaries increased to €23,404 million (2019: €21,777 million), mainly in connection with intragroup refinancing.

Deferred income increased by €118 million to €3,615 million and included mainly amounts for services still to be performed relating to service and maintenance contracts.

Liquidity within the BMW Group is ensured by means of a liquidity concept applied uniformly across the Group. This involves concentrating a significant part of the Group's liquidity at the level of BMW AG. An important instrument in this context is the cash pool based at BMW AG. The liquidity position reported by BMW AG

therefore reflects the global activities of BMW AG and other Group companies.

Cash and cash equivalents increased by €65 million to €6,822 million, mainly due to surpluses from operating activities and cash inflows from marketable securities held as current assets. Cash outflows from financing activities and investments in long-lived assets particularly had an offsetting effect.

RISKS AND OPPORTUNITIES

BMW AG's performance is essentially dependent on the same set of risks and opportunities that affect the BMW Group and which are described in detail in the Report on Outlook, Risks and Opportunities section of the Combined Management Report. As a general rule, BMW AG participates in the risks entered into by Group companies in proportion to the respective shareholding percentage. At the same time, the result on investments has a significant impact on the earnings of BMW AG.

BMW AG is integrated in the Group-wide risk management system and internal control system of the BMW Group. Further information is provided in the section Internal Control System Relevant for Accounting and Financial Reporting Processes within the Combined Management Report.

OUTLOOK

For the financial year 2021, BMW AG expects a dividend payout ratio (unappropriated profit of BMW AG in accordance with HGB in relation to net profit for the year of the BMW Group in accordance with IFRS) within a range of between 30 % and 40 % (2020: 32.5%).

Due to its significance in the Group and its close ties with Group companies, expectations for BMW AG with respect to its non-financial performance indicators correspond largely to the BMW Group's outlook. This is described in detail in the Report on Outlook, Risks and Opportunities section of the Combined Management Report. The outlook for 2021 takes account of the expected impact of the coronavirus pandemic.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich branch, has issued an unqualified audit opinion on the financial statements of BMW AG, of which the balance sheet and the income statement are presented here. The BMW AG financial statements for the financial year 2020 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. These financial statements are available on the BMW Group's website at www.bmwgroup.com/ir.

REPORT ON OUTLOOK, RISKS AND OPPORTUNITIES

OUTLOOK

The BMW Group's report on outlook, risks and opportunities presents the expected development in 2021, including the main risks and opportunities from the perspective of the Group's management. In line with the Group's internal management system, the outlook covers a period of one year. Risks and opportunities are managed on the basis of a two-year assessment. The [Report on Risks and Opportunities](#) therefore addresses a period of two years.

The continuous forecasting process within the BMW Group ensures that it is always ready to take advantage of opportunities as they arise, but also to react appropriately to unexpected risks. The principal risks and opportunities are described in detail in the Report on Risks and Opportunities. The matters discussed therein are relevant for all of the BMW Group's key performance indicators and could result in variances between the outlook and actual outcomes.

From the 2020 reporting year onwards, the outlook report will include the following key performance indicators in addition to existing ones: the proportion of women in management positions in the BMW Group, the proportion of electrified vehicles to total deliveries and carbon emissions per vehicle produced. [Strategy, Goals and Management System](#). This is in line with the integrated approach used by BMW Group to manage its business systematically on the basis of financial and sustainability targets.

ECONOMIC OUTLOOK

According to the latest assessment of the International Monetary Fund (IMF), the global economy is projected to grow by 5.5 % in 2021. Many countries are expected to continue implementing a comprehensive range of monetary and fiscal policy measures in 2021, in a bid to boost economies battered by the coronavirus pandemic. Moreover, post-lockdown catch-up effects could generate additional momentum. Ultimately, however, the actual growth rate will depend heavily on the success of the vaccination campaigns now underway. Potential new waves of the virus and its mutations pose an additional risk. Further information on political and global economic risks is also provided in the [Report on Risks and Opportunities](#).

The eurozone economy is projected to grow by around 4.3 % in 2021. The rate for Germany, however, is likely to be somewhat lower (+ 3.6 %). The economic outlook for the other eurozone member states is very positive in some cases, with countries such as France (+ 5.6 %), Italy (+ 4.6 %) and Spain (+ 5.7 %) expected to post strong GDP growth over the forecast period.

The performance of the UK economy in 2021 will not only depend on the impact of the coronavirus pandemic, but also on that of the Trade and Cooperation Agreement reached with the EU. The latest projection for the UK economy is a growth rate of 4.6 %.

The US economy is also projected to grow considerably by 4.8 % in 2021. The US Federal Reserve is likely to continue pursuing its low-interest-rate policies. At the same time, the stimulus packages announced by US President Biden are expected to provide a boost to the economy.

The Japanese economy, which has also been severely affected by the pandemic, is projected to grow by 2.8 % in 2021.

China was the only economy to expand slightly in 2020. With a projected rate of 8.4 %, the Chinese economy is set to continue its growth course in 2021.

CURRENCY MARKETS

Currencies of particular importance for the international operations of the BMW Group are the US dollar, the British pound, the Chinese renminbi and the Japanese yen. All of these major currencies are expected to be subject to a high degree of fluctuation in 2021.

It seems reasonable to assume that the US Federal Reserve will continue its expansionary monetary policies in 2021. The USA's central bank may also be willing to allow inflation to run at a rate higher than 2% in future, even over an extended period of time, thereby possibly leading to further depreciation of the US dollar against the euro.

Looking at the Chinese renminbi, the close economic ties between the USA and China suggest that the currencies of these two countries will develop more or less synchronously. The renminbi is expected to depreciate slightly against the euro in 2021.

In 2021, the value of the British pound will be largely determined by the consequences of the agreement reached between the UK government and the EU. In view of the prevailing uncertainties, the exchange rate of the relatively weak pound is expected to move sideways over the course of 2021.

The central bank in Japan is unlikely to change its highly expansionary monetary policy in 2021. For this reason, the euro/yen exchange rate is also expected to remain more or less stable.

The currencies of numerous emerging markets could come under pressure against the US dollar and the euro due to the ongoing coronavirus pandemic. This applies in particular to countries such as Russia, Brazil and India.

INTERNATIONAL AUTOMOBILE MARKETS

The pandemic will continue to have a perceptible impact on international automobile markets in 2021. Although new registrations are expected to rise to around 78 million units (+7.7%), overall sales are likely to remain significantly lower than before the coronavirus crisis.

Europe's automobile markets are forecast to see significant growth (12.4 million units; + 4.2%), albeit still below pre-crisis levels. The latest forecast for Germany indicates that new registrations may even decline slightly (2.9 million units; - 0.6%). By contrast, considerable growth is predicted for France (1.8 million units; + 9.1%), Italy (1.5 million units; + 9.0%) and Spain (approximately 0.9 million units; + 4.3%). Likewise, new registrations in the UK are forecast to rise in 2021 (1.7 million units; + 3.2%).

The negative trend in the USA is also expected to come to an end, at least for the time being. Based on current forecasts, the US market is set to grow in 2021 and reach a total of 16.0 million units (+ 9.8%).

According to current estimates, passenger car registrations in China are likely to rise sharply year-on-year (22.0 million units; + 7.6%).

The Japanese market is also expected to show a significant upward trend in 2021 (around 4.7 million units; + 6.0%).

INTERNATIONAL AUTOMOBILE MARKETS

	Change in registrations %
Europe	+ 4.2
thereof Germany	- 0.6
thereof France	+ 9.1
thereof Italy	+ 9.0
thereof Spain	+ 4.3
thereof UK	+ 3.2
USA	+ 9.8
China	+ 7.6
Japan	+ 6.0
Total	+ 7.7

INTERNATIONAL MOTORCYCLE MARKETS

The BMW Group expects worldwide motorcycle markets in the 250 cc plus class to grow slightly overall in 2021. After contracting in 2020, demand in Spain is likely to see a solid recovery. Market volumes are expected to be slightly higher in Italy and slightly lower in Germany and France. A slight contraction is also forecast for the US market. Brazil is expected to bounce back with a solid recovery. The market in China is set to grow sharply again in 2021. As in the past year, motorcycle market demand will continue to be influenced by the course of the pandemic and its impact on the global economy in 2021.

INTERNATIONAL INTEREST RATE ENVIRONMENT

Trade relations between the USA and China should improve under the new US administration, whilst still remaining strained. Low inflation rates give central banks sufficient headroom to continue their expansionary monetary policies. However, the rise in inflation rates since the beginning of the year, especially in the eurozone, indicates that consumer prices are also likely to increase again in the course of 2021.

Within the eurozone, the course of the pandemic and delays in the vaccine rollout suggest that the pathway back to normality could take some time yet. Any further lockdowns during the first half of the year could dampen economic growth and hold down inflation figures, potentially leaving the ECB with little flexibility to raise interest rates in 2021.

The UK's economy is not expected to improve significantly during the first quarter. Following the initial success of the vaccination programme, the UK government is now looking to ease the lockdown on a cautious step-by-step basis. It remains to be seen, however, to what extent the virus mutation circulating there could cause the situation to deteriorate again. In light of the fiscal and monetary policy measures taken by the government and the Bank of England, the economy is not expected to see an upturn before the summer. It is therefore safe to assume that the Bank of England will keep interest rates stable for the time being.

In the USA, the House of Representatives has approved President Biden's 1.9 trillion dollar stimulus package aimed at countering the impact of the pandemic on the economy. Despite inflation being expected to rise in 2021, the Federal Reserve seems determined to continue its current programme of quantitative easing and leave the benchmark interest rate unchanged.

The Chinese central bank is expected to maintain an unchanged course. Despite strained trade relations with the USA, economic growth in China is likely to gather additional pace in 2021.

CONSEQUENCES FOR THE BMW GROUP

Future developments on international automobile markets also have a direct impact on the BMW Group. Challenges in the competitive environment as well as the course of the coronavirus pandemic are likely to have a significant impact on sales volumes. Due to its global business model, the BMW Group is well placed to capitalise on opportunities that present themselves, even at short notice. Coordination between the Group's sales and production networks also enables it to even out the impact of unforeseeable developments in various regions. Moreover, investments in key future-oriented markets form a sound basis for further growth, while simultaneously strengthening the global presence of the BMW Group.

An unpredictable political environment may cause actual economic growth in some regions to deviate from expected trends and developments. Areas affected in this context include trade and customs policies, security and potential additional international trade conflicts.

Furthermore, risks continue to exist for upstream processes, including possible bottlenecks due to supply shortages arising in regions that could become the focus of a pandemic. Due to the high demand on international semiconductor markets, there is currently an additional risk of bottlenecks in the supply of electronic components to production. ↗ **Risks and opportunities relating to purchasing**

The BMW Group continues to observe these developments and is ready to implement all necessary measures quickly and effectively.

ASSUMPTIONS USED IN THE OUTLOOK

The report on outlook, risks and opportunities contains forward-looking statements. These are based on the BMW Group's expectations and assessments and may be influenced by unforeseeable events. As a result, actual outcomes can deviate either positively or negatively from the expectations described below, among other things due to changes in the political and economic environment as well as the further course of the coronavirus pandemic. ↗ **Report on Risks and Opportunities**.

The following outlook relates to a forecast period of one year and is based on the composition of the BMW Group during that time. The outlook takes account of all information available at the time of reporting and which could have an effect on the overall performance of the Group. The expectations contained in the outlook are based on the BMW Group's forecast for 2021 and reflect its most recent status. The basis for the preparation of and the principal assumptions used in the forecasts – which consider the consensual opinions of leading organisations, such as economic research institutes and banks – are set out below. The BMW Group's outlook takes account of these assumptions.

The coronavirus pandemic will continue to have an impact on business performance in 2021 and hence on the results of operations, financial position and net assets of BMW AG and the BMW Group. Due to the continuing uncertainty surrounding the course and potential consequences of the pandemic going forward, it is difficult to make an accurate forecast of the BMW Group's business performance in 2021. For the forecast year 2021, the BMW Group is working on the basis that the original widespread prevalence of the infection that was the dominant feature of 2020 will be replaced by recurrent, regional hotspots. The outlook has been therefore been drawn up on the assumption that, outside of hot spots, the overall incidence of infection can be controlled worldwide. The successive launch of vaccination campaigns and improved vaccine supply should also have an increasingly positive effect in 2021.

Uncertainties remain, however, as mutated strains of the virus emerge and spread, raising questions about the efficacy of currently available vaccines in combatting mutations. It is not possible to assess the extent to which such risks could impact the global economy, the financial markets and therefore the BMW Group and, for this reason, they have not been taken into account in the outlook.

With demand on international semiconductor markets currently at a high level, the supply situation for electronic chips has become increasingly tense, which could result in supply bottlenecks affecting the availability of semiconductor components required for production. The BMW Group is monitoring the situation closely. Should the situation deteriorate further and significant supply bottlenecks occur, it cannot be ruled out that this will have an adverse impact on the outlook.

The BMW Group expects that the tensions between the USA and China will persist after the change in the US administration and remain a source of uncertainty. However, based on up-to-date assessments, customs tariffs are not expected to rise.

Current estimates and assumptions for the financial year 2021, to the extent already known to the BMW Group, have been taken into account and described in the outlook report. Beyond these assessments, no further significant opportunities and risks are known or can be estimated at the present time. However, it cannot be ruled out that the assumptions underlying estimates may need to be changed over the course of the year.

OUTLOOK FOR THE BMW GROUP OVERALL ASSESSMENT BY GROUP MANAGEMENT

Despite the volatile situation brought about by the global spread of coronavirus, the BMW Group expects business to develop positively and the risk situation to remain stable in the financial year 2021. New automobile and motorcycle models as well as individual mobility-related services are expected to generate momentum. Group profit before tax is therefore expected to rise significantly during the outlook period.

The Automotive segment is expected to record a solid year-on-year increase in the number of BMW, MINI and Rolls-Royce brand vehicles delivered to customers. At the same time, the BMW Group is targeting a further significant reduction in carbon emissions in the new vehicle fleet¹, calculated using the revised base². In addition to improvements achieved through developments in highly efficient combustion engines, the expected reduction also reflects the significant increase in the forecast proportion of electrified vehicles sold. According to the planning, carbon emissions per vehicle produced are likely to fall moderately. The Automotive segment's EBIT margin is set to recover in 2021, most likely finishing within a range of 6 to 8 % and thus causing the segment RoCE to improve significantly.

¹ EU including Norway and Iceland; since 2018 figure based on WLTP (Worldwide Harmonised Light Vehicles Test Procedure) and converted back to the New European Driving Cycle (NEDC).

² Efficiency indicator calculated on the basis of Scope 1 and Scope 2 emissions (i.e. a market-based method according to GHG protocol Scope 2 guidance that excludes climate-changing gases other than carbon dioxide) of vehicle production excluding motorcycles, adjusted for CHP losses and divided by the total number of vehicles produced, including the joint venture BMW Brilliance Automotive Ltd., Shenyang, but excluding vehicles produced by the contract manufacturers Magna Steyr and Nedcar.

The RoE in the Financial Services segment is expected to finish within a range of 12 to 15 %. The switch to a forecast corridor for RoE allows for a narrower and therefore more precise outlook.

The Motorcycles segment is expected to record a solid increase in deliveries to customers. The EBIT margin is predicted to lie within the target range of 8 to 10 %, enabling the segment to record a significantly higher level of RoCE than one year earlier.

The proportion of women in management positions in the BMW Group is expected to increase slightly.

The targets described above are to be met with a slightly lower number of employees.

Ongoing uncertainty, particularly regarding the further course of the coronavirus pandemic, macroeconomic and political developments as well as international trade and customs policies, could cause economic conditions in many regions to differ quite considerably from expected trends and developments. All these factors could have significant effects on the overall business performance of the BMW Group. Furthermore, the Group's actual business performance may also differ from current expectations as a result of the risks and opportunities discussed below in the Report on Risks and Opportunities.

BMW GROUP KEY PERFORMANCE INDICATORS

		2020 reported	2020 adjusted	2021 Outlook ¹
GROUP				
Profit before tax	€ million	5,222	—	Significant increase
Workforce at year-end		120,726	—	Slight decrease
Share of women in management positions in the BMW Group	%	17.8	—	Slight increase
AUTOMOTIVE SEGMENT				
Deliveries to customers ²	units	2,324,809	—	Solid increase
Share of electrified vehicles in deliveries	%	8.3	—	Significant increase
CO ₂ -Emissions EU New Vehicle Fleet ³	g / km	99 ⁶	135 ⁷	Significant decrease
CO ₂ emissions per vehicle produced ⁴	tons	0.23	0.31 ⁸	Moderate decrease
EBIT margin	%	2.7	—	between 6 and 8
Return on capital employed ⁵	%	12.7	—	Significant increase
MOTORCYCLES SEGMENT				
Deliveries to customers	units	169,272	—	Solid increase
EBIT margin	%	4.5	—	between 8 and 10
Return on capital employed ⁵	%	15.0	—	Significant increase
FINANCIAL SERVICES SEGMENT				
Return on equity	%	11.2	—	between 12 and 15

¹ Based on adjusted outlook; see  Glossary for the definition of terminology/ranges used in forecasting.

² Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2020: 602,247 units).

³ EU including Norway and Iceland; since 2018 value converted WLTP (Worldwide Harmonised Light Vehicles Test Procedure) basis.

⁴ Efficiency indicator calculated from Scope 1 and Scope 2 CO₂ emissions (market-based method according to GHG Protocol Scope 2 Guidance. Other climate-impacting gases than CO₂ not included) from vehicle production, without motorcycles, minus CHP losses divided by the total number of vehicles produced, incl. BMW Brilliance Automotive Ltd. joint venture, Shenyang, not including the vehicles from the Magna Steyr and Nedcar contract production plants.

⁵ Unlike the other key performance indicators, the RoCE forecast for the Automotive and Motorcycles segments is based on the change in percentage points.

⁶ Value (internal calculation) takes account of flexibilities as defined in regulatory requirements: phase-in with 5 g/km, supercredits BEV/PHEV with 7.5 g/km and eco-innovations with 2.4 g/km.

⁷ The CO₂ fleet emissions figure of 99 g/km for the year 2020, as measured internally, is based on NEDC and takes due account of permitted offsetting factors (phase-in, super-credits and eco-innovations). The CO₂ fleet emissions forecast for 2021 is based on WLTP in accordance with legal requirements and includes fewer offsetting factors due to the fact that phase-in is no longer permitted for 2021 and the BMW Group fully utilised the maximum amount of super-credits in 2020. For better comparability of the CO₂ fleet emissions forecast for 2021 and the fleet value for 2020, the 2020 figure has been converted internally from an NEDC basis (including offsetting factors) to a WLTP basis (excluding offsetting factors). The figure derived for 2020 serves only to enable reconciliation with the 2021 figure: it is not official and does not correspond to legislation that was in place in 2020.

⁸ From 2021, CO₂ emissions according to Scope 1 and 2 include not only production emissions but also emissions at locations not allocated to production, e.g. research centres, distribution centres, office buildings.

RISKS AND OPPORTUNITIES

As a globally leading provider of premium automobiles, motorcycles, mobility services and financial services, the BMW Group is exposed to an array of uncertainties and changes. To ensure growth, profitability, efficiency and continued sustainability going forward, the BMW Group needs to take well calculated risks and make full use of any opportunities that present themselves.

The management of opportunities and risks is essential in order to respond in an appropriate manner to any changes that occur in political, economic, technical or legal conditions. The BMW Group has put a comprehensive risk management system in place to effectively manage risks as they arise. The aim of the risk management system is to identify, assess and actively manage any risks that could threaten the attainment of the Group's corporate targets. As part of that process, individual and cumulative risks capable of posing a threat to the profitability of the business are monitored and managed.

All opportunities and risks expected to materialise have already been addressed in the Outlook Report. The following sections focus on potential future developments or events that could result in a positive (opportunity) or a negative deviation (risk) from the outlook for the BMW Group.

OVERALL ASSESSMENT OF THE RISK AND OPPORTUNITIES SITUATION

The assessment of the overall risk situation is based on a consolidated view of all significant individual risks. The overall risk situation for the BMW Group has worsened moderately compared to one year earlier, reflecting – in the worst-case scenario – a significant deterioration in the global economic situation due to the coronavirus pandemic. The BMW Group has already adjusted its sales and production planning to take account of expected macroeconomic developments and incorporated their impact in the outlook. Should the effect of the pandemic prove less severe in 2021 and if the economy recovers more quickly than expected, opportunities for both revenues and earnings could arise.

Management does not see any threat to the BMW Group's status as a going concern. Similar to one year earlier, the current set of risks to the BMW Group are considered manageable. If these risks – or opportunities – were to materialise, they could have an impact on underlying key performance indicators, thus causing deviations from the outlook. The BMW Group's financial resources are stable, with liquidity requirements currently covered by existing liquidity and available financing instruments.

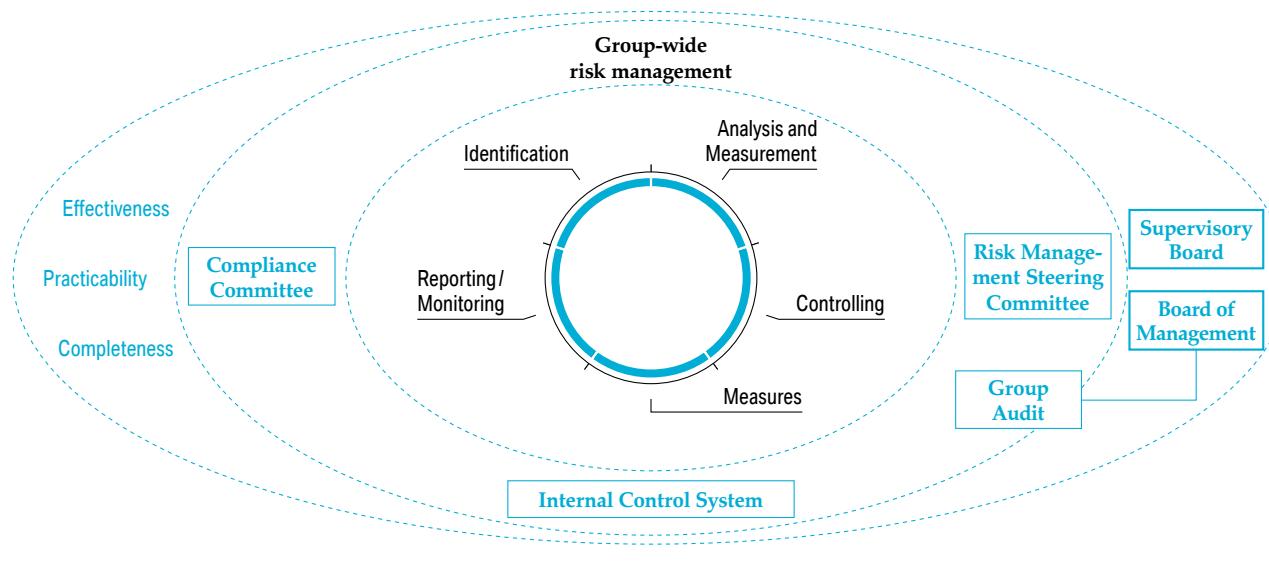
In addition to the risks described below, unforeseen events could have a negative impact on business operations and hence on the BMW Group's results of operations, financial position and net assets as well as on its reputation.

ORGANISATION OF RISK MANAGEMENT

Risk management is organised as a decentralised, Group-wide network and steered by a centralised risk management function. Every BMW Group division is represented by Network Representatives. This formal structure reinforces the network's visibility and underlines the importance of risk management within the BMW Group. The responsibilities and duties of the centralised risk management function and the Network Representatives are clearly documented and understood. Significant risks reported from within the network are firstly presented for review to the Risk Management Steering Committee, which is chaired by Group Controlling. After review, any significant risks identified are reported to both the Board of Management and the Supervisory Board's Audit Committee.

Other functions such as [Compliance and Human Rights](#) and the [Internal Control System](#) serve as key interfaces to the risk management system. In its capacity as an independent control body, Corporate Audit reviews the risk management system established by the Board of Management on an annual basis.

RISK MANAGEMENT IN THE BMW GROUP



According to Group-wide guidelines, every employee and manager has a duty to report risks via the relevant reporting channels. The key elements of an effective risk culture are embedded in the BMW Group's core values, in its risk management guidelines and in the risk strategy. New information and new requirements are continuously fed into the BMW Group's risk management system, thereby ensuring its ongoing development. Training programmes and informational events are regularly conducted across the BMW Group, particularly within the

risk management network. These measures are essential ways of preparing those involved in the process to comply with any new or additional requirements.

The risk management process applies across the entire Group and comprises the early identification, analysis and assessment of risks, the coordinated use of appropriate management tools and the monitoring and evaluation of the measures taken.

RISK MEASUREMENT

The BMW Group utilises standardised methods to assess risks. All significant risks are measured using value-at-risk models and assessed on the basis of uniform loss distribution metrics, thereby enabling better comparability of risks for both internal and external reporting purposes. The overall effect of risks on the results of operations, financial and net assets position is referred to in the following sections uniformly as "earnings impact".

Risks are classified both according to their potential impact on earnings (worst-case scenario) and according to the risk amount (average earnings impact, taking into account the probability of occurrence). The impact of risks is measured and reported net of any mitigation measures that are already taking effect (net basis). Risks are measured over a two-year assessment period.

The potential earnings impact in the worst-case scenario is classified as follows:

Class	Potential earnings impact in a worst-case scenario
Low	> €0 – 500 million
Medium	> €500 – 2,000 million
High	> €2,000 million

The following criteria apply for the purpose of classifying the risk amount:

Class	Risk amount
Low	> €0 – 50 million
Medium	> €50 – 400 million
High	> €400 million

The earnings impact of risks and opportunities is presented separately without offsetting. If no specific reference is made, opportunities and risks relate to the Automotive segment. The scope of entities covered in the report on risks and opportunities corresponds to the scope of consolidated entities included in the BMW Group Financial Statements.

MONITORING RISK-BEARING CAPACITY

Group-wide effects and trends can be identified by aggregating all significant risks at Group level using value-at-risk models. For this purpose, the potential earnings impact of the risks (confidence level: 99 %) is aggregated, taking correlation effects into account. In order to assess the risk-bearing capacity of the BMW Group, the aggregated amount of risks is compared with the risk cover amount (equity recognised for accounting purposes). A limit system for various risks helps monitor the risk-bearing capacity.

MANAGING NON-FINANCIAL RISKS AS REPORTED IN THE NFS

Alongside comprehensive risk management, sustainability constitutes a core strategic principle of the BMW Group. Risks resulting from sustainability issues are generally identified via the Group-wide risk management network.

When analysing sustainability-related opportunities and risks, the physical risks associated with climate change (e.g. disruption of supply chains due to natural hazards) and transition risks (such as meeting emissions requirements) are also assessed.

In accordance with § 289 c of the German Commercial Code (HGB) risks that could have an impact on the non-financial aspects referred to in the Act are reviewed as part of the reporting process. Significant risks in this context are defined as those stemming from business

activities, business relationships and products and/or services provided by the BMW Group that are highly likely to have a seriously adverse impact. No significant non-financial risks were identified during the year under review.

OPPORTUNITIES MANAGEMENT

A dynamic market environment also gives rise to opportunities. Identifying these opportunities is an integral part of the BMW Group's strategic planning process. The Group's range of products and services is continually reviewed on the basis of these analyses, resulting, for example, in new product projects being presented to the Board of Management for consideration. In order to compete successfully in the long term and at the same time effectively help play an active role in achieving the goal of climate neutrality – as called for by politicians and desired by society in general – the Group's vehicle platforms are designed to operate flexibly with various types of drivetrain, enabling it to respond more swiftly to changing customer needs.

The continuous monitoring of key business processes and strict cost controls are also essential for ensuring high levels of profitability and return on capital employed.

Once identified, opportunities are acted upon in the relevant operational areas on a decentralised basis. The importance of opportunities for the BMW Group is classified on a qualitative basis in the categories "significant" and "insignificant". Probable measures aimed at increasing profitability are already incorporated in the outlook.

RISKS AND OPPORTUNITIES

The following table provides an overview of significant risks and opportunities and indicates their level of importance for the BMW Group. Overall, no risks capable of threatening the continued existence of the

BMW Group were identified either at the balance sheet date or at the date on which the Group Financial Statements were drawn up. Due to the particular features of the business model applied for the Financial Services segment, risks and opportunities relating to it are presented separately on [Risk Management System in the Financial Services Segment](#)

	Risks		Opportunities	
	Classification of risk amount	Change compared to prior year	Classification	Change compared to prior year
RISKS AND OPPORTUNITIES				
Macroeconomic risks and opportunities	High	Stable	Significant	Increased
Strategic and sector risks and opportunities				
Changes in legislation and regulatory requirements	High	Stable	Insignificant	Stable
Market developments	High	Stable	Insignificant	Stable
Risks and opportunities relating to operations				
Production and technology	High	Stable	Insignificant	Stable
Purchasing	High	Increased	Insignificant	Stable
Sales network	Low	Stable	Insignificant	Stable
Information, data protection and IT	High	Stable	Insignificant	Stable
Financial risks and opportunities				
Foreign currencies	High	Increased	Significant	Stable
Raw materials	Medium	Stable	Significant	Stable
Liquidity	Medium	Increased	—	—
Other financial risks	Medium	—	Significant	—
Pension obligations	High	Stable	Significant	Stable
Legal risks	Medium	Stable	—	—

MACROECONOMIC RISKS AND OPPORTUNITIES

Economic conditions have an impact on business performance and hence the level of earnings generated by the BMW Group. Unforeseen disruptions in global economic relations can have highly unpredictable effects. Macroeconomic risks due to sales volume fluctuations could have a high earnings impact over the two-year assessment period. The risk amounts attached to macroeconomic risks are classified as high.

Currently, the greatest risk for the global economy is the further spread and the consequences of the coronavirus pandemic. Considerable uncertainty remains regarding the dynamics of the coronavirus pandemic going forward, despite the current decline in infection figures. The situation is highly dependent on the progress and success of the vaccination campaigns currently underway. It is not currently possible to predict with any degree of certainty the point in time from which a high vaccination rate could significantly mitigate the course of the pandemic. As a result, restrictions to public life and regional lockdowns are likely to be a continued source of uncertainty for consumers and weigh heavily on the sales situation across all markets. The BMW Group is monitoring the situation on a continuous basis and taking appropriate measures as required.

However, risks that existed prior to the outbreak of the pandemic still remain, despite being partially displaced in the public perception. The trade conflict between the USA and China is likely to be an enduring topic, despite the inauguration of the new US president. However, the focus could well shift from pure tariff increases to import and export restrictions on certain technologies. The potential introduction of further trade restrictions on both sides could have a significantly adverse impact on the BMW Group's business operations due to less favourable conditions for importing vehicles.

In the wake of ongoing climate change, natural disasters could occur more frequently and impact the BMW Group in a variety of ways. For instance, economic activity in the affected regions could be negatively influenced. For consumers, this would mean a loss of income and the threat of unemployment and have a negative effect on sales. In the context of its "Adaptation to Climate Change" project, the BMW Group is preparing for numerous possible scenarios and has taken the step of systematically integrating the reporting of opportunities and risks associated with climate change within this report.

Other risks to the economy include political instability in Belarus, the conflict between Armenia and Azerbaijan, political unrest in the USA, the impact of the change in Hong Kong's status, and uncertainty regarding the sustainability of debt levels in some European countries.

If the coronavirus is overcome with the help of effective vaccines over the course of 2021, opportunities could arise for the BMW Group in terms of revenues and earnings. Significantly higher GDP growth in our strongest sales regions, positive signals in Europe and the USA on the back of new economic stimulus packages, and a de-escalation of the trade conflict between the USA

and its economic partners could result in significantly stronger sales volume growth, reduced competitive pressures and improved pricing. Against this backdrop, macroeconomic opportunities capable of generating a sustainably positive impact on earnings are currently classified by the BMW Group as significant.

STRATEGIC AND SECTOR-SPECIFIC RISKS AND OPPORTUNITIES; CHANGES IN LEGISLATION AND REGULATORY REQUIREMENTS

The short-term introduction of more stringent legislation and regulations, particularly with regard to emissions, safety and consumer protection as well as regional, vehicle-related purchase and usage taxes, represents a significant risk for the automobile industry. Country- and sector-specific trade barriers can also be subject to change at short notice. Any sudden tightening of regulations in these areas could necessitate significantly higher investments and ongoing expenses or exert influence on customer behaviour. If the risk of market disruption due to unforeseeable short-term changes in legislation and regulations were to materialise, this could have a highly negative earnings impact over the two-year assessment period and beyond. The resulting risk amounts are therefore classified as high.

At present, the BMW Group sees a continuous trend towards increasingly stringent vehicle emissions regulations, particularly for conventional drivetrain systems. The BMW Group is addressing this risk primarily by systematically electrifying its entire portfolio of brands and models: based on its existing plans, the BMW Group will already have 25 electrified models on the road by 2023.

At the same time, the Group is pressing ahead with the continued development of highly efficient combustion engines in order to further reduce fuel consumption and emissions.

Additional risks could result from the tightening of existing import and export regulations, which could, in turn, lead primarily to additional expenses, but also complicate the import and export of vehicles and parts.

Changes in trade policies could also have a positive impact on the BMW Group's earnings in the short to medium term. Any reduction in tariff barriers, import restrictions or direct excise duties could result in lower manufacturing costs or enable products and services to be offered to customers at more attractive prices. Further opportunities to improve the BMW Group's earnings performance due to changes in legislation and regulatory requirements compared to the outlook are classified as insignificant.

Market developments

Apart from economic factors and sector-specific political conditions, increasingly fierce competition among established manufacturers and the emergence of new market competitors could also have effects that are difficult to predict. Unforeseen consumer preferences and changes in brand perceptions can also give rise to both opportunities and risks. If market risks were to materialise, they could have a high earnings impact over the two-year assessment period. The risk amount is classified as high.

A potential further intensification in terms of competition could put pressure on sales volumes, selling prices and margins. For instance, the BMW Group could be confronted with supply and demand distortions in the transition from conventionally powered vehicles to alternative drivetrain concepts, despite complying with legal requirements. Customer behaviour can also alter due to changes in attitudes, values, environmental factors and fuel or energy prices. The flexibility of the BMW Group's sales and production processes makes it possible to mitigate risks and take any opportunities arising in corresponding market and product segments.

Local product usage restrictions in specific sectors could have a limiting impact on the BMW Group's sales in individual markets. In some urban areas, for instance, local measures have been, or are being, introduced, including entry restrictions, congestion charges or, in some situations, highly restrictive registration rules. These could influence local demand for the BMW Group vehicles affected and hence have a negative impact on sales, margins and, possibly, the residual values of these vehicles. Among other measures, the BMW Group is addressing this risk by broadening its range of electrified vehicles and mobility services.

Moreover, the BMW Group continuously monitors its sales markets with the aim of increasing added value for customers and making the most of opportunities in terms of sales volume growth and pricing. The further development of the product and mobility portfolio as well as expansion in growth regions offer the greatest medium- to long-term growth opportunities for the BMW Group. This depends above all on the Group's ability to develop innovative products and services and bring them to market. If the negative impact of the current competitive situation is reduced more quickly than

expected, additional opportunities are likely to arise for the BMW Group. Compared to the assumptions made in the outlook, the BMW Group does not expect these opportunities to have a significant earnings impact over the two-year assessment period.

RISKS AND OPPORTUNITIES RELATING TO OPERATIONS

Risks and opportunities relating to production and technologies

Risks relating to production processes and fields of technology can lead to unplanned production interruptions or additional costs due to vehicle recalls. If any such risks were to materialise, they could have a high earnings impact over the two-year assessment period. The corresponding risk amounts are classified as high.

Potential causes of production downtimes include fires, infrastructural damage, machine and tooling breakdowns, IT malfunctions, temporary disruptions in utility supply or transportation and logistical disruptions, or the outbreak of a pandemic. All production units have a variety of measures in place to deal with potential production interruptions and downtimes, some of which are already integrated in the planning process and can be implemented operationally with a high degree of flexibility. These measures have an effect on both the amount of damage and the probability of the risks occurring.

Technical fire protection, rapid response by on-site fire brigades and appropriate employee training are the key strategies for preventing and reducing any potential damage from fires. Furthermore, policies are in place with insurance companies of high credit standing to

cover the risk of fire-related events that lead to significant production interruptions at the Group's or at suppliers' premises.

The BMW Group's successful business continuity management concept helps minimise downtimes in the event of a production stoppage and make up for lost production volumes as quickly as possible.

Flexible working time models and working time accounts designed to manage employee deployment, coupled with the ability to build individual vehicle models or engine types with a high degree of flexibility at other BMW Group plants as required, make a significant contribution to ensuring that fluctuations in demand can be met.

Detect-analyse-respond measures have been rolled out to counter the threat of targeted cyberattacks, reflecting the fact that such attacks could cause damage to production facilities, resulting in long downtimes and substantial losses.

Vehicles may be damaged or destroyed by natural hazards or other risks during transport from production plants to the sales regions. Due to the growing number of major claims, deductible amounts included in transport insurance policies have risen significantly. In fact, as more and more insurance companies withdraw from this market segment, there is a risk that it could become economically unviable to take out insurance, as a result of which the BMW Group would be required to bear the losses itself.

The BMW Group recognises appropriate provisions for statutory and non-statutory warranty obligations. It cannot be ruled out, however, that additional costs arise in conjunction with vehicle recalls that are either not covered or not fully covered by provisions. Despite thorough quality assurance processes, such risks can always arise if the materials and/or processing procedures used prove insufficient, in some cases years after a product is launched. Further information on risks in conjunction with provisions for statutory and non-statutory warranty obligations is provided in [note 33](#) to the Group Financial Statements.

The BMW Group sees opportunities relating to production processes and fields of technology primarily in the competitive edge gained by mastering new and complex technologies. Innovations in the technologies deployed and in IT in general are driving the pace of digitalisation in production processes. Given the long lead times involved in developing new products and processes, additional opportunities are not expected to have a significant earnings impact for the BMW Group during the outlook period.

Risks and opportunities relating to purchasing

Purchasing risks relate primarily to supply risks caused by the failure of a supplier to deliver as well as to threats to BMW Group-relevant know-how within the supplier network. Production problems at supplier level could lead to consequences caused by increased expenditure for the BMW Group due to production interruptions and a corresponding reduction in vehicle sales. The BMW Group deploys an extensive set of checks and proactive management measures to tackle the challenges currently facing the automotive supply industry. If purchasing risks were to materialise, they could have a high

earnings impact over the two-year assessment period. The risk amount attached to purchasing risks is classified as high.

Close cooperation between carmakers and suppliers in the development and production of vehicles and the provision of services generates economic benefits, but also raises levels of dependency. Potential reasons for the failure of individual suppliers to deliver include, in particular, IT-related risks, non-compliance with sustainability or quality standards and the occurrence of natural hazards and fires. Insufficient financial capacity on the part of individual suppliers could also jeopardise supplies to production plants. In this context, additional countermeasures have been put in place in the wake of the coronavirus pandemic.

Moreover, any major deterioration of a particular country's national security situation is incorporated in the risk measurement process as a potential reason for the failure of a value and/or supply chain. Any risks potentially arising for individual suppliers and/or entire supply chains in conjunction with the need to adapt to the consequences of climate change are continually assessed on the basis of in-house expert knowledge, taking scientific findings into due account.

The growing complexity of the supplier network, particularly in the case of sub-suppliers whose operations can only be indirectly monitored by the BMW Group, is a further potential cause of downtimes at supplier locations. For instance, there is a risk that strong demand on international semiconductor markets gives rise to bottlenecks in the supply of electronic components for production. The increased threat of cyberattacks along the entire value chain also affects supply security as

well as the ability to protect know-how relevant to the BMW Group. To ensure a uniform level of IT security for all those involved along the value and supply chain, the BMW Group impresses on suppliers the importance of obtaining appropriate IT security certification.

By monitoring and developing global supplier markets, the BMW Group continuously strives to become more competitive by working together with the world's best product and service providers. As part of its supplier preselection process, the BMW Group checks for compliance with the sustainability standards established for its supplier network. This includes due consideration of and compliance with internationally recognised human rights and applicable labour and social standards.

The level of carbon emissions generated by prospective suppliers is taken into account as an independent criterion when processing tenders and awarding new contracts. This approach ensures that first-tier suppliers regard the issue of carbon emissions – alongside other factors – as relevant for their business and, in turn, set targets for other supply chain levels in which they are involved. The aim is to reduce carbon emissions across all relevant supply chains on the basis of constructive cooperation with suppliers. It is important to point out, however, that the BMW Group depends on receiving accurate information from suppliers in this regard.

Furthermore, fire risks at series suppliers are evaluated by means of questionnaires and selective on-site inspections. Suppliers are required to implement the necessary measures on a continuous basis. Following evaluation, the results are fed back into the process for awarding contracts for new projects.

The risks associated with the supply of raw materials are mitigated either by reducing the use of raw materials or substituting them with alternative products.

Within the Purchasing and Supplier Network, opportunities arise above all in the area of global sourcing and the associated efficiency improvements. Making optimal use of any innovations developed by suppliers is a key prerequisite for developing future-oriented mobility products and services. Similarly, favourable location-related cost factors, in particular those arising due to the close proximity of supplier structures to new and existing BMW Group production plants as well as the introduction of innovative production technologies, could lead to lower cost of materials for the BMW Group.

One of the BMW Group's aims is to have battery cells manufactured in Europe. Key prerequisites for achieving this aim, however, are primarily further advances in the development of battery cell technology and the mastery of cell production processes. Contracts have been concluded with various suppliers as part of the Group's electrification strategy. A further source of opportunities is seen in the possible integration of previously unidentified supplier-driven innovations in the Group's product range. The BMW Group offers innovative suppliers numerous options for creating specific contractual arrangements that promote companies developing innovative solutions. Compared to the assumptions made in the outlook, the BMW Group does not expect such additional opportunities to have a significant earnings impact over the two-year assessment period.

Risks and opportunities relating to the sales network

In order to sell its products and services, the BMW Group operates a global sales network mainly comprising independent dealerships, branches, subsidiaries

and importers. In addition, a pilot project to promote direct sales was launched in South Africa in 2020. Any threat to the continued activities of parts of the sales network, for example due to the impending insolvency of a dealership, would entail risks for the BMW Group. The occurrence of sales and marketing risks would have only a low earnings impact over the two-year assessment period. The risk amount is classified as low.

New developments in the field of digital communication and connectivity provide new opportunities for the BMW Group's brands to take advantage of additional sales channels in their efforts to bring new products to market. Based on vehicle-driven telematics data, customers can elect to use a specific service and actively consent to the relevant data being transferred. The service providers contracted to perform the work receive the necessary data via the BMW Group's secure back end system. The information forms the basis for customised, data-driven, innovative service options. Additional opportunities could arise if new sales channels contribute to greater brand reach to customer groups than currently envisaged in the outlook. Compared to the assumptions made in the outlook, the BMW Group does not expect these opportunities to have a significant earnings impact over the two-year assessment period.

Information security, data protection and IT

The advance of digitalisation throughout all areas of the business world places considerable demands on the confidentiality, integrity and availability of electronically processed data and the associated use of information technology (IT). Alongside higher threat levels in this area, regulatory requirements worldwide relating to the use of personal data are becoming increasingly stringent, for example due to the California Consumer Privacy Act. If risks relating to information security,

data protection and IT were to materialise, they could have a high earnings impact over the two-year assessment period. Despite extensive security measures and constant efforts to ensure compliance with applicable data protection legislation, the risk amount in this area is classified as high.

In addition to cyberattacks and direct physical intervention, there is a risk that either a lack of knowledge or misconduct on the part of employees could also pose a danger to the confidentiality, integrity and availability of information, data and systems. The main direct consequences could range from negative effects on revenues due to the misuse of information through to disruption in the production of components or vehicles. A further indirect consequence could be reputational damage.

The BMW Group places great emphasis on protecting the confidentiality, integrity and availability of information from unauthorised access or misuse, whether relating to business, employees or customers. Data security is an integral part of all Group business processes and practised in accordance with the ISO/IEC 27001 international standard. In conjunction with risk management requirements, risks relating to information security, data protection and IT are systematically documented, allocated appropriate measures by the departments concerned and continuously monitored with regard to threat level and risk mitigation. Regular analyses and controls as well as rigorous security management policies ensure an appropriate level of security.

However, despite continuous testing and preventive security measures, it is impossible to eliminate risks completely in this area. All Group employees are required to treat information such as confidential business, customer and employee data with care, use information systems securely and handle risks in a transparent manner. Group-wide requirements are documented in a comprehensive set of principles, guidelines and instructions, such as, for example, the Privacy Corporate Rules for handling personal data. Regular communication, awareness-raising and training measures form the basis for a high level of security and risk awareness. With regard to cooperations and business partnerships, the BMW Group protects its intellectual property as well as its customer and employee data by issuing clearly defined instructions on information security, data protection and the use of information technology. Trade secrets and sensitive personal data are subject to particularly stringent security measures. Technical data protection incorporates industry-wide standards and good practices. Responsibility for information security and data protection for each Group entity lies with either the Board of Management or the relevant management team.

With the advance of digitalisation, the BMW Group is continually improving the customer experience in its existing lines of business. At the same time, new business segments are emerging, which have only become feasible due to innovation in the field of information technology. The development and provision of digital services for customers, increased vehicle connectivity and automated driving solutions are opening up new opportunities. Via BMW ConnectedDrive and BMW CarData, the range of services and apps on offer to customers is constantly being expanded and updated. Compared to

the assumptions made in the outlook, the BMW Group does not expect these opportunities to have a significant earnings impact over the two-year assessment period.

FINANCIAL RISKS AND RISKS RELATING TO THE USE OF FINANCIAL INSTRUMENTS

Currency risks and opportunities

As an internationally operating enterprise, the BMW Group conducts business in a variety of currencies, thus giving rise to currency risks and opportunities. A substantial portion of Group revenues, purchasing and funding occur outside the eurozone, particularly in China and the USA. Regularly updated cash-flow-at-risk models and scenario analyses are used to measure currency risks and opportunities. If currency risks were to materialise, they could be associated with a high earnings impact over the two-year assessment period. The risk amount relating to currency risks is classified as high. The risk assessment is therefore slightly less favourable than one year earlier, due to the increased volatility of individual currencies in the wake of the coronavirus pandemic. Significant opportunities can arise if currency developments are favourable for the BMW Group.

Operational currency management is based on the results of currency risk analyses. The BMW Group manages currency risks at both strategic (medium to longterm) and operational level (short to mediumterm). Medium- to long-term measures include increasing production and purchase volumes in foreign currency regions, i.e. natural hedging. Currency risks are managed in the short

to medium term and for operational purposes by means of hedging on financial markets. The principal objective is to increase planning reliability for the BMW Group. Hedging transactions are entered into only with financial partners of good credit standing. Opportunities are also secured through the use of options during specific market phases.

Risks and opportunities relating to raw materials prices

As a large-scale manufacturing company, the BMW Group is exposed to purchase price risks, particularly in relation to the raw materials used in vehicle production. The analysis of raw materials price risks is based on planned purchases of raw materials and components containing those products. Cash-flow-at-risk models and scenario analyses are used to measure risks and opportunities relating to raw materials prices.

If such risks were to materialise, they could have a medium earnings impact over the two-year assessment period. The risk amount is classified as medium. Significant opportunities could arise if raw materials prices develop favourably for the BMW Group.

Changes in prices are monitored via a well-defined management process, the primary objective of which is to increase planning reliability for the BMW Group. Price fluctuations for precious metals (platinum, palladium, rhodium), nonferrous metals (aluminium, copper), raw materials for batteries (lead, nickel, cobalt) and, to some extent, for steel and its basic ingredients (iron ore, coking coal) as well as energy (gas, electricity) are hedged using financial derivatives and supply contracts with fixed pricing arrangements.

Liquidity risks

The major part of the Financial Services segment's credit financing and leasing business is refinanced on capital markets. Liquidity risks can arise in the form of rising refinancing costs or from restricted access to funds as a consequence of the general market situation. If liquidity risks were to materialise, they would be likely to have a medium earnings impact over the two-year assessment period. The risk amount associated with liquidity risks, including the risk of the BMW Group's rating being downgraded, is classified as medium. The year-on-year change in the assessment of the risk amount reflects the sharp short-term rise in refinancing costs on capital markets at the beginning of the coronavirus pandemic.

Based on the experience gained during the global financial crisis, a liquidity concept has been drawn up, which is rigorously adhered to and continuously developed. The concept has been recently updated to take account of the implications of the coronavirus pandemic. The use of the "matched funding principle" to finance the Financial Services segment's operations ensures that liquidity risks are generally avoided. Furthermore, scenarios have been calculated to present and analyse the potential impact of the coronavirus pandemic on the matched funding principle.

Solvency is assured at all times throughout the BMW Group by adhering to liquidity ratios and using a broadly diversified range of refinancing sources. Regular measurement and monitoring ensure that cash inflows and outflows for the various maturities and currencies offset one another. This approach is an integral part of the BMW Group's liquidity concept.

The liquidity position is monitored continuously and managed through the Group-wide planning of financial requirements and funding. The diversified refinancing strategy employed reduces dependency on financial instruments and markets. Moreover, the BMW Group's solid financial and earnings position results in high credit ratings from internationally recognised rating agencies. At present, opportunities relating to liquidity are not expected to have any significant earnings impact.

Further information on risks in conjunction with financial instruments is provided in [note 39](#) to the Group Financial Statements.

Other financial risks

Other financial risks worth mentioning include counterparty risks as well as those arising in connection with investments in other entities.

The BMW Group works together with banks to ensure that the available liquidity is optimally invested and to hedge against financial market risks (particularly currency, commodity and interest rate risks) using derivative financial instruments. Counterparty risk describes the risk that the BMW Group will not receive the payments due to it in connection with the investment and hedging transactions referred to above. An enhanced value-at-risk model is employed to measure counterparty risk, taking into account the creditworthiness (rating) of the banks and the business volumes involved. Risk is managed using a limit system, which includes daily monitoring of the extent to which limits are being utilised.

The BMW Group holds equity investments of varying amounts in numerous entities, which could result in risk from depreciation and amortisation.

If other financial risks were to materialise, they could have a medium earnings impact over the two-year assessment period. The risk amount associated with other financial risks is classified as medium. Revaluations of investments could give rise to opportunities with a significant earnings impact.

Risks and opportunities relating to pension obligations

Future pension obligations are financed largely via external pension funds or trust constructs that are legally separate from BMW. Externally managed funds are invested on capital markets in a broadly diversified portfolio with a view to enabling future pension payments to be disbursed out of pension assets. These arrangements greatly reduce the need to fund pension payments out of ongoing operations.

Risks arise from fluctuations in pension obligations on the one hand and the related pension assets on the other. Opportunities arise if the value of pension assets on capital markets develops favourably or if pension obligations decrease at a more pronounced rate than the related assets.

Pension obligations are primarily measured using a discount rate based on market yields from high-quality corporate bonds. These yields are subject to market fluctuations and therefore influence the level of pension obligations. Changes in other parameters, such as rising inflation rates and longer life expectancy, also impact the amount as well as the duration of future pension payments. Regulatory requirements or changes may also affect the amount of pension obligations.

The fluctuation of pension assets reflects the volatility of individual asset classes on capital markets. The broadly diversified portfolio comprises investments in interest-bearing securities, equities, real estate and other asset classes.

Despite the high level of external funding, risks relating to pension obligations could have a high earnings impact over the two-year assessment period. The risk amounts attached to pension obligations are classified as high. The strategic portfolio allocation of pension assets therefore comprises two key components. One part is allocated with a view to hedging against value fluctuations, applying the "liability-driven investment approach", whereby capital market instruments are employed on a targeted basis to hedge against financial risks arising from the measurement of pension obligations. A second part is allocated with a view to generating income. Within a favourable capital market environment, this part of the

pension assets offers the opportunity to further reduce pension plan deficits by generating positive returns and thereby impact the BMW Group's financial position to a significant degree. The risks and opportunities described above are continuously monitored and managed.

Remeasurements on the liability and asset sides are recognised net of deferred taxes through other comprehensive income and hence directly in equity (within revenue reserves).

Further information on risks in conjunction with pension provisions is provided in [note 32](#) to the Group Financial Statements.

LEGAL RISKS

The BMW Group is exposed to various legal risks, not least due to the global nature of its operations. Legal risks may result from non-compliance with laws or other legal requirements or from legal disputes with business partners or other market participants. If legal risks were to materialise, they could have a high earnings impact over the two-year assessment period. The risk amounts attached to significant identified legal risks are classified as medium. However, it cannot be ruled out that new legal risks, as yet unforeseen, materialise that could have a high earnings impact for the BMW Group.

The growing globalisation of the BMW Group's operations as well as of business interdependencies in general, combined with the variety and complexity of legal provisions – increasingly including import

and export regulations – give rise to a greater risk of non-compliance with applicable law. A Compliance Management System is in place across the BMW Group to ensure that its representative bodies, executives and staff members worldwide consistently act in a lawful manner. In 2020, the system was further developed, primarily by establishing additional compliance functions in various centralised departments within BMW AG, stepping up face-to-face training on antitrust compliance and via a Group-wide "Tone from the Top" communication initiative that reflects the compliance management culture within the BMW Group. ↗ [Corporate Governance](#)

Like all entities with international operations, the BMW Group is confronted with legal disputes, alleged claims (particularly relating to warranties and product liability or intellectual property rights infringements) and proceedings initiated by government agencies. Any of these could, amongst other consequences, have an adverse impact on the Group's reputation. Such proceedings are typical for the sector, may result as a consequence of realigning product or purchasing strategies to changed market conditions or are antitrust-related. Particularly in the US market, class action lawsuits and product liability risks can have substantial financial consequences and cause damage to the Group's reputation. More rigorous application or interpretation of existing regulations or the introduction of new regulations could result in a greater number of recalls.

In an antitrust investigation, the EU Commission alleges that five German car manufacturers colluded with the aim of restricting competition for innovation with regard to certain exhaust treatment systems for diesel- and petrol-driven passenger vehicles. The current investigation is solely concerned with possible infringements of competition law. The EU Commission is not alleging that the BMW Group conducted a deliberate and unlawful manipulation of the emissions control system. The Statement of Objections leads the BMW Group to believe that it is probable ("more likely than not") that the Commission will issue a significant fine. A provision of approximately €1.4 billion was recognised in 2019 in accordance with International Financial Reporting Standards for negative financial impacts that cannot yet be definitively assessed. In December 2019 the BMW Group submitted a detailed reply to the Statement of Objections. The EU Commission is currently examining the reply and, on that basis, will determine the next procedural steps. Therefore, the financial impact cannot yet be definitively assessed.

For several years, lawsuits have been filed against BMW Bank GmbH (BMW Bank) in which consumers claim the withdrawal of their loan and leasing contracts on the basis of allegedly incorrect and insufficient pre-contractual information. The focus is on loan contracts. Since 2017, BMW Bank has won the vast majority of these lawsuits. In November 2019, the Federal Court of Justice (BGH) adopted a decision of principle in favour of BMW Bank, confirming the accuracy of consumer-relevant information in loan contracts. In addition, in October 2020 the BGH decided in a case in which BMW Bank

was not involved that consumers are generally obliged to pay a compensation after a successful withdrawal. Since the beginning of 2020, several references for a preliminary ruling on the scope of information obligations have been filed with the European Court of Justice (ECJ). On the basis of these requests, there is a risk that BMW Bank's prospects of success in the withdrawal lawsuits could deteriorate in the event of negative future ECJ case law. The possible financial impact cannot be definitively assessed at this stage.

The BMW Group recognises appropriate levels of provision for lawsuits. In addition, a part of these risks is insured to an economically reasonable extent. Further risks from legal proceedings are reported as other contingent liabilities. It cannot be ruled out, however, that damages arise that are either not covered or not fully covered by insurance policies or provisions or reported as contingent liabilities. In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), the required information is not provided if the BMW Group concludes that its disclosure could seriously prejudice the outcome of the relevant legal proceedings. Further information on contingent liabilities is provided in [note 38](#) to the Group Financial Statements.

RISK MANAGEMENT SYSTEM IN THE FINANCIAL SERVICES SEGMENT

In the Financial Services segment, the risk management process also takes financial regulatory requirements such as Basel III into account. Internal methods for identifying, measuring, managing and monitoring risks within the Financial Services segment comply with national and international standards. Risk management within the Financial Services business is built on the prevailing risk culture, the defined risk strategy, the internal capital adequacy assessment process framework and a set of rules comprising principles and guidelines. In organisational terms, the risk management process is ensured by means of a clear division between front- and back-office activities and a comprehensive internal control system. The main tool used to manage risk within the Financial Services segment is to ensure the segment's risk-bearing capacity.

All risks – in the sense of unexpected losses – must be covered at all times. Based on the entity's risk appetite, this is achieved by ensuring specified levels of risk-covering assets (asset cushions) in the form of equity capital. Unexpected losses are measured using various value-at-risk models, which are validated at regular intervals. Risks are also aggregated after taking account of correlation effects. In addition to assessing the Group's ability to bear risk, stress scenarios are also examined. The segment's risk-bearing capacity is also regularly monitored by means of an integrated limit system for the various risk categories.

Sustainability has developed into a megatrend of our time and is increasingly becoming the focus of political and social debate. Both the effects of climate change and the changes brought about by the fight against climate change are also likely to be reflected across the world's financial system. Due to the potential macroeconomic consequences, the related sustainability risks are seen as a threat to the stability of financial markets. In the context of bank supervision at national and international level, it is therefore essential that the banks concerned take sustainability risks adequately into account.

The Financial Services segment not only helps its customers to satisfy their mobility needs by offering credit financing and leasing products, it also promotes the BMW Group's industrial business from a sales point of view. The far-reaching consequences of the debate on sustainability and sustainability risks affect both the non-financial economy (and therefore the BMW Group) and the financial economy (and therefore the Financial Services segment). Due to the close interrelationships

within the Group, developments that affect the BMW Group's industrial business in the first step (e.g. diesel driving bans, adjustments to carbon emissions targets, the growing proportion of e-vehicles, etc.) are also relevant for the Financial Services segment in the second step. This environment has always been part of the underlying framework of the Financial Services segment's business model.

The growing challenges posed by climate change and the resulting impact on the financial system are taken into account in the Financial Services segment by adequately addressing sustainability risks. As an integral part of the BMW Group's value chain, the Financial Services segment is highly aware of the importance of managing sustainability risks and is therefore fully integrated in the BMW Group's comprehensive sustainable corporate strategy.

The following overview provides a general summary of the main risks and opportunities in the Financial Services segment:

	Risks		Opportunities	
	Classification of risk amount	Change compared to prior year	Classification	Change compared to prior year
RISKS AND OPPORTUNITIES				
Risks and opportunities relating to the provision of financial services				
Credit risk	Medium	Stable	Insignificant	Stable
Residual value	High	Stable	Significant	Stable
Interest rate changes	Medium	Stable	Significant	Stable
Operational risks	Medium	Stable	–	–

Risks and opportunities relating to the Financial Services segment

The main categories of risk relevant for the Financial Services segment are credit and counterparty risk, residual value risk, interest rate risk, operational risk and liquidity risk. The evaluation of liquidity risk for the Financial Services segment is included in the liquidity risk category for the Group as a whole.

During the financial year 2020, the aggregate risk cushion for risks in the Financial Services segment was sufficient at all times, thereby ensuring the segment's risk-bearing capacity.

Credit and counterparty risks and opportunities relating to the Financial Services segment

Credit and counterparty default risk arises within the Financial Services segment if a contractual partner (e.g. a customer or dealership) becomes either unable or only partially able to fulfil its contractual obligations, so that lower income is generated or losses are incurred. If unexpected credit and counterparty default risks were to materialise, they could have a medium earnings impact over the two-year assessment period. The risk amount is classified as medium. The BMW Group classifies potential opportunities in this area as insignificant.

In light of the uncertainties surrounding the future course of the coronavirus pandemic, additional credit loss provisions were recognised during the financial year 2020 for expected credit losses, in order to reflect the possible negative impact of the coronavirus pandemic on retail customer and dealership business for accounting purposes.

Initial and continuous creditworthiness testing is an important aspect of the BMW Group's credit risk management system. For this reason, every borrower's creditworthiness is tested for all credit financing and leasing contracts entered into by the BMW Group. Opportunities may arise if the managed portfolio performs better over time than estimated when the credits were granted. The intensive management of purchasing processes and collateral assessment as well as favourable macroeconomic developments could accentuate these opportunities. In the case of retail customer financing, creditworthiness is assessed using validated scoring systems integrated in the purchasing process. In the area of dealership financing, creditworthiness is assessed by means of ongoing credit monitoring and an internal rating system that takes account not only of the material credit standing of the borrower, but also of qualitative factors such as past reliability in business relationships. Changes in the creditworthiness of customers arising during the credit term are covered by risk provisioning procedures. The credit risk of individual customers is quantified on a monthly basis and, depending on the outcome, taken into account within the risk provisioning system. Macroeconomic developments are currently subject to a higher degree of volatility. If developments are more favourable than assumed in the outlook, credit losses may be reduced, leading to a positive earnings impact.

Due to the coronavirus pandemic, moratoria were granted to customers and dealers, particularly during the first six months of the year, taking into account the prevailing legal requirements. The simultaneous improvement in the economic situation in most markets in the second half of the year meant that the low percentage of actual loan defaults was kept stable.

Residual value risks and opportunities relating to the Financial Services segment

Risks and opportunities arise in conjunction with leasing contracts if the market value of a leased vehicle at the end of the contractual term of a lease differs from the residual value estimated at the commencement date of the lease. A residual value risk exists if the expected market value of the vehicle at the end of the contractual term is lower than its estimated residual value at the date the contract is entered into. If unexpected residual value risks were to materialise, they could have a high earnings impact from the Group's perspective over the two-year assessment period. A high earnings impact would then arise for the affected Financial Services and Automotive segments. The risk amount is classified as high for the Group as a whole. Opportunities can arise out of a positive deviation between the actual market value and the original residual value forecast. The BMW Group classifies potential residual value opportunities as significant.

Each vehicle's estimated residual value is calculated on the basis of historical external and internal data. This estimation provides the expected market value of the vehicle at the end of the contractual period. Developments on pre-owned car markets are an important factor for the BMW Group. In 2020, the number of electrified vehicles also continued to increase. Changes in the value of these vehicles are largely determined by a set of known influencing factors. Prices on pre-owned car markets in the premium segment fluctuated within the usual range and were even favourably influenced in some cases by coronavirus-related catch-up effects. As part of the management of residual value risks, the net present value of risk costs is also calculated at the contract commencement date. Market developments are monitored throughout the contractual period and the risk assessment updated accordingly. Residual value risk management essentially follows the same established process, regardless of the drivetrain variant.

Based on current expectations of a rising level of residual value losses in subsequent years, the level of risk provisioning has been raised in the form of additional provisions and in line with applicable financial reporting standards. Accordingly, risk costs for residual value risks in the Financial Services segment are significantly higher than one year earlier.

Interest rate risks and opportunities relating to the Financial Services segment

Interest rate risks in the Financial Services segment relate to potential losses caused by changes in market interest rates. These can arise when fixed interest rate periods do not match for assets and liabilities recognised in the balance sheet. If interest rate risks were to materialise, they could have a medium earnings impact over the two-year assessment period. The risk amount is classified as medium. Favourable interest rate developments compared to the outlook represent opportunities that the BMW Group classifies as significant. Interest rate risks in the Financial Services business are managed by ensuring that fixed interest rate periods match to a large extent and through the use of interest-rate derivatives. If the relevant recognition criteria are fulfilled, derivatives used by the BMW Group are accounted for as hedging relationships. Further information on risks in conjunction with financial instruments is provided in [↗ note 39](#) to the Group Financial Statements.

Operational risks relating to the Financial Services segment

In the Financial Services segment, operational risks are defined as the risk of losses arising as a consequence of the unsuitability or failure of internal procedures (process risks), people (personnel-related risks), systems (infrastructure- and IT-related risks) and external events (external risks). The recording and measurement of risk scenarios, loss events and countermeasures in the operational risk management system provide the basis for the systematic analysis and management of potential or materialised operational risks. Annual self-assessments are also carried out. This risk category also includes sustainability risks that correspond to the definition of operational risks, such as external events or natural and man-made disasters.

If operational risks were to materialise, they would be likely to have a low earnings impact over the two-year assessment period. The risk amount is classified as medium. At present, no significant opportunities for the earnings situation are seen with regard to operational risks.

INTERNAL CONTROL SYSTEM* RELEVANT FOR ACCOUNTING AND FINANCIAL REPORTING PROCESSES

The internal control system relevant for accounting and financial reporting processes has the task of ensuring that accounting and financial reporting of the BMW Group is both accurate and reliable. Within the framework of the "Three Lines of Defence" model used to manage risk across the Group, the internal control system represents a key component of the second line of defence, serving as a link between the operating units, the corporate audit function and the external auditors.

Internationally recognised standards for internal control systems were taken into account when designing the various components of the BMW Group's internal control system. The system comprises:

- Group-wide mandatory accounting guidelines
- Controls integrated in processes and IT systems

- Organisational measures incorporating the principles of the risk-oriented segregation of duties
- Process-independent monitoring measures

The system and the methodologies applied are subject to continuous improvement, with system effectiveness assessed regularly on the basis of centralised and decentralised process analyses, analyses of data within the various financial systems and audit procedures. The principal features of the internal control system, as far as they relate to individual entity and Group accounting and financial reporting processes, are described below.

Guidelines for recognising, measuring and allocating items to accounts are available to all Group employees via the intranet. New accounting standards are assessed for their impact on the BMW Group's accounting and financial reporting. Accounting guidelines and processes are reviewed continuously and revised at least once a year, or more frequently if required.

Preventive and detective controls are integrated in Group accounting and financial reporting processes. Preventive controls serve to prevent errors and omissions, whereas detective controls serve to detect and correct errors. To the extent possible, they are designed to comply with the principle of the segregation of duties. Key IT systems that are relevant for accounting and financial reporting incorporate controls designed, among other things, to prevent business transactions from being recorded incorrectly as well as to ensure the timely recognition and measurement of all business transactions in accordance with applicable requirements. Controls are also in place to test the appropriateness of consolidation procedures.

In conjunction with the ongoing development of IT systems relevant for accounting and financial reporting processes at both individual entity and Group level, controls are adapted to take account of new requirements and opportunities arising as a result of advances in information technology. Moreover, the BMW Group uses data analysis tools to identify and subsequently eliminate any weaknesses in the control system.

Responsibilities for ensuring the effectiveness of the internal control system in Group accounting and financial reporting processes are clearly defined and allocated to the relevant line and process managers. These managers report annually on their assessment of the effectiveness of the internal control system for accounting and financial reporting purposes. The assessment also includes the results of internal and external audits as well as of data analysis that is conducted on a continual basis. In this context, the Group's various units confirm the effectiveness of the internal control system for accounting and financial reporting. The results of the assessment are gathered and documented with the aid of appropriate tools. Any weaknesses in the control system are eliminated, taking into account their potential impact on accounting and financial reporting processes. The Board of Management and the Audit Committee are briefed annually on the effectiveness of the internal control system for accounting and financial reporting. The Board of Management and, where appropriate, the Supervisory Board, are informed without delay if there are any significant changes in the effectiveness of the internal control system.

DISCLOSURES RELEVANT FOR TAKEOVERS* AND EXPLANATORY COMMENTS

COMPOSITION OF SUBSCRIBED CAPITAL

The subscribed capital (share capital) of BMW AG amounted to €659,684,500 at 31 December 2020 (2019: €658,862,500) and, in accordance with Article 4 no. 1 of the Articles of Incorporation is sub-divided into 601,995,196 shares of common stock (91.26%) (2019: 601,995,196; 91.37%) and 57,689,304 shares of non-voting preferred stock (8.74%) (2019: 56,867,304; 8.63%), each with a par value of €1. The Company's shares are issued to bearer.

The rights and obligations of shareholders derive from the German Stock Corporation Act (AktG) in conjunction with the Company's Articles of Incorporation, the full text of which is available at www.bmwgroup.com. The right of shareholders to have their shares evidenced is excluded in accordance with the Articles of Incorporation.

The voting power attached to each share corresponds to its par value. Each €1 of par value of share capital represented in a vote entitles the holder to one vote (Article 18 no. 1 of the Articles of Incorporation).

The Company's shares of preferred stock are shares as defined in § 139 ff. AktG, which carry a cumulative preferential right in terms of the allocation of profit and for which voting rights are excluded. These shares confer voting rights only in exceptional cases stipulated by law, in particular when the preference amount has either not been paid or has not been fully paid within one year and the arrears are not paid in the subsequent year alongside the full preference amount due for that year. With the exception of voting rights, holders of shares of preferred stock are entitled to the same rights as holders of shares of common stock. Article 24 of the Articles of Incorporation confers preferential treatment to the non-voting shares of preferred stock with regard to the appropriation of the Company's unappropriated profit. Accordingly, the unappropriated profit is required to be appropriated in the following order:

- a** Subsequent payment of any arrears on dividends on non-voting shares of preferred stock in the order of accrued
- b** Payment of an additional dividend of €0.02 per €1 par value on non-voting preferred shares
- c** Uniform payment of any other dividends on shares of common and preferred stock, provided the shareholders do not resolve otherwise at the Annual General Meeting

RESTRICTIONS AFFECTING VOTING RIGHTS OR THE TRANSFER OF SHARES

In addition to shares of common stock, the Company has also issued non-voting shares of preferred stock. Further information is provided in the section "Composition of subscribed capital".

When the Company issues non-voting shares of preferred stock to employees in conjunction with its Employee Share Programme, these shares are generally subject to a Company-imposed blocking period of four years, calculated from the beginning of the calendar year in which the shares were issued.

Contractual holding period arrangements also apply to shares of common stock acquired by Board of Management members and certain senior department heads in conjunction with the share-based remuneration programmes (Remuneration Report of the Corporate Governance section; [note 41](#) to the Group Financial Statements).

DIRECT OR INDIRECT INVESTMENTS IN CAPITAL EXCEEDING 10% OF VOTING RIGHTS

Based on information available to the Company, the following direct or indirect holdings exceeding 10% of the voting rights at the end of the reporting period were held at the stated reporting date:¹

in %	Direct share of voting rights	Indirect share of voting rights
Stefan Quandt, Germany	0.2	25.6 ²
AQTON SE, Bad Homburg v. d. Höhe, Germany	9.0	16.6 ³
AQTON Verwaltung GmbH, Bad Homburg v. d. Höhe, Germany		16.6 ⁴
AQTON GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe, Germany	16.6	
Susanne Klatten, Germany	0.2	20.7 ⁵
Susanne Klatten Beteiligungs GmbH, Bad Homburg v. d. Höhe, Germany		20.7

The voting percentages disclosed above may have changed subsequent to the stated date if these changes were not required to be reported to the Company. As the Company's shares are issued to bearer, the Company is generally aware of changes in shareholdings only if such changes are subject to mandatory notification rules.

SHARES WITH SPECIAL RIGHTS THAT CONFER CONTROL RIGHTS

There are no shares with special rights that confer control rights.

CONTROL OF VOTING RIGHTS WHEN EMPLOYEES PARTICIPATE IN CAPITAL AND DO NOT DIRECTLY EXERCISE THEIR CONTROL RIGHTS

Like all other shareholders, employees exercise their control rights pertaining to shares they have acquired in conjunction with the Employee Share Programme and/or the share-based remuneration programme directly on the basis of relevant legal provisions and the Company's Articles of Incorporation.

STATUTORY REGULATIONS AND PROVISIONS CONTAINED IN THE ARTICLES OF INCORPORATION GOVERNING THE APPOINTMENT AND REMOVAL OF MEMBERS OF THE BOARD OF MANAGEMENT AND CHANGES TO THE ARTICLES OF INCORPORATION

The appointment or removal of members of the Board of Management is based on the rules contained in § 84 f. AktG in conjunction with § 31 of the German Co-Determination Act (MitbestG).

Amendments to the Articles of Incorporation must comply with § 179 ff. AktG. Amendments must be decided upon by the shareholders at the Annual General Meeting (§ 119 (1) no. 6, § 179 (1) AktG). The Supervisory Board is authorised to approve amendments to the Articles of Incorporation that only affect its wording (Article 14 no. 3 of the Articles of Incorporation). Resolutions are passed at the Annual General Meeting by a simple majority of shares cast unless otherwise explicitly required by binding provisions of law or, if a majority of share capital is required, by a simple majority of shares represented in the vote (Article 20 no. 1 of the Articles of Incorporation).

¹ Based on voluntary notifications provided by the listed shareholders as at 31 December 2020.

² Controlled entities, of which 3% or more are attributed: AQTON SE, AQTON Verwaltung GmbH, AQTON GmbH & Co. KG für Automobilwerte.

³ Controlled entities, of which 3% or more are attributed: AQTON Verwaltung GmbH, AQTON GmbH & Co. KG für Automobilwerte.

⁴ Controlled entities, of which 3% or more are attributed: AQTON GmbH & Co. KG für Automobilwerte.

⁵ Controlled entities, of which 3% or more are attributed: Susanne Klatten Beteiligungs GmbH.

AUTHORISATIONS OF THE BOARD OF MANAGEMENT, IN PARTICULAR WITH RESPECT TO THE ISSUING OR BUYING BACK OF SHARES

The Board of Management is authorised to buy back shares and sell repurchased shares in situations specified in § 71 AktG, for example to avert serious and imminent damage to the Company and/or to offer shares to persons employed or previously employed by BMW AG or one of its affiliated companies.

In accordance with Article 4 no. 5 of the Articles of Incorporation, the Board of Management is authorised, with the approval of the Supervisory Board, to increase by means of cash contributions BMW AG's share capital during the period up to and including 15 May 2024 by up to €3,437,600 for the purposes of an Employee Share Programme by issuing new non-voting shares of preferred stock, which carry the same rights as existing non-voting preferred stock (Authorised Capital 2019). The subscription rights of existing shareholders are excluded. No conditional capital was in place at the reporting date.

SIGNIFICANT AGREEMENTS OF THE COMPANY TAKING EFFECT IN THE EVENT OF A CHANGE IN CONTROL FOLLOWING A TAKEOVER BID

BMW AG is party to the following major agreements, which contain provisions that would apply in the event of a change in control or the acquisition of control as a result of a takeover bid:

- An agreement concluded with an international consortium of banks relating to a syndicated credit line, which was not being utilised at the balance sheet date, entitles the lending banks to give extraordinary notice to terminate the credit line, such that all outstanding amounts, including interest, would fall due with immediate effect if one or more parties jointly acquire direct or indirect control of BMW AG. The term "control" is defined as the acquisition of more than 50 % of the share capital of BMW AG, the right to receive more than 50 % of the dividend or the right to direct the affairs of the Company or appoint the majority of members of the Supervisory Board.
 - A cooperation agreement concluded with Peugeot SA relating to small (1- to 1.6-litre) petrol engines entitles each of the cooperation partners to give extraordinary notification of termination in the event of a competitor acquiring control over the other contractual party and if any concerns of the other contractual party regarding the impact of the change of control on the cooperation arrangements are not resolved during the subsequent discussion process.
- BMW AG acts as guarantor for all obligations arising from the joint venture agreement relating to BMW Brilliance Automotive Ltd. in China. This agreement grants an extraordinary right of termination to either joint venture partner in the event of a change in control at one of the parties or if more than 25 % of the shares of the other party are acquired by a third party – either directly or indirectly – or if the other party is merged with another legal entity. Termination of the joint venture agreement may lead to the dissolution of the joint venture with an optional purchase right for BMW (or for the partner) to acquire the shares of the other partner or to the liquidation of the joint venture company.
- Framework agreements are in place with financial institutions and banks (ISDA Master Agreements) with respect to trading activities with derivative financial instruments. These agreements include an extraordinary right of termination that triggers actions in the event that the creditworthiness of the party involved is materially weaker following a direct or indirect acquisition of beneficially owned equity capital which confers the power to elect a majority of the Supervisory Board of a contractual party or any other ownership interest that enables the acquirer to exercise control over a contractual party or which constitutes a merger or a transfer of net assets.

— Financing agreements in place with the European Investment Bank (EIB) entitle the EIB to demand early repayment of its loans in the event of an imminent or actual change in control of BMW AG, if the EIB has reason to assume – after the change in control has taken place or 30 days after it has made a request to discuss the situation – that the change in control could have a significantly adverse impact, or if the borrower refuses to hold any such discussions. A change in control of BMW AG arises if one or more individuals take over or lose control of BMW AG, with control being defined in the above-mentioned financing agreements as (i) holding or having control over more than 50 % of the voting rights, (ii) the right to appoint the majority of the members of the Board of Management or Supervisory Board, (iii) the right to receive more than 50 % of dividends payable or (iv) any other comparable controlling influence over BMW AG.

— BMW AG and Daimler AG have entered into a joint venture agreement relating to mobility services in the areas of car sharing, ride hailing, parking, charging and multimodality, which entitles both Daimler AG and BMW AG (hereafter referred to as “principals”) to initiate a bidding procedure in the event that (i) the other principal receives notice in accordance with § 33 of the German Securities Trading Act (WpHG) that – including shares attributed pursuant to § 34 WpHG – a shareholding of more than 50 % has been attained or, in accordance with § 20 AktG of the German Stock Corporation Act (AktG) that a shareholding of more than 50 % has been attained or (ii) a shareholder or a third party – including shares

attributed pursuant to § 30 WpHG – holds more than 50 % of the voting rights or shares in the other principal, or (iii) the other principal has concluded a control agreement as dependent company. The outcome of such a bidding procedure is that the joint venture will go to the principal making the highest bid.

— Several supply and development contracts between BMW AG and various industrial customers, all relating to the sale of components for drivetrain systems, grant an extraordinary right of termination to the relevant industrial customer in specified cases of a change in control at BMW AG (for example BMW AG merges with a third party or is taken over by a third party; an automobile manufacturer acquires more than 50 % of the voting rights or share capital of BMW AG).

— BMW AG is party to the shareholder agreement relating to There Holding B.V., which is the majority shareholder of the HERE Group. In accordance with the shareholder agreement, each contractual party is required to offer its directly or indirectly held shares in There Holding B.V. for sale to the other shareholders in the event of a change in control. A change in control of BMW AG arises if a person takes over or loses control of BMW AG, with control defined as (i) holding or having control over more than 50 % of the voting rights, (ii) the possibility to control more than 50 % of voting rights exercisable at Annual General Meetings on all or nearly all matters, or (iii) the right to determine the majority of members of the Board of Management or the Supervisory Board. Furthermore, a change in control occurs if competitors of

the HERE Group or certain potential competitors of the HERE Group from the technology sector acquire at least 25 % of BMW AG. If none of the other shareholders acquire these shares, the other shareholders are entitled to resolve that There Holding B.V. be dissolved.

— The development collaboration agreement between BMW AG, Intel Corporation and Mobileye Vision Technologies Ltd., relating to the development of technologies used in automated vehicles, may be terminated by any of the contractual parties if a competitor of one of the parties acquires and subsequently holds at least 30 % of the voting shares of one of the contractual parties.

— The development collaboration agreement between BMW AG, FCA US LLC and FCA Italy S.p.A. relating to the development of technologies used in conjunction with automated vehicles may be terminated by any of the contractual parties if certain competitors in the technology sector acquire and subsequently hold at least 30 % of the voting shares of one of the other contractual parties.

- Until 19 June 2020, BMW AG was party to a collaboration agreement with Mercedes-Benz AG for the development of technologies for second-generation automated driving (from 2024), which could be terminated by either party in the event that a third party – either directly or indirectly – acquires at least 30% of the voting rights in one of the contractual parties (§ 29 (2) and § 30 of the German Securities Acquisition and Takeover Act (WpÜG)). This collaboration was terminated with immediate effect in accordance with an agreement dated 18/19 June 2020.
- BMW AG has entered into an agreement with Great Wall Motor Company Limited to establish the joint venture Spotlight Automotive Ltd. in China. The agreement grants an extraordinary right of termination to either joint venture partner in the event that – either directly or indirectly – more than 25 % of the shares of the other party are acquired by a third party or if the other party is merged with another legal entity. The termination of the joint venture agreement may result in the sale of the shares to the other joint venture partner or in the liquidation of the joint venture entity.

COMPENSATION AGREEMENTS WITH MEMBERS OF THE BOARD OF MANAGEMENT OR WITH EMPLOYEES IN THE EVENT OF A TAKEOVER BID

The BMW Group has not concluded any compensation agreements with members of the Board of Management or with employees for situations involving a takeover offer.

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INCOME STATEMENT FOR GROUP AND SEGMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR GROUP

	Note	2020	2019
Net profit/loss		3,857	5,022
Remeasurement of the net liability for defined benefit pension plans	32	-354	-1,254
Deferred taxes		139	387
Items not expected to be reclassified to the income statement in the future		-215	-867
Marketable securities (at fair value through other comprehensive income)		7	42
Derivative financial instruments		991	-706
Costs of hedging		201	125
Other comprehensive income from equity accounted investments		106	-3
Deferred taxes		-444	171
Currency translation foreign operations		-1,283	544
Items that can be reclassified to the income statement in the future		-422	173
Other comprehensive income for the period after tax	19	-637	-694
Total comprehensive income		3,220	4,328
Total comprehensive income attributable to minority interests		82	107
Total comprehensive income attributable to shareholders of BMW AG	31	3,138	4,221

BALANCE SHEET FOR GROUP AND SEGMENTS

in € million	Note	Group		Automotive (unaudited supplementary information)		Motorcycles (unaudited supplementary information)		Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
ASSETS													
Intangible assets	21	12,342	11,729	11,809	11,212	155	127	377	389	1	1	—	—
Property, plant and equipment	22	21,850	23,245	21,371	22,749	401	407	78	89	—	—	—	—
Leased products	23	41,995	42,609	—	—	—	—	48,759	50,348	—	—	-6,764	-7,739
Investments accounted for using the equity method	24	3,585	3,199	3,585	3,199	—	—	—	—	—	—	—	—
Other investments	735	703	4,711	5,144	—	—	20	1	6,938	6,847	-10,934	-11,289	
Receivables from sales financing	25	48,025	51,030	—	—	—	—	48,082	51,079	—	—	-57	-49
Financial assets	26	2,644	1,370	559	131	—	—	161	139	1,939	1,168	-15	-68
Deferred tax	13	2,459	2,194	3,196	3,451	—	—	550	512	131	84	-1,418	-1,853
Other assets	28	1,216	1,325	2,861	2,203	33	36	2,929	3,351	41,860	38,919	-46,467	-43,184
Non-current assets		134,851	137,404	48,092	48,089	589	570	100,956	105,908	50,869	47,019	-65,655	-64,182
Inventories	29	14,896	15,891	13,391	14,404	687	679	818	808	—	—	—	—
Trade receivables	30	2,298	2,518	1,979	2,228	219	186	100	103	—	1	—	—
Receivables from sales financing	25	36,252	41,407	—	—	—	—	36,252	41,407	—	—	—	—
Financial assets	26	5,108	5,955	4,152	4,772	—	—	612	1,009	392	187	-48	-13
Current tax	27	606	1,209	342	1,000	—	—	64	84	200	125	—	—
Other assets	28	9,110	11,614	33,747	33,492	2	1	5,952	5,106	52,625	64,692	-83,216	-91,677
Cash and cash equivalents		13,537	12,036	9,522	9,077	5	11	2,863	2,075	1,147	873	—	—
Current assets		81,807	90,630	63,133	64,973	913	877	46,661	50,592	54,364	65,878	-83,264	-91,690
Total assets		216,658	228,034	111,225	113,062	1,502	1,447	147,617	156,500	105,233	112,897	-148,919	-155,872

in € million	Note	Group		Automotive (unaudited supplementary information)		Motorcycles (unaudited supplementary information)		Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
EQUITY AND LIABILITIES													
Subscribed capital	31	660	659										
Capital reserves	31	2,199	2,161										
Revenue reserves	31	59,550	57,667										
Accumulated other equity	31	-1,518	-1,163										
Equity attributable to shareholders of BMW AG	31	60,891	59,324										
Minority interest		629	583										
Equity		61,520	59,907	41,117	40,174	—	—	15,555	15,545	21,389	21,972	-16,541	-17,784
Pension provisions	32	3,693	3,335	3,197	2,820	109	96	49	47	338	372	—	—
Other provisions	33	6,488	5,788	6,268	5,605	74	81	146	102	—	—	—	—
Deferred tax	13	509	632	697	543	—	—	2,812	3,804	78	34	-3,078	-3,749
Financial liabilities	35	67,390	70,647	2,087	2,680	—	—	17,730	18,170	47,588	49,865	-15	-68
Other liabilities	36	5,095	5,100	7,270	7,929	522	569	42,506	39,639	1,011	102	-46,214	-43,139
Non-current provisions and liabilities		83,175	85,502	19,519	19,577	705	746	63,243	61,762	49,015	50,373	-49,307	-46,956
Other provisions	33	7,494	7,421	6,960	6,962	100	105	388	299	46	55	—	—
Current tax	34	747	963	537	704	—	—	192	184	18	75	—	—
Financial liabilities	35	38,986	46,093	897	1,929	—	—	25,178	26,938	12,959	17,239	-48	-13
Trade payables	37	8,644	10,182	7,365	8,814	378	413	892	943	9	12	—	—
Other liabilities	36	16,092	17,966	34,830	34,902	319	183	42,169	50,829	21,797	23,171	-83,023	-91,119
Current provisions and liabilities		71,963	82,625	50,589	53,311	797	701	68,819	79,193	34,829	40,552	-83,071	-91,132
Total equity and liabilities		216,658	228,034	111,225	113,062	1,502	1,447	147,617	156,500	105,233	112,897	-148,919	-155,872

CASH FLOW STATEMENT FOR GROUP AND SEGMENTS

in € million	Group		Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)	
	2020	2019	2020	2019	2020	2019
Profit/loss before tax ¹	5,222	7,118	2,722	4,467	1,725	2,272
Income taxes paid	-1,605	-3,389	-382	-1,984	-1,513	-345
Interest received ²	163	91	283	91	3	-
Other interest and similar income / expenses ²	104	51	152	61	1	3
Depreciation and amortisation of tangible and intangible assets	6,139	6,017	5,974	5,853	46	54
Other non-cash income and expense items	99	-200	94	-262	6	23
Result from equity accounted investments	-920	-136	-920	-136	-	-
Gain/loss on disposal of tangible and intangible assets and marketable securities	-	4	-	3	-	-
Change in leased products	-1,016	-3,825	-	-	-311	-3,600
Change in receivables from sales financing	4,192	-3,560	-	-	4,184	-3,589
Changes in working capital	-996	-1,117	-841	-831	-76	-222
Change in inventories	370	-1,560	422	-1,255	-43	-193
Change in trade receivables	160	14	191	43	1	-11
Change in trade payables	-1,526	429	-1,454	381	-34	-18
Change in provisions	1,115	1,512	1,122	1,745	129	-59
Change in other operating assets and liabilities	754	1,096	-26	683	-1,432	118
Cash inflow/outflow from operating activities	13,251	3,662	8,178	9,690	2,762	-5,345

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The reconciliation of liabilities from financing activities
is presented in [note 35](#).

in € million	Group		Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)	
	2020	2019	2020	2019	2020	2019
Total investment in intangible assets and property, plant and equipment	-6,150	-6,902	-5,990	-6,734	-14	-19
Proceeds from subsidies for intangible assets and property, plant and equipment	53	50	45	50	8	2
Proceeds from the disposal of intangible assets and property, plant and equipment	34	32	34	31	-	1
Expenditure for investment assets	-176	-1,598	-199	-1,557	-	-
Proceeds from the disposal of investment assets and other business units ³	1,328	1,087	1,327	1,087	-	57
Investments in marketable securities and investment funds	-925	-775	-829	-507	-91	-268
Proceeds from the sale of marketable securities and investment funds	2,200	822	1,679	465	521	356
Cash inflow/outflow from investing activities	-3,636	-7,284	-3,933	-7,165	424	129
Payments into equity	28	33	28	33	-	-
Payment of dividends for the previous year	-1,671	-2,366	-1,671	-2,366	-	-
Intragroup financing and equity transactions	-	-	-901	877	-2,438	5,491
Interest paid ²	-275	-199	-447	-197	-18	-1
Proceeds from issue of non-current financial liabilities	164,478	150,517	-	173	153,823	132,408
Repayment of non-current financial liabilities	-171,532	-143,500	-982	-605	-156,657	-133,089
Change in other financial liabilities	718	305	-	-	2,782	491
Cash inflow/outflow from financing activities	-8,254	4,790	-3,973	-2,085	-2,508	5,300
Effect of exchange rate on cash and cash equivalents	180	-28	130	-22	110	6
Effect of changes in composition of Group on cash and cash equivalents	-40	-83	43	28	-	-
Change in cash and cash equivalents	1,501	1,057	445	446	788	90
Cash and cash equivalents as at 1 January	12,036	10,979	9,077	8,631	2,075	1,985
Cash and cash equivalents as at 31 December	13,537	12,036	9,522	9,077	2,863	2,075

¹ At the beginning of the financial year 2020, the starting point for determining cash flow was changed to profit/loss before tax; the previous year's figures have been adjusted accordingly.² With the exception of interest for lease liabilities, interest relating to financial services business is classified as revenues/cost of sales.³ Includes dividends received from investment assets amounting to €1,020 million (2019: €643 million).

STATEMENT OF CHANGES IN EQUITY FOR GROUP

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves	Accumulated other equity				Equity attributable to shareholders of BMW AG	Minority interest	Total
					Translation differences	Marketable Securities	Derivative financial instruments	Costs of hedging			
1 January 2020	31	659	2,161	57,667	-760	29	15	-447	59,324	583	59,907
Net profit		—	—	3,775	—	—	—	—	3,775	82	3,857
Other comprehensive income for the period after tax		—	—	-215	-1,396	5	781	188	-637	—	-637
Comprehensive income at 31 December 2020		—	—	3,560	-1,396	5	781	188	3,138	82	3,220
Dividend payments		—	—	-1,646	—	—	—	—	-1,646	-25	-1,671
Subscribed share capital increase out of Authorised Capital	1	—	—	—	—	—	—	—	1	—	1
Premium arising on capital increase relating to preferred stock	—	38	—	—	—	—	—	—	38	—	38
Other changes		—	—	-31	—	—	72	-5	36	-11	25
31 December 2020	31	660	2,199	59,550	-2,156	34	868	-264	60,891	629	61,520

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves	Accumulated other equity				Equity attributable to shareholders of BMW AG	Minority interest	Total
					Translation differences	Marketable Securities	Derivative financial instruments	Costs of hedging			
1 January 2019 (as originally reported)	31	658	2,118	55,862	-1,326	-1	558	-569	57,300	529	57,829
Effects of accounting policy change*		-	-	-32	-	-	-	-	-32	-	-32
1 January 2019 (as adjusted due to accounting policy change)		658	2,118	55,830	-1,326	-1	558	-569	57,268	529	57,797
Net profit		-	-	4,915	-	-	-	-	4,915	107	5,022
Other comprehensive income for the period after tax		-	-	-867	566	30	-551	128	-694	-	-694
Comprehensive income at 31 December 2019		-	-	4,048	566	30	-551	128	4,221	107	4,328
Dividend payments		-	-	-2,303	-	-	-	-	-2,303	-63	-2,366
Subscribed share capital increase out of Authorised Capital		1	-	-	-	-	-	-	1	-	1
Premium arising on capital increase relating to preferred stock		-	43	-	-	-	-	-	43	-	43
Other changes		-	-	92	-	-	8	-6	94	10	104
31 December 2019	31	659	2,161	57,667	-760	29	15	-447	59,324	583	59,907

* The 2018 figures were adjusted due to the change in accounting policy in conjunction with the adoption of IFRS 16 (see Annual Report 2019, Note 6 to the Group Financial Statements).

NOTES TO THE GROUP FINANCIAL STATEMENTS

Accounting Principles and Policies

01 BASIS OF PREPARATION

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW Group Financial Statements or Group Financial Statements) at 31 December 2020 were drawn up in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of § 315 e (1) of the German Commercial Code (HGB). The Group Financial Statements and Combined Management Report will be submitted electronically to the operator of the Federal Gazette and are accessible via the website of the Company Register. Bayerische Motoren Werke Aktiengesellschaft (BMW AG), which has its seat in Germany, Munich, Petuelring 130, is registered in the Commercial Register of the District Court of Munich under the number HRB 42243. BMW AG manufactures automobiles and motorcycles in the premium segment.

The Group currency is the euro. All amounts are disclosed in millions of euros (€ million) unless stated otherwise.

Key figures presented in the report have been rounded in accordance with standard commercial practise. In certain cases, this may mean that values do not add up exactly to the stated total and that percentages cannot be derived from the values shown.

The income statement for the BMW Group and segments is presented using the cost of sales method.

In order to provide a better insight into the results of operations, financial position and net assets of the BMW Group, and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include an income statement and a balance sheet for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by a statement of cash flows for the Automotive and Financial Services segments. Inter-segment transactions relate primarily to internal sales of products, the provision of funds for Group companies and the related interest. A description of the nature of the business and the major operating activities of the BMW Group's segments is provided in [note 45](#) ("Explanatory notes to segment information").

Approval for the publication of the Group Financial Statements was granted by the Board of Management on 9 March 2021 and by the Supervisory Board on 11 March 2021.

The presentation of selected items was changed in the financial year 2020, whereby the changes were not material overall. Attention is drawn to the changes in

presentation in the notes relating to relevant balance sheet and income statement items. Prior year figures have been adjusted accordingly.

02 GROUP REPORTING ENTITY AND CONSOLIDATION PRINCIPLES

The BMW Group Financial Statements include BMW AG and all material subsidiaries over which BMW AG – either directly or indirectly – exercises control. This also includes 57 structured entities, consisting of asset-backed financing arrangements and special purpose funds.

In relation to fully consolidated companies, the following changes took place in the Group reporting entity in the financial year 2020:

	Germany	Foreign	Total
Included at 31 December 2019	21	186	207
Included for the first time in 2020	-	14	14
No longer included in 2020	-	15	15
Included at 31 December 2020	21	185	206

All consolidated subsidiaries have the same year-end as BMW AG with the exception of BMW India Private Ltd. and BMW India Financial Services Private Ltd., whose year-ends are 31 March in accordance with local legal requirements.

When assessing whether an investment gives rise to a controlled entity, an associated company, a joint operation or a joint venture, the BMW Group considers contractual arrangements and other circumstances, as well as the structure and legal form of the entity. Discretionary decisions may also be required. If indications exist of a change in the judgement of (joint) control, the BMW Group undertakes a new assessment.

An entity is deemed to be controlled if BMW AG – either directly or indirectly – has power over it, is exposed or has rights to variable returns from it and has the ability to influence those returns.

An entity is classified as an associated company if BMW AG – either directly or indirectly – has the ability to exercise significant influence over the entity's operating and financial policies. As a general rule, the Group is assumed to have significant influence if it holds 20% or more of the entity's voting power.

Joint operations and joint ventures are forms of joint arrangements. Such an arrangement exists when a BMW Group entity jointly carries out activities with a third party on the basis of a contractual agreement.

In the case of a joint operation, the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Assets, liabilities, revenues and expenses of a joint operation are recognised proportionately in the Group

Financial Statements on the basis of the BMW Group entity's rights and obligations (proportionate consolidation).

The two largest joint operations that are accounted for by the BMW Group and which are described below are of minor significance for the Group Financial Statements as a whole:

- The BMW Group is party to a cooperation with Toyota Motor Corporation, Toyota City, which has developed a sports car.
- In 2019, the BMW Group and the Chinese automobile manufacturer Great Wall Motor Company Limited (Great Wall) established the jointly operated company, Spotlight Automotive Limited (Spotlight) for the future joint development and manufacture of electric vehicles in China. The BMW Group and Great Wall each hold 50 % of the joint operation's equity. In addition to electric MINI vehicles, Spotlight will also develop and produce electric vehicles for Great Wall.

In June 2020, a joint decision was taken to temporarily put on hold the cooperation with the Daimler Group for the development of highly automated driving systems, which is accounted for as a joint operation. This has no impact on the financial statements.

In the case of a joint venture, the parties which have joint control only have rights to the net assets of the arrangement.

Associated companies and joint ventures are accounted for using the equity method, with measurement on initial recognition based on acquisition cost.

The other changes to the Group reporting entity do not have a material impact on the results of operations, financial position and net assets of the Group.

03 FOREIGN CURRENCY TRANSLATION AND MEASUREMENT

The financial statements of consolidated companies which are presented in a foreign currency are translated using the modified closing rate method. Under this method, assets and liabilities are translated at the closing exchange rate, whilst income and expenses are translated at the average exchange rate. Differences arising on foreign currency translation are presented in "Accumulated other equity".

In the single entity accounts of BMW AG and its subsidiaries, foreign currency receivables and payables are measured on initial recognition using the exchange rate prevailing at the date of first-time recognition. Advance payments to suppliers or from customers in a foreign currency that result in the addition of non-monetary assets or liabilities are recorded at the exchange rate prevailing at the date of payment. At the end of the reporting period, foreign currency receivables and payables are measured using the closing exchange rate. The resulting unrealised gains and losses, as well as realised gains and losses arising on settlement, are recognised in the income statement, in line with the underlying substance of the transaction. Non-monetary balance sheet items denominated in foreign currencies are rolled forward on the basis of historical exchange rates.

The exchange rates of currencies which have a material impact on the Group Financial Statements were as follows:

1 Euro =	Closing rate		Average rate	
	31.12.2020	31.12.2019	2020	2019
US-Dollar	1.23	1.12	1.14	1.12
British Pound	0.90	0.85	0.89	0.88
Chinese Renminbi	8.00	7.82	7.87	7.73
South African Rand	17.97	15.72	18.77	16.17
Russian Rouble	90.54	69.60	82.71	72.43

Argentina has fulfilled the definition of a hyperinflationary economy since 1 July 2018. Since that date, IAS 29 (Financial Reporting in Hyperinflationary Economies) has therefore been applied for the BMW subsidiary in Argentina. The price indices published by the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) are used to adjust non-monetary assets and liabilities and items in the income statement. The resulting effects are not material for the BMW Group.

04 FINANCIAL REPORTING RULES

a Financial reporting standards applied for the first time in the financial year 2020

Standards or amendments to standards applied for the first time in the financial year do not have any significant impact on the BMW Group Financial Statements.

b Financial reporting standards issued by the IASB, but not yet applied

In August 2020, the IASB published the Amendment Standard Interest Rate Benchmark Reform (IBOR) – Phase 2. The amendments contain a number of reliefs to mitigate the impact on the accounting treatment of hedge relationships, financial instruments and lease liabilities resulting from the reform of interest rate benchmarks.

In accordance with the amendments, hedge accounting is not required to be discontinued solely because of the reform. Instead, the hedge relationships are deemed to remain in place even if the existing benchmark interest rate is replaced by an alternative interest rate, provided that the underlying documentation has been appropriately updated.

Replacing a previous benchmark rate results in a change in the basis for determining the contractual cash flows relating to financial assets and financial liabilities. For simplification purposes, it is permitted to account for the change by updating the effective interest rate without any immediate impact on profit or loss. This practical expedient is also available for finance leases, in that the requirements contained in IFRS 9 for modifications are deemed to apply. A similar practical expedient is available for lease liabilities accounted for in accordance with IFRS 16. In this case, any modification required by the benchmark reform results only in the lease liability being remeasured when the alternative interest rate is used to discount the modified lease payments.

The amendments are mandatory for financial years beginning on or after 1 January 2021. The BMW Group intends to apply the proposed practical expedients for transactions affected by the benchmark reform. The amendments have not been adopted early for the financial year 2020.

Other financial reporting standards issued by the IASB and not yet applied are not expected to have any significant impact on the BMW Group Financial Statements.

05 ACCOUNTING POLICIES, ASSUMPTIONS, JUDGEMENTS AND ESTIMATIONS

Revenues from customer contracts include in particular revenues from the sale of products (primarily new and pre-owned vehicles and related products) as well as revenues from services. Revenue is recognised when control is transferred to the dealership or retail customer. In the case of sales of products, this is usually at the point in time when the risks and rewards of ownership are transferred. Revenues are stated net of settlement discount, bonuses and rebates as well as interest and residual value subsidies. The consideration arising from these sales usually falls due for payment immediately or within 30 days. In exceptional cases, a longer payment may also be agreed. In the case of services, control is transferred over time. Consideration for the rendering of services to customers usually falls due for payment at the beginning of a contract and is therefore deferred as a contract liability. The deferred amount is released over the service period and recognised as revenue in the income statement. As a rule, amounts are released on the basis of the expected expense trend, as this best reflects the performance of the service. If the sale of products includes a determinable amount for services (multiple-component contracts), the related revenues are deferred and recognised as income in the same way. Variable consideration components, such as bonuses, are measured at the expected value, and in the case of multi-component contracts, allocated to all performance obligations unless directly attributable to the sale of a vehicle.

Revenues from the sale of products, for which repurchase arrangements are in place, are not recognised immediately in full. Instead, revenues are either recognised proportionately or the difference between the sales and repurchase price recognised in instalments over the term of the contract depending on the nature of the agreement. In the case of vehicles sold to a dealership that are expected to be repurchased in a subsequent period as part of leasing operations, revenues are not recognised at Group level at the time of the sale of the vehicle. Instead, assets and liabilities relating to the right of return vehicles are recognised.

Revenues from leases of own-manufactured vehicles are recognised at Group level in accordance with the requirements for manufacturer or dealer leases. In the case of operating leases, revenues from lease payments are recognised on a straight-line basis over the lease term. In the case of finance leases, revenues are recognised at the lease commencement date at the amount of the fair value of the leased asset and reduced by any unguaranteed residual value of vehicles that are expected to be returned to the Group at the end of the lease term. Similarly, cost of sales is reduced for unguaranteed residual values. In addition, initial direct costs are recognised as cost of sales at the lease commencement date.

Revenues also include interest income from financial services. Interest income arising on finance leases as well as on retail customer and dealership financing is recognised using the effective interest method and reported as interest income on credit financing within revenues.

Public sector grants are not recognised until there is reasonable assurance that the conditions attaching to them have been complied with and the grants will be received. The resulting income is recognised in cost of sales over the periods in which the costs occur that they are intended to compensate.

Earnings per share are calculated as follows: Basic earnings per share are calculated for common and preferred stock by dividing the net profit for the year after minority interests and attributable to each category of stock, by the average number of outstanding shares. Net profit for the year is accordingly allocated to the different categories of stock. The portion of the net profit that is not being distributed is allocated to each category of stock based on the number of outstanding shares. Profits available for distribution are determined directly on the basis of the dividend proposals or resolutions for common and preferred stock. Diluted earnings per share are calculated and separately disclosed in accordance with IAS 33.

Intangible assets are measured at acquisition or manufacturing cost. Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives of between three and 20 years. Impairment losses are recognised where necessary. Intangible assets with indefinite useful lives are tested annually for impairment. Internally generated intangible assets mainly comprise development costs for vehicle, module and architecture projects.

Development costs are capitalised if all of the criteria specified by IAS 38 are met. They are measured on the basis of direct costs and directly attributable overhead costs. Project-related capitalised development costs are amortised on a straight-line basis following the start of production over the estimated product life (usually seven to twelve years).

Goodwill arises on first-time consolidation of an acquired business when the cost of acquisition exceeds the Group's share of the net fair value of the assets, liabilities and contingent liabilities identified during the acquisition.

Intangible assets also include **emission allowances** and similar **rights arising from programmes aimed at reducing carbon or other climate-damaging emissions** (for example in conjunction with the EU Emissions Trading System or vehicle-related emissions regulations in the USA or China). These allowances and rights are carried at cost and, in the event that they are allocated free of charge, recorded at a value of zero. Amounts are derecognised at the date of the return, sale or expiry of the allowances or rights. In parallel to the recognition of these allowances and rights as assets, provisions are recognised in accordance with IAS 37 corresponding to the amount of obligations expected to arise in conjunction with the related emission regulations. Provisions are measured on the basis of the expected value of the allowances or rights that are to be returned.

If there is any indication of **impairment of intangible assets**, or if an annual impairment test is required (i.e. intangible assets with an indefinite useful life, intangible assets during the development phase and goodwill), an impairment test is performed. Each individual asset is tested separately unless the cash flows generated by the asset are not sufficiently independent from the cash flows generated by other assets or other groups of assets. In these cases, impairment is tested at the level of a cash-generating unit, which is the norm for the BMW Group.

For the purpose of the impairment test, the carrying amount of an asset (or a cash-generating unit) is compared with the recoverable amount. The first step of the impairment test is to determine the value in use. If the value in use is lower than the carrying amount, the next step is to determine the fair value less costs to sell and compare the amount so determined with the asset's carrying amount. If the fair value is lower than the carrying amount, an impairment loss is recognised, reducing the carrying amount to the higher of the asset's value in use or fair value less costs to sell.

If the reason for a previously recognised impairment loss no longer exists, the impairment loss is reversed up to the level of the recoverable amount, but no higher than the amortised acquisition or manufacturing cost. Impairment losses on goodwill are not reversed.

As part of the process of assessing recoverability, it is generally necessary to apply estimations and assumptions – in particular regarding future cash inflows and outflows and the length of the forecast period – which could differ from actual amounts. Actual amounts may differ from the assumptions and estimations used if business conditions develop differently to expectations.

The BMW Group determines the value in use on the basis of a present value computation. Cash flows used for this calculation are derived from long-term forecasts approved by management. These long-term forecasts are based on detailed forecasts drawn up at an operational level, covering a planning period of six years. For the purposes of calculating cash flows beyond the planning period, a perpetual annuity return is assumed which does not take growth into account. Forecasting assumptions are continually adjusted to current information and regularly compared with external sources. The assumptions used take account in particular of expectations of the profitability of the product portfolio, future market share development, macroeconomic developments (such as currency, interest rate and raw materials prices) as well as the legal environment and past experience.

Amounts are discounted on the basis of a market-related cost of capital rate. Impairment tests are performed for accounting and financial reporting purposes for the Automotive and Motorcycles cash-generating units using a risk-adjusted pre-tax cost of capital (WACC). In the case of the Financial Services cash-generating unit, a pre-tax cost of equity capital is used, as is customary in the sector. The following discount factors were applied:

in %	2020	2019
Automotive	10.2	10.9
Motorcycles	10.2	10.9
Financial Services	13.2	11.5

The risk-adjusted discount rate, calculated using a CAPM model, also takes into account specific peer-group information relating to beta-factors, capital structure data and borrowing costs. In conjunction with the impairment tests for cash-generating units, sensitivity analyses are performed for the main assumptions in order to rule out that possible changes to the assumptions used to determine the recoverable amount would result in the requirement to recognise an impairment loss. Even in the case of a 10 % deterioration in the individual measurement assumptions, the need to recognise an impairment loss did not arise.

All items of **property, plant and equipment** are measured at acquisition or manufacturing cost less accumulated depreciation and accumulated impairment losses. The cost of internally constructed plant and equipment comprises all costs which are directly attributable to the

manufacturing process as well as an appropriate proportion of production-related overheads. This includes production-related depreciation and amortisation as well as an appropriate proportion of administrative and social costs. Financing costs are not included in acquisition or manufacturing cost unless they are directly attributable to the asset. The carrying amount of items of depreciable property, plant and equipment is written down according to scheduled usage-based depreciation – as a general rule on a straight-line basis – over the useful lives of the assets. Depreciation is recorded as an expense in the income statement.

The following useful lives are applied throughout the BMW Group:

in years	
Factory and office buildings, residential buildings, fixed installations in buildings and outside facilities	8 to 50
Plant and machinery	3 to 21
Other equipment, factory and office equipment	2 to 25

For machinery used in multiple-shift operations, depreciation rates are increased to account for the additional utilisation. If there is any indication of impairment of property, plant and equipment, an impairment test is performed as described above for intangible assets.

In the case of **leased items of property, plant and equipment**, a right-of-use asset and a liability for the outstanding lease payments are recognised with effect from the date on which the leased asset becomes available for use by the BMW Group. The acquisition cost for the

right-of-use asset is calculated as the sum of the present value of the future lease payments, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee and the estimated costs of dismantling, removing or restoring the leased asset. Lease incentives granted by the lessor are deducted. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the leased asset and the expected lease term. If ownership of the leased asset is automatically transferred at the end of the lease term or the exercise of a purchase option is reflected in the lease payments, the right-of-use asset is amortised on a straight-line basis over the expected useful life of the leased asset. Right-of-use assets are reported in the balance sheet within the relevant line items for property, plant and equipment. The amortisation expense on right-of-use assets is reported in the income statement in cost of sales as well as in selling and administrative expenses.

The lease liability is measured on initial recognition at the present value of the future lease payments. Subsequent to initial recognition, the carrying amount of the lease liability is increased to reflect interest on the lease liability and reduced, without income statement impact, by the lease payments made. Lease liabilities are reported within financial liabilities, while interest expense is reported as part of net interest result. In the cash flow statement, both the repayment portion and the interest portion of lease payments are shown as cash outflows from financing activities.

The lease payments to be taken into account to measure the right-of-use asset and the lease liability comprise fixed payments, variable lease payments that depend on an index or an interest rate as well as amounts expected to be payable under residual value guarantees. If it is reasonably certain that a purchase or lease extension option will be exercised, the relevant payments are also included. Payments for periods for which the lessee has an option to terminate a lease unilaterally are only included in the lease payments if it is reasonably certain that the termination option will not be exercised. For the purposes of assessing options, the BMW Group takes account of all facts and circumstances that create an economic incentive to exercise or not to exercise the option.

IFRS 16 requires that lease payments are discounted as a general rule using the interest rate implicit in the lease. However, since the interest rate in leases entered into by the BMW Group cannot readily be determined, amounts are discounted on the basis of the incremental borrowing rate, comprising the risk-free interest rate in the relevant currency for matching maturities plus a premium for the credit risk. Specific risks attached to an asset are generally not taken into account, given that collateral received in the context of alternative financing arrangements is not relevant within the BMW Group.

Determining which items are to be counted as lease payments – including the issue of the lease term underlying those payments – and which discount rate to apply involves using estimates and assumptions that may differ from actual outcomes.

As lessee, the BMW Group makes use of the application exemptions available for short-term leases and leases of low-value assets.

The BMW Group has not applied the exemptions available to lessees to account for COVID-19-related rent concessions (amendment to IFRS 16 dated 28 May 2020).

Group products recognised by BMW Group entities as **leased products** under operating leases are measured at manufacturing cost and all other leased products at acquisition cost, in each case including initial direct costs. All leased products are depreciated over the period of the lease using the straight-line method down to their expected residual value. Where the recoverable amount of a lease exceeds the asset's carrying amount, changes in residual value expectations are recognised by adjusting scheduled depreciation prospectively over the remaining term of the lease. If the recoverable amount is lower than the asset's carrying amount, an impairment loss is recognised for the shortfall. A test is carried out at each balance sheet date to determine whether an impairment loss recognised in prior years no longer exists or has decreased. In such cases, the carrying amount of the asset is increased to the recoverable amount, at a maximum up to the amount of the asset's amortised cost.

Assumptions and estimations are required regarding future residual values, since these represent a significant part of future cash inflows. Relevant factors to be considered include the trend in market prices and demand on the pre-owned automobile market. The assumptions are based on internally available historical data and current

market data as well as on forecasts of external institutions. Furthermore, assumptions are regularly validated by comparison with external data.

Investments accounted for using the equity method are measured – provided no impairment has been recognised – at cost of investment adjusted for the Group's share of earnings and changes in equity capital. If there is any indication that an investment is impaired, an impairment test is performed on the basis of a discounted cash flow method. An indicator exists, for example, in the event of a serious shortfall compared to budget, the loss of an active market or if funds are required to avoid insolvency.

With the exception of lease receivables, **financial assets** are measured on initial recognition at their fair value. Financial assets include in particular other investments, receivables from sales financing, marketable securities and investment funds, derivative financial assets, trade receivables and cash and cash equivalents. As a general rule, initial recognition takes place as soon as the BMW Group becomes a party to a contract; in the case of standard purchases or sales of non-derivative financial assets, initial recognition takes place at the settlement date.

Depending on the business model and the structure of contractual cash flows, financial assets are classified as measured at amortised cost, at fair value through comprehensive income or at fair value through profit or loss. The category "measured at fair value through comprehensive income" at the BMW Group comprises

mainly marketable securities and investment funds used for liquidity management purposes. Selected marketable securities and investment funds, money market funds within cash and cash equivalents as well as convertible bonds are recognised at fair value through profit or loss, as their contractual cash flows do not solely represent payments of principal and interest. The BMW Group does not make use of the option to measure equity instruments at fair value through other comprehensive income or debt instruments at fair value through profit or loss.

The market values of financial instruments measured at fair value are determined on the basis of market information available at the balance sheet date, such as quoted prices or using appropriate measurement methods, in particular the discounted cash flow method.

Items reported under **other investments** within the scope of IFRS 9 are measured at fair value through profit or loss. Investments in subsidiaries, joint arrangements and associated companies that are not material to the BMW Group are also included in other investments.

Receivables from sales financing are measured at amortised cost using the effective interest rate method. Operating lease receivables due for payment at the end of the reporting period and included in this balance sheet line item are also measured on this basis, and the related vehicles reported as leased products. Receivables from sales financing also include finance lease receivables which are measured at the amount of the net investment in the lease.

With the exception of receivables from operating leases and trade receivables, the BMW Group applies the general approach described in IFRS 9 to determine **impairment** of financial assets. Under the general approach, loss allowances are measured on initial recognition on the basis of the expected 12-month credit loss (stage 1). If the credit loss risk at the end of the reporting period has increased significantly since initial recognition, the impairment allowance is measured on the basis of lifetime expected credit losses (stage 2 – general approach). The measurement of the change in default risk is based on a comparison of the default risk at the date of initial recognition and at the end of the reporting period. The default risk at the end of each reporting period is determined on the basis of credit checks, current key performance indicators and any overdue payments.

The BMW Group applies the simplified approach described in IFRS 9 to operating lease and trade receivables, whereby the amount of the loss allowance is measured subsequent to the initial recognition of the receivable on the basis of lifetime expected credit losses (stage 2 – simplified approach). For the purposes of allocating an item to stage 2, it is irrelevant whether the credit risk of the assets concerned has increased significantly since initial recognition.

As a general rule, the BMW Group assumes that a receivable is in default if it is more than 90 days overdue or if there are objective indications of insolvency, such as the opening of insolvency proceedings. Credit-impaired assets are identified as such on the basis of this definition of default. In the case of credit-impaired assets which had

not been credit-impaired at the time they were acquired or originated, an impairment allowance is recognised at an amount equal to lifetime expected credit losses (stage 3). This is the case regardless of whether the general or simplified approach is applied. In the case of stage 3 assets, interest income is calculated on the asset's carrying amount less any impairment loss.

The BMW Group derecognises financial assets when it has no reasonable expectation of recovery. This may be the case, for instance, if the debtor is deemed not to have sufficient assets or other sources of income to service the debt.

Loss allowances relating to the balance sheet item "Receivables from sales financing" are determined primarily on the basis of past experience with credit losses, current data on overdue receivables, rating classes and scoring information. Forward-looking information (for instance forecasts of key performance indicators) is also taken into account if, based on past experience, such indicators show a substantive correlation to actual credit losses.

Loss allowances on trade receivables are determined primarily on the basis of information relating to overdue amounts. Input factors available on the market, such as ratings and probabilities of default, are used to calculate valuation allowance for cash and cash equivalents, financial receivables, receivables from subsidiaries and receivables from companies in which an investment is held. In the case of marketable securities and investment funds, the BMW Group usually applies the option not to allocate financial assets with a low default risk to different stages. Accordingly, assets with an investment grade rating are always allocated to stage 1.

Expected credit losses are only presented separately if they are material for the BMW Group Financial Statements.

Derivative financial instruments are used within the BMW Group for hedging purposes in order to reduce currency, interest rate, fair value and market price risks. Derivative financial instruments are recognised as of the trade date, measured at their fair value. Depending on their market value at measurement date, these financial instruments are reported in the balance sheet as financial assets or financial liabilities.

Fair values are determined on the basis of valuation models. Observable market price, tenor and currency basis spreads are taken into account in the measurement of derivative financial instruments. Furthermore, the Group's own credit risk and that of counterparties is taken into account on the basis of credit default swap values for market contracts with matching terms.

The BMW Group applies the option to recognise the credit risks arising from the fair values of a group of derivative financial assets and liabilities on the basis of their total net amount. Portfolio-based valuation adjustments (credit valuation adjustments and debit valuation adjustments) to the individual derivative financial assets and financial liabilities are allocated using the relative fair value approach (net method).

Where hedge accounting is applied, changes in fair value of derivative financial instruments are presented as part of other financial result in the income statement or within other comprehensive income as a component of accumulated other equity, depending on whether the hedging relationship is classified as a fair value hedge or a cash flow hedge.

Fair value hedges are mainly used to hedge interest rate risks relating to financial liabilities. The currency basis is not designated as part of the hedging relationship in the case of cross currency interest rate hedges accounted for as fair value hedges. Accordingly, changes in the market value of such components are recorded as costs of hedging within accumulated other equity. Amounts accumulated in equity are reclassified to other financial result within the income statement over the term of the hedging relationship.

In addition, for selected fixed-interest assets, a portion of the interest rate risk is hedged on a portfolio basis in accordance with IAS 39. The designated hedged items (underlying transactions) are reported in the balance sheet as receivables from sales financing and financial liabilities. In this case, swaps are used as the hedging instrument. Hedge relationships are terminated

and redesignated on a monthly basis at the end of each reporting period, thereby taking account of the constantly changing content of each portfolio.

Fair value hedge ineffectiveness is generally recognised in other financial result.

The time values of option transactions and the interest component – including the currency basis – of forward currency contracts are not designated as part of the hedging relationship in the case of currency hedges accounted for as cash flow hedges. Changes in the fair value of such components are recorded as costs of hedging on a separate line within accumulated other equity. Amounts recorded in accumulated other equity from currency hedges are reclassified to cost of sales when the related hedged item is recognised in profit or loss.

In the case of raw materials hedges that are accounted for as cash flow hedges, the hedging instruments are designated in full as part of the hedging relationship. As an exception to this general rule, the interest component of raw materials derivative instruments redesignated in conjunction with the first-time application of IFRS 9 was not designated as part of the hedging relationship. Changes in the fair value of this component are recorded as costs of hedging on a separate line within accumulated other equity. Amounts recorded in accumulated other equity are included in the carrying amount of inventories on initial recognition.

Ineffectiveness arising on cash flow hedges is recognised directly in cost of sales, whereas the impact of terminated hedging relationships is recognised in other operating income and expenses.

Deferred income taxes are recognised for all temporary differences between the tax and accounting bases of assets and liabilities, including differences arising on consolidation procedures, as well as on unused tax losses and unused tax credits, to the extent that they can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the period when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

The recoverability of deferred tax assets is assessed at each balance sheet date on the basis of planned taxable income in future financial years. If with a probability of more than 50 percent future tax benefits will not be realised, either in part or in total, a valuation allowance is recognised on the deferred tax assets. The calculation of deferred tax assets requires assumptions to be made with regard to the level of future taxable income and the timing of recovery of deferred tax assets. These assumptions take account of forecast operating results and the impact on earnings of the reversal of taxable temporary differences. Since future business developments cannot be predicted with certainty and to some extent cannot be influenced by the BMW Group, the measurement of deferred tax assets is subject to uncertainty.

Deferred tax liabilities on taxable temporary differences arising from investments in subsidiaries, branches and associated companies as well as interests in joint arrangements are not recognised if the Group is able to control the timing of the reversal and it is probable that the temporary difference will not reverse in the

foreseeable future. This is particularly the case if it is intended that profits will not be distributed, but rather will be used to maintain the substance and expand the volume of business of the entities concerned.

Current income taxes are calculated within the BMW Group on the basis of tax legislation applicable in the relevant countries. To the extent that judgement was necessary to determine the treatment and amount of tax items presented in the financial statements, there is in principle a possibility that local tax authorities may take a different position.

As a general rule, each income tax treatment is considered independently when accounting for **uncertainties in income taxes**. If it is not considered probable that an income tax treatment will be accepted by the local tax authorities, the BMW Group uses the most likely amount of the tax treatment when determining taxable profit and the tax base.

Inventories of raw materials, supplies and goods for resale are stated at the lower of average acquisition cost and net realisable value.

Work in progress and finished goods, as well as vehicles held for sale in the financial services business, are stated at the lower of manufacturing cost and net realisable value. Manufacturing cost comprises all costs which are directly attributable to the manufacturing process as well as an appropriate proportion of production-related overheads. This includes production-related depreciation and amortisation and an appropriate proportion

of administrative and social costs. Financing costs are not included in the acquisition or manufacturing cost of inventories.

Cash and cash equivalents comprise mainly cash on hand and cash at bank with an original term of up to three months. With the exception of money market funds, cash and cash equivalents are measured at amortised cost.

Financial liabilities, with the exception of lease liabilities, are measured on first-time recognition at their fair value. For these purposes, transaction costs are taken into account except in the case of financial liabilities allocated to the category "measured at fair value through profit or loss". Subsequent to initial recognition, liabilities are – with the exception of derivative financial instruments – measured at amortised cost using the effective interest method.

Provisions for pensions are measured using the projected unit credit method. Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future expected increases in pensions and salaries. The calculation is based on independent actuarial valuations which take into account the relevant biometric factors.

In the case of funded plans, the pension obligation is offset against plan assets measured at their fair value. If the plan assets exceed the pension obligation, the surplus is tested for recoverability. In the event that the BMW Group has a right of reimbursement or a right to reduce future contributions, it reports an asset (within Other financial assets), measured on the basis of the present value of the future economic benefits attached to the plan assets. For funded plans, in cases where the obligation exceeds plan assets, a liability is recognised under pension provisions.

The calculation of the amount of the provision requires assumptions to be made with regard to discount rates, salary trends, employee fluctuation and the life expectancy of employees. Discount rates are determined by reference to market yields at the end of the reporting period on high quality fixed-interest corporate bonds. The salary trend relates to the expected future rate of salary increase which is estimated annually based on inflation and the career development of employees within the Group.

Net interest expense on the net defined benefit liability or net interest income on the net defined benefit assets are presented within the financial result. All other costs relating to allocations to pension provisions are allocated to costs by function in the income statement.

Past service cost arises where a BMW Group company introduces a defined benefit plan or changes the benefits payable under an existing plan. This cost is recognised immediately in the income statement. Similarly, gains and losses arising on the settlement of a defined benefit plan are recognised immediately in the income statement.

Remeasurement of the net liability can result from changes in the present value of the defined benefit obligation, the fair value of the plan assets or the asset ceiling. Remeasurement can result, amongst others, from changes in financial and demographic parameters, as well as changes following the portfolio development. Remeasurements are recognised immediately through other comprehensive income and ultimately in equity (within revenue reserves).

Other provisions are recognised when the BMW Group has a present legal or factual obligation towards a third party arising from past events, the settlement of which is probable, and when the amount of the obligation can be reliably estimated. Provisions with a remaining period of more than one year are measured at their net present value.

The measurement of provisions for **statutory and non-statutory warranty obligations (statutory, contractual and voluntary)** involves estimations. In addition to manufacturer warranties prescribed by law, the BMW Group offers various further standard (assurance-type) warranties depending on the product and sales market. No provisions are recognised for additionally offered service packages that are treated as separate performance obligations.

Provisions for statutory and non-statutory warranties are recognised at the point in time when control over the goods is transferred to the dealership or retail customer or when it is decided to introduce new warranty measures. With respect to the level of the provision, estimations are made in particular based on past experience of damage claims and processes. Future potential repair costs and price increases per product and market are also taken into account. Provisions for warranties for all

companies of the BMW Group are adjusted regularly to take account of new information, with the impact of any changes recognised in the income statement. Further information is provided in [note 33](#). Similar estimates are also made in conjunction with the measurement of expected reimbursement claims.

The recognition and measurements of provisions for **litigation and liability risks** necessitates making assumptions in order to determine the probability of liability, the amount of claim and the duration of the legal dispute. The assumptions made, especially the assumption about the outcome of legal proceedings, are subject to a high degree of uncertainty. The appropriateness of assumptions is regularly reviewed, based on assessments undertaken both by management and external experts, such as lawyers. If new developments arise in the future that result in a different assessment, provisions are adjusted accordingly.

If the recognition criteria relevant for provisions are not fulfilled and the outflow of resources on fulfilment is not unlikely, the potential obligation is disclosed as a **contingent liability**.

Related party disclosures comprise information on associated companies, joint ventures and non-consolidated subsidiaries as well as individuals which have the ability to exercise a controlling or significant influence over the financial and operating policies of the BMW Group. This includes all persons in key positions of the Company, as well as close members of their families or intermediary entities. In the case of the BMW Group, this also applies to members of the Board of Management and the Supervisory Board. Details relating to these individuals and entities are provided in [note 40](#) and in the list of investments disclosed in [note 46](#).

Share-based remuneration programmes which are expected to be settled in shares are measured at their fair value at grant date. The related expense is recognised as personnel expense in the income statement over the vesting period and offset against capital reserves. Share-based remuneration programmes expected to be settled in cash are revalued to their fair value at each balance sheet date between the grant date and the settlement date and on the settlement date itself. The expense is recognised as personnel expense in the income statement over the vesting period and presented in the balance sheet as a provision.

The share-based remuneration programme for Board of Management members and senior heads of department entitles BMW AG to elect whether to settle its commitments in cash or with shares of BMW AG common stock. Based on the decision to settle in cash, the share-based remuneration programmes for Board of Management members and senior heads of department are accounted for as cash-settled, share-based remuneration programmes. Further information on share-based remuneration programmes is provided in [note 41](#).

06 IMPACT OF THE CORONAVIRUS PANDEMIC ON THE FINANCIAL STATEMENTS

GENERAL SITUATION

The BMW Group's earnings for the financial year 2020 have been negatively impacted by the course of the coronavirus pandemic and the related measures put in place to contain the virus.

Whereas the main negative factors in the first quarter were the drop in demand in China and the closure of dealerships in a few other markets, business in the second quarter was adversely impacted by the global spread of the pandemic affecting other key sales markets of the BMW Group. Although customer demand increased in many markets during the second half of the year, the repercussions of the coronavirus pandemic on business in the first half of the year continued to be felt. This is reflected in particular in the decline in revenues, mainly due to the lower number of vehicle sales and lower revenues from spare parts. The decline in vehicle sales was also reflected in cost of sales, whereby fixed costs fell on a less pronounced scale by comparison to the reduction in capacity utilisation levels. Group earnings were also negatively impacted by higher risk provisioning expenses relating in particular to the reassessment of residual value and credit risks.

Due to lower new leasing business as well as lower expected new leasing business, the amount of revenues eliminated on consolidation fell compared to the previous year.

The year-on-year decrease in selling and administrative expenses mainly reflected the reduction in communication, marketing and travel expenses arising as a result of the containment measures implemented in connection with the coronavirus pandemic. Short-time work allowances received have been netted in the income statement against the corresponding expenses.

In light of the developments described above, Group net profit was significantly lower than in the previous year.

Significant effects on the Group Financial Statements are described below.

ACCOUNTING POLICIES

Impairment tests

The increasing global spread of the coronavirus and the related low market capitalisation of BMW AG gave rise to an indication that tangible and intangible assets of the BMW Group could be impaired. As a result, impairment tests were performed for the Automotive, Motorcycles and Financial Services cash-generating units. In this context, values in use were determined on the basis of updated long-term forecasts that already reflect adjustments to expectations made in light of coronavirus. Against this backdrop, it was decided not to include probability-weighted scenarios. A detailed description of the methodology applied to perform impairment tests is provided in [note 5](#).

From the BMW Group's perspective, the spread of coronavirus also provided an indication of impairment relating to investments accounted for using the equity method. The exception to this general consideration was the BMW Brilliance Automotive joint venture in China, given the rapid economic recovery registered in that region. Further information is provided in [note 24](#).

De-designation of hedge relationships

For the purposes of accounting for currency and commodity hedges, coronavirus-related effects on sales and production were taken into account as unscheduled exposure updates. If the hedged item was no longer expected to occur, the hedge relationships were de-designated. The corresponding amounts were then reclassified immediately from other comprehensive income to profit and loss (other operating income and expenses).

Residual value risk

For the purposes of measuring and accounting for residual value risks, discretionary adjustments were made to the expected market values of vehicles in order to take account of the effects of the pandemic that are not considered in the existing measurement models (post-model adjustments). The adjustments were determined using a market-specific approach, thereby taking account of the varying effects and measures arising in each market as well as the structure of the valuation models.

In the case of the US market, past experience relevant for market value changes arising during the financial crisis was taken into account in the calculation of post-model adjustments. In the case of the UK and Canadian markets, the procedures applied also included projections drawn up by external providers on the impact of the coronavirus pandemic. In all cases, assumptions

pertaining to the scale and duration of the pandemic's effects took account of current market value developments. If the regression models used were highly affected by market values realised in recent months, the outcomes were adjusted for exceptionally positive results in the second half of the year for instance, in the UK and the Netherlands. In the case of the Belgian and German markets, for instance, procedures included the derivation of a number of macroeconomic scenarios to calculate the potential impact on pre-owned vehicle valuations. Probabilities were weighted where necessary, taking into account external indicators (e.g. consumer confidence indices) and internal indicators (e.g. inventory trends). In some cases, including for the French market, macroeconomic parameters based on current risk estimates were adjusted.

Discretionary model adjustments are regularly reviewed in order to ensure that allowances for residual value losses are continuously updated on the basis of expected market values. In light of the volatile market environment and the current high level of uncertainty surrounding the future course of the coronavirus pandemic, only limited conclusions can be drawn from the recent improvement in market values observed on pre-owned automobile markets. A summary of the relevant values is provided in [note 23](#).

Credit risk

I. Receivables from sales financing

In connection with the coronavirus pandemic, allowances for expected credit losses were increased to take account of the negative impact on retail customer and dealership business, to the extent not covered by the BMW Group's standard loss provisioning models (post-model adjustments).

In the case of retail customer business, portfolios were measured taking into account market-specific qualitative factors with the aim of identifying particularly affected portfolio segments (such as the tourism sector). This assessment was based on local expertise and took into account various scenarios, including the number of payment deferral applications, government measures and additional qualitative portfolio data. For the identified portfolio segments affected, amounts were reclassified from stage 1 (impairment allowance based on the 12-month expected credit losses) to stage 2 (impairment allowance based on lifetime expected credit losses), resulting in the recognition of additional risk allowances. Credit risk parameters were otherwise left unchanged.

In the case of dealership business, creditworthiness expectations of individual dealerships were assessed on the basis of market-specific scenarios, including

downgrades based on adjusted expectations of future business performance. In this context, increased default probabilities were assigned to dealerships that could be exposed to deteriorating business conditions as a result of the coronavirus pandemic. However, this reassessment did not result in amounts being reclassified from stage 1 to stage 2 or stage 3. Instead, additional impairment allowances were recognised to take account of the higher anticipated risk of default.

Furthermore, additional scenarios were considered for the economic development of individual markets (for example, the UK), for which an increased level of uncertainty exists. In addition, in light of current risk assessments, macroeconomic parameters were adjusted to take account of specific circumstances in some markets (for instance, South Africa and Malaysia). A summary of the values is provided in [note 25](#).

II. Trade receivables

The effects of a higher risk on receivables within stage 2 were calculated using a scenario model as the basis for recognising additional credit risk allowances for trade receivables. The standard model used by the BMW Group to determine expected credit losses is unable – at present – to appropriately take account of the impact of the coronavirus pandemic. An increasing

overdue status of these receivables is seen as a risk. A simulated reclassification of receivables to a higher overdue band was run, taking account of macroeconomic influencing factors, the development of the gross domestic product (GDP), of the countries concerned. An additional allowance for expected credit losses was calculated and recorded on the basis of this simulation. Further information on the calculation of valuation allowances in accordance with IFRS 9 is provided in [note 5](#).

Overall, the additional impairment losses described above were offset by a volume-related decrease in receivables. The lower level of impairment allowances compared to 31 December 2019 therefore arose as a result of the lower level of receivables overall. A summary of the relevant values is provided in [note 30](#).

NOTES TO THE INCOME STATEMENT

07 REVENUES

Revenues by activity comprise the following:

in € million	2020	2019
Sales of products and related goods	67,548	73,433
Sales of products previously leased to customers	11,345	11,020
Income from lease instalments	11,322	10,746
Interest income on loan financing and finance leases	3,677	3,996
Revenues from service contracts, telematics and roadside assistance	2,763	2,820
Other income	2,335	2,195
Revenues	98,990	104,210

Revenues recognised from contracts with customers in accordance with IFRS 15 totalled €83,814 million (2019: €89,610 million).

An analysis of revenues by segment is shown in the explanatory comments on segment information provided in [note 45](#). Revenues from the sale of products and related goods are generated primarily in the Automotive segment and, to a lesser extent, in the Motorcycles segment. Revenues from the sale of products previously leased to customers, income from lease instalments and interest income on loan financing are allocated to the Financial Services segment. Other income relates mainly to the Automotive segment and the Financial Services segment.

The major part of revenues expected to arise from the Group's order book at the end of the reporting period relates to the sale of vehicles. Revenues resulting from those sales will be recognised in the next financial year. The services included in vehicle sale contracts that will be recognised as revenues in subsequent years represent only an insignificant portion of expected revenues. Accordingly, use has been made of the practical expedient contained in IFRS 15, permitting an entity not to disclose information on a quantitative basis due to the short-term nature of items and the lack of informational value of such disclosures.

Interest income on loan financing and finance leases includes interest calculated on the basis of the effective interest method totalling €3,424 million (2019: €3,687 million). This interest income is not reported separately in the income statement as it is not significant compared to total Group revenues.

08 COST OF SALES

Cost of sales comprises:

in € million	2020	2019*
Manufacturing costs	46,878	48,776
Cost of sales relating to financial services business	27,114	25,828
thereof: interest expense relating to financial services business	1,960	2,288
Research and development expenses	5,689	5,952
Expenses for service contracts, telematics and roadside assistance	1,411	1,641
Warranty expenditure	2,971	2,566
Other cost of sales	1,345	1,384
Cost of sales	85,408	86,147

* Prior year's figures adjusted.

Cost of sales is reduced by public-sector subsidies in the form of reduced taxes on assets and reduced consumption-based taxes amounting to €105 million (2019: €105 million). Other cost of sales included expenses that were able to be allocated to manufacturing costs or cost of sales relating to financial services business. Prior year figures have been adjusted accordingly.

Impairment losses recognised in the income statement 2020 in connection with receivables from sales financing amounted to €646 million (2019: €219 million). In view of the fact that the impairment losses are of minor importance compared to total Group cost of sales, they have not been disclosed separately in the income statement.

Research and development expenditure was as follows:

in € million	2020	2019
Research and development expenses	5,689	5,952
Amortisation	-1,710	-1,667
New expenditure for capitalised development costs	2,300	2,134
Total research and development expenditure	6,279	6,419

09 SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses relate mainly to expenses for marketing and communication, personnel and IT.

in € million	2020	2019
Selling expenses	5,300	5,656
Administrative expenses	3,495	3,711
Total selling and administrative expenses	8,795	9,367

10 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses comprise the following items:

in € million	2020	2019
Exchange gains	326	148
Income from the reversal of provisions	114	433
Income from the reversal of impairment losses and write-downs	164	8
Gains on the disposal of assets	30	41
Sundry operating income	282	401
Other operating income	916	1,031
Exchange losses	-286	-181
Expense for additions to provisions	-157	-1,732
Expense for impairment losses and write-downs	-47	-173
Loss on the disposal of assets	-117	-20
Sundry operating expenses	-266	-210
Other operating expenses	-873	-2,316
Other operating income and expenses	43	-1,285

Income from the reversal of and expenses for the recognition of impairment allowances and write-downs relate mainly to impairment allowances on receivables.

Impairment losses recognised on receivables from contracts with customers amounted to €47 million (2019: €48 million).

The expense for additions to provisions includes litigation and other legal risks. Income from the reversal of provisions includes income arising on the reassessment of risks from legal disputes.

In the previous year, an expense of approximately €1.4 billion was also recognised in connection with the ongoing anti-trust proceedings carried out by the European Commission (see also note 10 to the BMW Group Financial Statements for the financial year 2019). In December 2019, the BMW Group submitted a detailed response to the European Commission regarding the latter's Statement of Objections. A decision by the European Commission is pending. There was no impact on the income statement in the financial year 2020. The financial impact cannot be definitively assessed at this point in time.

11 NET INTEREST RESULT

in € million	2020	2019
Other interest and similar income	116	179
thereof from subsidiaries:	8	9
Interest and similar income	116	179
Expense relating to interest impact on other long-term provisions	-199	-226
Net interest expense on the net defined benefit liability for pension plans	-34	-41
Other interest and similar expenses	-225	-232
thereof subsidiaries:	-1	-4
Interest and similar expenses	-458	-499
Net interest result	-342	-320

12 OTHER FINANCIAL RESULT

in € million	2020	2019
Income from investments in subsidiaries and participations	135	387
thereof from subsidiaries:	12	13
Expenses from investments in subsidiaries and participations	-87	-307
Result on investments	48	80
Income (+) and expenses (-) from financial instruments	-234	-189
Sundry other financial result	-234	-189
Other financial result	-186	-109

Sundry other financial result comprises mainly income and expenses arising on the measurement of stand-alone derivatives and fair value hedge relationships, as well as income and expenses from the measurement and sale of marketable securities and shares in investment funds.

13 INCOME TAXES

Taxes on income of the BMW Group comprise the following:

in € million	2020	2019
Current tax expense	2,023	3,316
Deferred tax expense (+)/ deferred tax income (-)	-658	-1,176
thereof relating to temporary differences	-450	-1,439
thereof relating to tax loss carryforwards and tax credits	-208	263
Income taxes	1,365	2,140

The tax expense was reduced by €4 million (2019: €30 million) as a result of utilising tax loss carryforwards, for which deferred assets had not previously been recognised and in conjunction with previously unrecognised tax credits and temporary differences.

The tax expense resulting from the change in the valuation allowance on deferred tax assets relating to tax losses available for carryforward and temporary differences amounted to €10 million (2019: €7 million).

Deferred taxes are determined on the basis of tax rates which are currently applicable or expected to apply in the relevant national jurisdictions when the amounts are recovered. After taking account of an average municipal trade tax multiplier rate (Hebesatz) of 428,0 (2019: 428,0), the underlying income tax rate for Germany was as follows:

	2020	2019
Corporate tax rate	15.0	15.0
Solidarity surcharge	5.5	5.5
Corporate tax rate including solidarity surcharge	15.8	15.8
Municipal trade tax rate	15.0	15.0
German income tax rate	30.8	30.8

Deferred taxes for non-German entities are calculated on the basis of the relevant country-specific tax rates. These ranged in the financial year 2020 between 9.0 % and 40.0% (2019: between 9.0 % and 40.0%).

The difference between the expected tax expense based on the underlying tax rate for Germany and actual tax expense is explained in the following **reconciliation**:

in € million	2020	2019
Profit before tax	5,222	7,118
Tax rate applicable in Germany	30.8%	30.8%
Expected tax expense	1,608	2,192
Variances due to different tax rates	-397	-373
Tax increases (+)/tax reductions (-) due to:		
Tax-exempt income	-97	-314
Non-deductible expenses	398	909
Equity accounted	-210	5
Tax expense (+)/benefits (-) for prior years	61	-162
Effects from tax rate changes	17	-17
Other variances	-15	-100
Actual tax expense	1,365	2,140
Effective tax rate	26.1%	30.1%

The tax increases as a result of non-deductible expenses mainly relate to non-recoverable withholding taxes.

Tax expense for prior years resulted primarily from adjustments to income tax receivables and provisions for prior years, among other things due to transfer pricing issues in conjunction with un concluded and ongoing transfer pricing proceedings.

Other variances include various reconciling items.

The allocation of deferred tax assets and liabilities to **balance sheet line items** at 31 December is shown in the following table:

in € million	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Intangible assets	17	17	3,354	3,186
Property, plant and equipment	49	53	673	780
Leased products	282	324	3,203	4,085
Other investments	6	3	1	22
Sundry other assets	1,013	1,125	3,966	3,454
Tax loss carryforwards	476	306	—	—
Capital Losses	348	329	—	—
Provisions	6,655	6,239	33	42
Liabilities	3,717	3,544	852	647
Eliminations	3,721	3,883	1,766	1,539
	16,284	15,823	13,848	13,755
Valuation allowances on tax loss carryforwards	-138	-177	—	—
Valuation allowances on capital losses	-348	-329	—	—
Netting	-13,339	-13,123	-13,339	-13,123
Deferred taxes	2,459	2,194	509	632
Net	1,950	1,562	—	—

Tax **loss carryforwards** relating to Germany and foreign operations amounted to €1,568 million (2019: €954 million). This includes one tax-loss carryforward amounting to €406 million (2019: €519 million), on which a valuation allowance of €138 million (2019: €177 million) was recognised on the related deferred

tax asset. The increase in tax losses available for carryforward was mainly attributable to the decline in earnings as a consequence of the coronavirus pandemic.

For entities with tax losses available for carryforward, a net surplus of deferred tax assets over deferred tax

liabilities is reported amounting to €392 million (2019: €292 million). The basis for the recognition of deferred taxes is the BMW Group business model or management's assessment that there is material evidence that the entities will generate future taxable profit, against which deductible temporary differences can be offset. In this context, it is also expected that the loss recorded by BMW AG tax group for income tax purposes for the financial year 2020 can be utilised in full in the coming years, taking into account the minimum taxation rules in Germany. Furthermore, it is assumed that tax start-up losses relating to the San Luis Potosí plant in Mexico, opened in 2019, can be utilised by offset against planned future profits.

Loss carryforwards amounting to €1,129 million (2019: €553 million) can be used indefinitely, while €439 million (2019: €401 million) expire after more than 3 years.

Capital losses available for carryforward in the United Kingdom which do not relate to ongoing operations decreased to €1,832 million (2019: €1,938 million) due to currency factors. As in previous years, deferred tax assets recognised on these tax losses – amounting to €348 million at the end of the reporting period (2019: €329 million) – were fully written down since they can only be utilised against future capital gains.

Deferred tax assets and deferred tax liabilities are **netted** for each relevant tax entity if they relate to the same tax authorities.

Deferred taxes recognised directly in **equity** amounted to €1,710 million (2019: €2,015 million).

in € million	2020	2019*
Deferred taxes at 1 January (assets (+) / liabilities (-))	1,562	-122
Deferred tax expense (-)/income (+) recognised through income statement	658	1,176
Change in deferred taxes recognised directly in equity	-305	558
thereof relating to fair value gains and losses on financial instruments and marketable securities recognised directly in equity	-443	170
thereof relating to the remeasurements of net liabilities for defined benefit pension plans	161	376
thereof from currency translation	-23	12
Exchange rate impact and other changes	35	-50
Deferred taxes at 31 December (assets (+) / liabilities (-))	1,950	1,562

* Sign convention changed compared to previous year's Group Financial Statements.

Taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures amount to €22,174 million (2019: €21,215 million). No deferred taxes are recognised on these taxable temporary differences because the BMW Group is able to determine the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, in particular in view of the fact that there is no intention to distribute the profits, but rather to use them to maintain their substance and reinvest in the companies concerned. No computation was made of the potential impact of income taxes on the grounds of proportionality. Deferred tax liabilities on expected dividends amount to €76 million (2019: €64 million) and relate primarily to dividends from foreign subsidiaries and joint ventures.

The tax returns of BMW Group entities are checked regularly by German and foreign tax authorities. Taking account of numerous factors – including interpretations, commentaries and legal decisions relating to the various tax jurisdictions as well as past experience – adequate provision has been made, to the extent identifiable and probable, for potential future tax obligations.

14 EARNINGS PER SHARE

		2020	2019
	in € million		
Net profit attributable to the shareholders of BMW AG	€ million	3,775.0	4,914.5
Profit attributable to common stock	€ million	3,448.1	4,494.4
Profit attributable to preferred stock	€ million	326.9	420.1
Average number of common stock shares in circulation	number	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	56,867,180	56,122,857
Basic / diluted earnings per share of common stock	€	5.73	7.47
Basic / diluted earnings per share of preferred stock	€	5.75	7.49
Dividend per share of common stock	€	1.90*	2.50
Dividend per share of preferred stock	€	1.92*	2.52

* Proposal by management.

Earnings per share of preferred stock are computed on the basis of the number of preferred stock shares entitled to receive a dividend in each of the relevant financial years. As in the previous year, diluted earnings per share correspond to basic earnings per share.

15 PERSONNEL EXPENSES

The income statement includes personnel expenses as follows:

	2020	2019
in € million		
Wages and salaries	10,081	10,370
Pension and welfare expenses	1,252	1,133
Social insurance expenses	911	948
Personnel expenses	12,244	12,451

Personnel expenses include €602 million (2019: €72 million) of costs relating to workforce measures. The total pension expense for defined contribution plans of the BMW Group amounted to €150 million (2019: €148 million). Employer contributions paid to state pension insurance schemes totalled €634 million (2019: €667 million).

The average number of employees during the year was:

	2020	2019*
Average number of employees	122,874	123,868
thereof at proportionately-consolidated entities	139	-

* Prior year's figures adjusted.

The previous year's figure was adjusted in view of the change in the internal management system (see Annual Report 2019, Group Management Report). The number of employees at the end of the reporting period is disclosed in the Combined Management Report.

16 LEASES

a As lessee

In terms of accounting for leases as a lessee, the following amounts are included in the income statement:

in € million	2020	2019
Expenses for leases of low-value assets and short-term leases	-91	-94
Expenses relating to variable lease payments not included in the measurement of lease liabilities	-13	-3
Interest expense arising on the measurement of lease liabilities	-55	-54

Most of the expenses for leases for low-value assets and short-term leases relate to low-value assets.

The BMW Group is party to leases at the end of the reporting period which have not yet commenced. These leases could give rise to future cash outflows amounting to €225 million (2019: €42 million).

Total cash outflows for leases in 2020 amounted to €653 million (2019: €591 million).

Information on right-of-use assets, lease liabilities as well as further explanatory comments are provided in [L⁵ note 5](#) (Accounting policies, assumptions, judgments and estimates), [L⁵ note 20](#) (Analysis of changes in Group tangible, intangible and investment assets in 2020), [L⁵ note 22](#) (Property, plant and equipment (including right-of-use assets arising from leases)) and [L⁵ note 35](#) (Financial liabilities).

b As lessor

in € million	2020	2019
Income from variable lease payments for operating leases	148	171
Income from variable lease payments for finance leases	17	19
Financial income on the net investment in finance leases	890	885
Selling profit on the sale of vehicles previously leased to retail customers under finance leases*	1,167	1,384

* Prior year's figures adjusted.

Variable lease payments are based on distance driven. The agreements have, in part, extension and purchase options.

17 FEE EXPENSE FOR THE GROUP AUDITOR

The fee expense pursuant to § 314 (1) no. 9 HGB recognised in the financial year 2020 for the Group auditor and the PwC network of audit firms amounted to €18 million (2019: €19 million) and consists of the following:

in € million	PwC International		thereof: PwC GmbH	
	2020	2019	2020	2019
Audit of financial statements	14	14	4	4
Other attestation services	1	1	—	1
Tax advisory services	—	1	—	—
Other services	3	3	—	2
Fee expense	18	19	4	7

Services provided during the financial year 2020 by the Group auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Munich branch, on behalf of BMW AG and subsidiaries under its control relate to the audit of the financial statements, other attestation services, tax advisory services and other services.

The audit of financial statements comprises mainly the audit of the Group Financial Statements and the separate financial statements of BMW AG and its subsidiaries, and all work related thereto, including the review of the Interim Group Financial Statements.

Other attestation services include mainly project-related audits, comfort letters and statutorily prescribed, contractually agreed or voluntarily commissioned attestation work.

Tax advisory services include primarily services related to transfer pricing and tax compliance.

Other services mainly include consulting services relating to production processes.

18 GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

Income from asset-related and performance-related grants, amounting to €67 million (2019: €41 million) and €210 million (2019: €199 million) respectively, was recognised in the income statement in 2020.

These amounts relate mainly to public sector grants aimed at the promotion of regional structures as well as to subsidies received for plant expansions.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

19 DISCLOSURES RELATING TO THE STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income for the period after tax comprises the following:

in € million	2020	2019
Remeasurement of the net liability for defined benefit pension plans	–354	–1,254
Deferred taxes	139	387
Items not expected to be reclassified to the income statement in the future	–215	–867
 Marketable securities (at fair value through other comprehensive income)	 7	 42
thereof gains / losses arising in the period under report	20	59
thereof reclassifications to the income statement	–13	–17
 Derivative financial instruments	 991	 –706
thereof gains / losses arising in the period under report	1,636	–229
thereof reclassifications to the income statement	–645	–477
 Costs of hedging	 201	 125
thereof gains / losses arising in the period under report	–437	–611
thereof reclassifications to the income statement	638	736
 Other comprehensive income from equity accounted investments	 106	 –3
 Deferred taxes	 –444	 171
 Currency translation foreign operations	 –1,283	 544
 Items that can be reclassified to the income statement in the future	 –422	 173
 Other comprehensive income for the period after tax	 –637	 –694

Deferred taxes on components of other comprehensive income are as follows:

in € million	2020			2019		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Remeasurement of the net liability for defined benefit pension plans	-354	139	-215	-1,254	387	-867
Marketable securities (at fair value through other comprehensive income)	7	-2	5	42	-12	30
Derivative financial instruments	991	-328	663	-706	211	-495
Costs of hedging	201	-59	142	125	-34	91
Other comprehensive income from equity accounted investments	106	-55	51	-3	6	3
Currency translation foreign operations	-1,283	-	-1,283	544	-	544
Other comprehensive income	-332	-305	-637	-1,252	558	-694

Other comprehensive income relating to equity accounted investments is reported in the Group Statement of Changes in Equity within currency translation differences with a negative amount of €113 million (2019: positive amount of €22 million), within derivative financial instruments with a positive amount of €118 million (2019: negative amount of €56 million) and within costs of hedging with a positive amount of €46 million (2019: positive amount of €37 million).

NOTES TO THE BALANCE SHEET

20 ANALYSIS OF CHANGES IN GROUP TANGIBLE, INTANGIBLE AND INVESTMENT ASSETS 2020

in € million	Acquisition and manufacturing cost						Depreciation and amortisation				Carrying amount					
	1.1.2020	Translation differences	Additions	Reclassifications	Disposals	31.12.2020	1.1.2020	Translation differences	Current year	Reclassifications	Value adjustments ¹	Disposals	31.12.2020	31.12.2019		
Development costs	15,391	–	2,300	–	715	16,976	4,948	–	1,710	–	–	689	5,969	11,007	10,443	
Goodwill	385	–1	–	–	–	384	5	–	–	–	–	–	5	379	380	
Other intangible assets	2,075	–52	271	2	545	1,751	1,169	–16	183	2	–	543	795	956	906	
Intangible assets	17,851	–53	2,571	2	1,260	19,111	6,122	–16	1,893	2	–	1,232	6,769	12,342	11,729	
Land, titles to land, buildings, including buildings on third party land	15,449	–380	621	538	293	15,935	6,104	–135	846	–	–	124	6,691	9,244	9,345	
thereof right-of-use assets from leases	3,107	–72	280	12	219	3,108	426	–14	452	5	–	73	796	2,312	2,681	
Plant and machinery	40,061	–765	1,841	710	1,548	40,299	29,177	–511	3,071	2	–	1,500	30,239	10,060	10,884	
thereof right-of-use assets from leases	82	–1	8	–	31	58	6	–1	15	–	–	2	18	40	76	
Other facilities, factory and office equipment	3,172	–100	248	44	226	3,138	2,147	–59	333	–4	–	206	2,211	927	1,025	
thereof right-of-use assets from leases	104	–4	41	–	20	121	31	–1	37	–	–	16	51	70	73	
Advance payments made and construction in progress	1,991	–19	941	–1,294	–	1,619	–	–	–	–	–	–	–	–	1,619 ²	1,991
Property, plant and equipment	60,673	–1,264	3,651	–2	2,067	60,991	37,428	–705	4,250	–2	–	1,830	39,141	21,850	23,245	
Leased products	49,942	–1,930	17,820	–	15,712	50,120	7,333	–300	5,833	–	–	4,741	8,125	41,995	42,609	
Investments accounted for using the equity method	3,439	–	1,440	–	1,054	3,825	240	–	–	–	–	–	240	3,585	3,199	
Investments in non-consolidated subsidiaries	292	–11	72	–	52	301	88	–3	–	–	–	–	85	216	204	
Participations	1,000	–24	84	–	97	963	501	10	–	–	–57	10	444	519	499	
Non-current marketable securities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Other investments	1,292	–35	156	–	149	1,264	589	7	–	–	–57	10	529	735	703	

¹ Including €57 million recognised through the income statement.² Including assets under construction of €1,297 million.

**ANALYSIS OF CHANGES IN GROUP TANGIBLE,
INTANGIBLE AND INVESTMENT ASSETS 2019**

in € million	Acquisition and manufacturing cost						Depreciation and amortisation				Carrying amount					
	1.1.2019	Translation differences	Additions	Reclassifi-cations	Disposals	31.12.2019	1.1.2019	Translation differences	Current year	Reclassifi-cations	Value adjustments ¹	Disposals	31.12.2019	31.12.2018		
Development costs	14,990	–	2,134	–	1,733	15,391	5,014	–	1,667	–	–	1,733	4,948	10,443	9,976	
Goodwill	385	–	–	–	–	385	5	–	–	–	–	–	5	380	380	
Other intangible assets	1,798	11	448	–	182	2,075	1,183	4	148	–	–	166	1,169	906	615	
Intangible assets	17,173	11	2,582	–	1,915	17,851	6,202	4	1,815	–	–	1,899	6,122	11,729	10,971	
Land, titles to land, buildings, including buildings on third party land	14,023	115	1,013	397	99	15,449	5,310	44	794	2	–	46	6,104	9,345	6,420	
thereof right-of-use assets from leases	2,387	22	751	–8	45	3,107	–	1	430	–	–	5	426	2,681	2,387 ²	
Plant and machinery	38,190	224	2,581	1,253	2,187	40,061	28,111	158	3,086	–6	–	2,172	29,177	10,884	10,078	
thereof right-of-use assets from leases	1	–	75	6	–	82	–	–	6	–	–	–	6	76	1 ²	
Other facilities, factory and office equipment	3,061	23	311	63	286	3,172	2,082	14	322	4	–	275	2,147	1,025	908	
thereof right-of-use assets from leases	71	1	33	1	2	104	–	–	31	–	–	–	31	73	71 ²	
Advance payments made and construction in progress	2,392	18	1,297	–1,713	3	1,991	–	–	–	–	–	–	–	1,991 ³	2,395	
Property, plant and equipment	57,666	380	5,202	–	2,575	60,673	35,503	216	4,202	–	–	2,493	37,428	23,245	19,801	
Leased products	45,851	619	20,513	–	17,041	49,942	7,592	95	4,732	–	–	5,086	7,333	42,609	38,259	
Investments accounted for using the equity method	2,624	–	2,876	–	2,061	3,439	–	–	–	–	240	–	240	3,199	2,624	
Investments in non-consolidated subsidiaries	444	2	139	–	293	292	191	–	–	–	–	–322	–219	88	204	253
Participations	938	4	86	–	28	1,000	480	–1	–	–	–	11	–11	501	499	458
Non-current marketable securities	28	–	–	–	28	–	–	–	–	–	–	–	–	–	–	28
Other investments	1,410	6	225	–	349	1,292	671	–1	–	–	–	–311	–230	589	703	739

¹ Including €71 million recognised through the income statement.² Carrying amounts at 1.1.2019 (from the first-time application of IFRS 16).³ Including assets under construction of €1,555 million.

21 INTANGIBLE ASSETS

Intangible assets mainly comprise capitalised development costs on vehicle, module and architecture projects as well as subsidies for tool costs, licences, purchased development projects, emission allowances, software and purchased customer lists.

Other intangible assets include a brand-name right amounting to €40 million (2019: €43 million) which is allocated to the Automotive segment and is not subject to scheduled amortisation since its useful life is deemed to be indefinite. The asset is subject to a limited right of ownership. The €3 million decrease in the carrying amount is entirely due to currency factors. Intangible assets also include goodwill of €33 million (2019: €33 million) allocated to the Automotive cash-generating unit (CGU) and goodwill of €346 million (2019: €347 million) allocated to the Financial Services CGU.

As in the previous year, there was no requirement to recognise impairment losses or reversals of impairment losses on intangible assets in 2020.

As in the previous year, no financing costs were recognised as a cost component of intangible assets in 2020.

22 PROPERTY, PLANT AND EQUIPMENT (INCLUDING RIGHT-OF-USE ASSETS ARISING FROM LEASES)

No impairment losses were recognised in 2020, as in the previous year.

As in the previous year, no financing costs were recognised as a cost component of property, plant and equipment in 2020.

Right-of-use assets arising from leases of land and buildings relate primarily to logistics and office premises and, to a lesser extent, to selling and production premises. In order to secure these premises and, in the interests of flexibility, the property rental agreements concerned often contain extension and termination options.

23 LEASED PRODUCTS

Minimum lease payments of non-cancellable operating leases amounting to €20,872 million (2019: €20,894 million) fall due as follows:

in € million	31.12.2020	31.12.2019
within one year	9,285	9,804
between one and two years	6,327	6,489
between two and three years	3,416	3,278
between three and four years	1,534	1,073
between four and five years	275	225
later than five years	35	25
Minimum lease payments	20,872	20,894

Impairment losses amounting to €312 million (2019: €198 million) were recognised on leased products in 2020 as a consequence of changes in residual value expectations. Income from the reversal of impairment losses amounted to €110 million (2019: €74 million).

24 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method comprise the joint venture BMW Brilliance Automotive Ltd. (BMW Brilliance), Shenyang, the joint venture YOUR NOW Holding GmbH, Munich, the joint venture IONITY Holding GmbH & Co. KG (IONITY), Munich, and the interest in the associated company THERE Holding B.V. (THERE), Rijswijk.

BMW Brilliance Automotive Ltd.

BMW Brilliance produces BMW brand models mainly for the Chinese market and also has engine manufacturing facilities, which supply the joint venture's two plants with petrol engines.

The BMW Group intends to increase its stake in the BMW Brilliance joint venture from 50 % to 75 %. On 11 October 2018, the BMW Group signed an agreement with its joint venture partner, a wholly owned subsidiary of Brilliance China Automotive Holdings Ltd. (CBA), to acquire an additional 25 % shareholding in BMW Brilliance. The two partners agreed on a purchase price of an equivalent of €3.6 billion. The contractual term of the joint venture, which would currently expire in 2028, is to be extended to 2040 as part of the agreement. The prerequisite for the extension is the acquisition of the additional shares as agreed. The agreement was approved at the CBA shareholders' meeting on 18 January 2019 and remains subject to the approval of the relevant authorities. The transaction is scheduled to close in 2022. The closing will result in BMW Brilliance being fully consolidated in the BMW Group Financial Statements and is expected to result in the recognition of a significant valuation gain in the financial year in which the transaction closes.

YOUR NOW

With effect from 31 January 2019, the BMW Group completed the merger of several mobility services companies under the name YOUR NOW. The at-equity loss reported for YOUR NOW Holding GmbH for 2020 amounted to €349 million (2019: loss of €662 million). This loss includes impairment losses amounting to €113 million (2019: loss of €277 million), recorded at the level of YOUR NOW Holding GmbH. The impairment losses arose in light of the fact that – with respect to its impact on the BMW Group's investments accounted for using the equity method – the spread of the coronavirus gave rise to an indication of possible impairment, both at the level of the BMW Group and at the level of YOUR NOW Holding GmbH. The test only resulted in the need to recognise an impairment loss at the level of YOUR NOW Holding GmbH. In the previous year, impairment losses amounting to €240 million were also recognised in the BMW Group Financial Statements on the carrying amount of individual YOUR NOW companies. These impairment losses were reported in the result on investments within other financial result.

IONITY

Together with Daimler AG, Stuttgart (Daimler AG), the Ford Motor Company, the Volkswagen Group, Kia Motors Corporation and Hyundai Motor Corporation, the BMW Group operates the joint venture IONITY Holding GmbH & Co. KG, whereby each of the parties has an equal shareholding. The entry of Kia Motors Corporation and Hyundai Motor Corporation was completed in October 2020. Since then, the BMW Group has held a 20 % stake in IONITY. IONITY's business model envisages the construction and operation of high-performance charging stations for battery electric vehicles in Europe.

THERE

Together with AUDI AG, Daimler AG and other companies, the BMW Group holds shares in THERE. HERE International B.V. (HERE) is an associated company of THERE. HERE's digital maps are laying the foundations for the next generation of mobility and location-based services, providing the basis for new assistance systems and, ultimately, fully automated driving.

In December 2019, it was announced that Mitsubishi Corporation (MC) and Nippon Telegraph and Telephone Corporation (NTT) would jointly acquire a 30 % stake in HERE. This acquisition was completed in May 2020 following the receipt of approval from the antitrust authorities. The sale of the shares gave rise to a positive impact of €105 million which is reported within the result from equity accounted investments. In addition, share capital reductions were carried out at the level of THERE in June and September 2020, resulting in €197 million being returned to the BMW Group.

The spread of the coronavirus also gave rise to an indication of possible impairment from the BMW Group's perspective. The impairment test was based on HERE's current business plan, which already incorporates its lowered expectations in the wake of the coronavirus pandemic. The value in use was determined on the basis of a present value computation derived from the revised business plan. A pre-tax discount rate of 18.5 % was applied. Following the impairment test, an impairment loss of €27 million was recognised in the BMW Group Financial Statements and included in the result on investments within other financial result.

Financial information relating to equity accounted investments is summarised in the following tables (from a 100 % perspective):

in € million	BMW Brilliance		THERE		YOUR NOW		IONITY	
	2020	2019	2020	2019	2020	2019 ¹	2020	2019 ¹
DISCLOSURES RELATING TO THE BALANCE SHEET								
Non-current assets	7,292	7,248	1,190	1,131	945	1,610	244	175
Current assets	9,859	7,381	24	467	767	1,116	55	70
thereof cash and cash equivalents	5,137	2,937	24	1	341	818	17	50
Equity	7,388	5,293	1,214	1,597	1,226	2,073	244	205
Non-current financial liabilities, provisions and liabilities	1,546	1,358	–	–	113	184	13	10
Current financial liabilities, provisions and liabilities	8,217	7,978	–	1	373	469	42	30
RECONCILIATION OF AGGREGATED FINANCIAL INFORMATION								
Assets	17,151	14,629	1,214	1,598	1,712	2,726	299	245
Provisions and liabilities	9,763	9,336	–	1	486	653	55	40
Net assets	7,388	5,293	1,214	1,597	1,226	2,073	244	205
Group's interest in net assets	3,694	2,646	335 ²	475	591	987	49	51
Eliminations	–1,084	–960	–	–	–	–	–	–
Carrying amount	2,610	1,686	335 ²	475	591	987	49	51

¹ Prior year's figures adjusted.

² Including shareholder impairment.

in € million	BMW Brilliance		THERE		YOUR NOW		IONITY	
	2020	2019	2020	2019	2020	2019 ¹	2020	2019 ¹
DISCLOSURES RELATING TO THE INCOME STATEMENT								
Revenues	23,913	21,910	—	—	234	424	8	1
Scheduled depreciation	707	651	—	—	127	150	19	10
Profit / loss before financial result	3,174	2,374	-1	-1	-693	-1,349	-43	-29
Interest income	80	84	4	—	—	—	—	—
Interest expense	5	5	—	—	3	23	1	1
Income taxes	822	654	—	—	6	-28	-8	-5
Profit / loss after tax	2,560	1,947	206	-383	-749	-1,805	-37	-24
thereof from continuing operations	2,560	1,947	206	-383	-701	-1,805	-37	-24
thereof from discontinued operations	—	—	—	—	-48	—	—	—
Other comprehensive income	169	-14	10	1	-81	17	—	—
Total comprehensive income	2,729	1,933	216	-382	-830	-1,788	-37	-24
Group dividend income ²	379	1,284	—	—	—	—	—	—

¹ Prior year's figures adjusted.² Including dividends received in the amount of €1,020 million (2019: €643 million).

25 RECEIVABLES FROM SALES FINANCING

Receivables from sales financing comprise the following:

in € million	31.12.2020	31.12.2019
Credit financing for retail customers and dealerships*	63,584	71,104
Finance lease receivables	20,693	21,333
Receivables from sales financing	84,277	92,437

* Figure contains Operating leases.

Impairment allowances on receivables from sales financing in accordance with IFRS 9, which only arise within the Financial Services segment, developed as follows:

in € million	Stage 1	Stage 2		Stage 3	Total
		General	Simplified		
Impairment allowances at 1 January 2020	361	209	12	517	1,099
Reclassification to Stage 1	1	-6	-	-4	-9
Reclassification to Stage 2	-15	153	-	-15	123
Reclassification to Stage 3	-4	-30	-1	195	160
Derecognition and origination of receivables	12	21	1	-33	1
Write-off of receivables	-1	-14	-1	-90	-106
Changes in risk parameters	60	66	1	49	176
Other changes	69	75	27	24	195
Impairment allowances at 31 December 2020	483	474	39	643	1,639

in € million	Stage 1	Stage 2		Stage 3	Total
		General	Simplified		
Impairment allowances at 1 January 2019	363	175	12	482	1,032
Reclassification to Stage 1	2	-13	-	-1	-12
Reclassification to Stage 2	-17	107	-	-16	74
Reclassification to Stage 3	-6	-24	-1	175	144
Derecognition and origination of receivables	17	-26	1	-15	-23
Write-off of receivables	-2	-17	-	-133	-152
Changes in risk parameters	-40	31	-	1	-8
Other changes	44	-24	-	24	44
Impairment allowances at 31 December 2019	361	209	12	517	1,099

Impairment allowances include €95 million (2019: €74 million) on credit-impaired receivables relating to finance leases.

The estimated fair value of vehicles held as collateral for credit-impaired receivables at the end of the reporting period totalled €517 million (2019: €541 million). The carrying amount of assets held as collateral and taken back as a result of payment default amounted to €33 million (2019: €39 million).

Finance leases are analysed as follows:

in € million	31.12.2020	31.12.2019*
due within one year	6,970	6,918
due between one and two years	6,293	6,761
due between two and three years	5,190	5,412
due between three and four years	3,695	3,725
due between four and five years	558	479
due later than five years	48	32
Gross investment in finance leases	22,754	23,327
due within one year	6,426	6,384
due between one and two years	5,809	6,263
due between two and three years	4,770	5,006
due between three and four years	3,395	3,421
due between four and five years	503	433
due later than five years	45	30
Net investment in finance leases without loss allowances	20,948	21,537
Unrealised interest income	1,806	1,790
Loss allowances	255	204
Net investment in finance leases	20,693	21,333

* Prior year's figures adjusted.

26 FINANCIAL ASSETS

Financial assets comprise:

in € million	31.12.2020	31.12.2019
Marketable securities and investment funds	4,226	5,391
Derivative instruments	3,256	1,620
Loans to third parties	71	54
Other	199	260
Financial assets	7,752	7,325
thereof non-current	2,644	1,370
thereof current	5,108	5,955

27 INCOME TAX ASSETS

Income tax assets totalling €606 million (2019: €1,209 million) include claims amounting to €43 million (2019: €186 million), which are expected to be settled after more than one year. Claims may be settled earlier than this depending on the timing of the underlying proceedings. The decrease in income tax assets was mainly attributable to tax reimbursements.

28 OTHER ASSETS

Other assets comprise:

in € million	31.12.2020	31.12.2019
Return right assets for future leased products	3,041	4,807
Receivables from companies in which an investment is held	2,048	2,641
Other taxes	1,581	1,935
Expected reimbursement claims	1,046	1,086
Receivables from subsidiaries	546	308
Collateral assets	454	413
Prepaid expenses	364	396
Sundry other assets	1,246	1,353
Other assets	10,326	12,939
thereof non-current	1,216	1,325
thereof current	9,110	11,614

Collateral assets comprise mainly customary collateral (banking deposits) arising on the sale of asset-backed financing instruments.

29 INVENTORIES

Inventories comprise the following:

in € million	31.12.2020	31.12.2019
Finished goods and goods for resale	10,542	11,491
Work in progress, unbilled contracts	1,373	1,286
Raw materials and supplies	1,660	1,674
Vehicles held for sale in the financial services business	818	808
Advance payments to suppliers	503	632
Inventories	14,896	15,891

Out of the total amount recognised for inventories at 31 December 2020, inventories measured at net realisable value amounted to €899 million (2019: €973 million). Write-downs to net realisable value in the financial year 2020 amounted to €59 million (2019: €126 million), while reversals of write-downs amounted to €2 million (2019: €22 million).

The expense recorded in conjunction with inventories during the financial year 2020 amounted to €48,128 million (2019: €53,524 million). The previous year's figures were adjusted due to a change in the computational logic. The adjusted amount disclosed no longer relates only to products sold, but also includes the impact of inter-segment eliminations. Excluding inter-segment eliminations, the prior-year figure amounted to €62,633 million. At 31 December 2020, the carrying amounts of inventories expected to be realised after more than twelve months amount to €359 million (2019: €445 million).

30 TRADE RECEIVABLES

Trade receivables comprise the following:

in € million	31.12.2020	31.12.2019
Gross carrying amount	2,345	2,590
Allowances for impairment of stage 2 – simplified procedure	-24	-26
Allowances for impairment of stage 3	-23	-46
Net carrying amount	2,298	2,518

Impairment allowances on trade receivables in accordance with IFRS 9 developed as follows:

in € million	2020	2019
Balance at 1 January	72	54
Allocated (+)	16	30
Reversed (-)	-36	-7
Utilised	-1	-7
Exchange rate impact and other changes	-4	2
Balance at 31 December	47	72

In the case of trade receivables, collateral is generally held in the form of vehicle documents and bank guarantees so that the risk of bad debt loss is very limited.

Expenses for impairment losses and income from the reversal of impairment losses is not significant and is therefore not reported separately in the income statement.

31 EQUITY

Number of shares issued

	Preferred stock		Common stock	
	2020	2019	2020	2019
Shares issued/in circulation at 1 January	56,867,304	56,126,904	601,995,196	601,995,196
Shares issued in conjunction with Employee Share Programme	822,124	744,447	-	-
Less: shares repurchased and re-issued	124	4,047	-	-
Shares issued/in circulation at 31 December	57,689,304	56,867,304	601,995,196	601,995,196

All Company stock is issued to bearer and each share has a par value of €1.00. Preferred stock, to which no voting rights are attached, bear an additional dividend of €0.02 per share.

In 2020, a total of 822.124 shares of preferred stock was sold to employees at a reduced price of €36.55 per share in conjunction with an Employee Share Programme. These shares are entitled to receive dividends for the first time with effect from the financial year 2021.

Issued share capital increased by €0.8 million as a result of the issue to employees of 822.000 new shares of non-voting preferred stock. BMW AG is authorised up to 15 May 2024 to issue 5 million shares of non-voting preferred stock amounting to nominal €5.0 million. At the end of the reporting period, 3.4 million of these amounting to nominal €3.4 million remained available for issue.

In addition, 124 previously issued shares of preferred stock were acquired and re-issued to employees.

Capital reserves

Capital reserves include premiums arising from the issue of shares and totalled €2,199 million (2019: €2,161 million). The change amounting to €38 million related to the share capital increase in conjunction with the issue of shares of preferred stock to employees.

Revenue reserves

Revenue reserves comprise the non-distributed earnings of companies consolidated in the Group Financial Statements. In addition, remeasurements of the net defined benefit obligation for pension plans are also presented in revenue reserves.

It is proposed that the unappropriated profit of BMW AG for the financial year 2020 amounting to €1,253 million be utilised as follows:

- Distribution of a dividend of €1.92 per share of preferred stock (€109 million)
- Distribution of a dividend of €1.90 per share of common stock (€1,144 million)

The proposed distribution was not recognised as a liability in the Group Financial Statements.

Accumulated other equity

Accumulated other equity comprises amounts recognised directly in equity resulting from the translation of the financial statements of foreign subsidiaries, changes in the fair value of derivative financial instruments and marketable securities, costs of hedging recognised directly in equity as well as the related deferred taxes.

Capital management disclosures

The BMW Group's objectives with regard to capital management are to safeguard over the long-term the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The capital structure is managed in order to meet needs arising from changes in economic conditions and the risks of the underlying assets.

The BMW Group is not subject to any unified external minimum equity capital requirements. Within the Financial Services segment, however, there are a number of individual entities which are subject to equity capital requirements of relevant regulatory banking authorities.

In order to manage its capital structure, the BMW Group uses various instruments, including the amount of dividends paid to shareholders and share buybacks. Moreover, the BMW Group actively manages debt capital, carrying out funding activities with a target debt structure in mind. A key aspect in the selection of financial instruments is the objective to achieve matching maturities for the Group's financing requirements. In order to reduce non-systematic risk, the BMW Group uses a variety of financial instruments available on the world's capital markets to achieve diversification.

The capital structure at the end of the reporting period was as follows:

	31.12.2020	31.12.2019
Equity attributable to shareholders of BMW AG	60,891	59,324
Proportion of total capital	36.4 %	33.7 %
Non-current financial liabilities	67,390	70,647
Current financial liabilities	38,986	46,093
Total financial liabilities	106,376	116,740
Proportion of total capital	63.6 %	66.3 %
Total capital	167,267	176,064

Equity attributable to shareholders of BMW AG increased during the financial year by 2.6 %, primarily reflecting the increase in revenue reserves.

32 PENSION PROVISIONS

In the case of defined benefit plans, the BMW Group is required to pay the benefits it has granted to present and past employees. Defined benefit plans may be covered by provisions or pension assets. In Germany, pension obligations of the BMW Group are mostly covered by assets transferred to BMW Trust e.V., Munich, in conjunction with a Contractual Trust Arrangement (CTA) (funded plan). Funded plans also exist in the UK, the

USA, Switzerland, Belgium and Japan. In the meantime, most of the defined benefit plans have been closed to new entrants.

The assumptions stated below, which depend on the economic situation in the relevant country, are used to measure the defined benefit obligation of each pension plan. In Germany, the so-called “pension entitlement trend” (Festbetragstrend) remained at 2.0%. The following weighted average values have been used for Germany, the UK and other countries:

in %	Germany		United Kingdom		Other	
	31.12. 2020	31.12. 2019	31.12. 2020	31.12. 2019	31.12. 2020	31.12. 2019
Discount rate	0.55	1.00	1.19	1.92	1.88	2.42
Pension level trend	1.33	1.38	2.19	2.15	—	—
Weighted duration of all pension obligations in years	21.6	21.3	19.8	19.2	15.9	16.0

The following mortality tables are applied in countries, in which the BMW Group has significant defined benefit plans:

Germany

Mortality Table 2018 G issued by Prof. K. Heubeck (with invalidity rates reduced by 70%)

United Kingdom

S2PA tables and S3PA light tables

Based on the measurement principles contained in IAS 19, the following balance sheet **carrying amounts** apply to the Group's pension plans:

in € million	Germany		United Kingdom		Other		Total	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Present value of defined benefit obligations	15,535	14,022	9,944	9,503	1,108	1,127	26,587	24,652
Fair value of plan assets	12,451	11,320	9,589	9,137	870	883	22,910	21,340
Effect of limiting net defined benefit asset to asset ceiling	–	–	–	–	3	2	3	2
Carrying amounts at 31 December	3,084	2,702	355	366	241	246	3,680	3,314
thereof pension provisions	3,084	2,702	355	371	254	262	3,693	3,335
thereof assets	–	–	–	–5	–13	–16	–13	–21

The most significant of the BMW Group's pension plans are described below.

Germany

Both employer- and employee-funded benefit plans exist in Germany. Benefits paid in conjunction with these plans comprise old-age retirement pensions as well as invalidity and surviving dependants' benefits. The level of ongoing pension payments is adjusted in accordance with § 16 of the Company Pensions Act (Betriebsrentengesetz).

The defined benefit plans have been closed to new entrants since 2014. Defined contribution plans with a minimum rate of return, comprising employer- and employee-funded components, continue to exist. The fact that the plan involves a minimum rate of return means that the defined contribution entitlements are classified in accordance with IAS 19 as defined benefit plans. In the case of defined benefit plans involving the payment of a pension, the amount of benefits to be paid is determined

by multiplying a fixed amount by the number of years of service.

The assets of the German pension plans are invested by BMW Trust e.V., Munich, in accordance with a CTA. The representative bodies of this entity are the Board of Directors and the Members' General Meeting. BMW Trust e.V., Munich, currently has seven members and three members of the Board of Directors elected by the Members' General Meeting. The Board of Directors is responsible for investments, drawing up and deciding on investment guidelines as well as monitoring compliance with those guidelines. The members of the association can be employees, employee representatives, senior executives and members of the Board of Management of BMW AG. An ordinary Members' General Meeting takes place once every calendar year, and deals with a range of matters, including receiving and approving the association's annual report, ratifying the activities of the Board of Directors and adopting changes to the association's statutes.

United Kingdom

Defined benefit plans exist in the United Kingdom which are closed for all plan participants. Vested benefits remain in place. New benefits are covered by contributions made to a defined contribution plan.

The defined benefit pension plans are administered by BMW Pension Trustees Limited, Farnborough, and BMW (UK) Trustees Limited, Farnborough, both trustee companies which act independently of the BMW Group. BMW (UK) Trustees Limited, Farnborough, is represented by ten trustees and BMW Pension Trustees Limited, Farnborough, by five trustees. A minimum of one third of the trustees must be elected by plan participants. The trustees represent the interests of plan participants and decide on investment strategies. Funding contributions to the funds are determined in agreement with the BMW Group.

The **change in the net liability for defined benefit pension**

plans can be derived as follows:

in € million	Defined benefit obligation	Plan assets	Total	Effect of limitation of the net defined benefit asset to the asset ceiling	Net defined benefit liability
1 January 2020	24,652	-21,340	3,312	2	3,314
EXPENSE/INCOME					
Current service cost	488	-	488	-	488
Interest expense (+)/income (-)	337	-303	34	-	34
Past service cost	-54	-	-54	-	-54
Gains (-) or losses (+) arising from settlements	-	-	-	-	-
REMEASUREMENTS					
Gains (-) or losses (+) on plan assets, excluding amounts included in interest income	-	-1,880	-1,880	-	-1,880
Gains (-) or losses (+) arising from changes in financial assumptions	2,726	-	2,726	-	2,726
Gains (-) or losses (+) arising from changes in demographic assumptions	-239	-	-239	-	-239
Gains (-) or losses (+) arising from experience adjustments	-144	-	-144	-	-144
Changes in the limitation of the net defined benefit asset to the asset ceiling	-	-	-	1	1
Transfers to fund	-	-524	-524	-	-524
Employee contributions	84	-84	-	-	-
Pensions and other benefits paid	-645	639	-6	-	-6
Translation differences and other changes	-618	582	-36	-	-36
31 December 2020	26,587	-22,910	3,677	3	3,680
thereof pension provisions					3,693
thereof assets					-13

in € million	Defined benefit obligation	Plan assets	Total	Effect of limitation of the net defined benefit asset to the asset ceiling	Net defined benefit liability
1 January 2019	21,247	-18,937	2,310	3	2,313
EXPENSE/INCOME					
Current service cost	473	-	473	-	473
Interest expense (+)/income (-)	485	-444	41	-	41
Past service cost	-191	-	-191	-	-191
Gains (-) or losses (+) arising from settlements	-3	-	-3	-	-3
REMEASUREMENTS					
Gains (-) or losses (+) on plan assets, excluding amounts included in interest income	-	-2,002	-2,002	-	-2,002
Gains (-) or losses (+) arising from changes in financial assumptions	3,201	-	3,201	-	3,201
Gains (-) or losses (+) arising from changes in demographic assumptions	-3	-	-3	-	-3
Gains (-) or losses (+) arising from experience adjustments	-4	-	-4	-	-4
Changes in the limitation of the net defined benefit asset to the asset ceiling	-	-	-	-1	-1
Transfers to fund	-	-527	-527	-	-527
Employee contributions	78	-78	-	-	-
Pensions and other benefits paid	-1,104	1,103	-1	-	-1
Translation differences and other changes	473	-455	18	-	18
31 December 2019	24,652	-21,340	3,312	2	3,314
thereof pension provisions					3,335
thereof assets					-21

In 2020, employment contract termination agreements were agreed with employees, resulting in the departure of the persons concerned and to vested pension benefits. Past service cost resulted mainly from differing assumptions used to calculate statutory pension entitlements on the one hand and for the ongoing accounting for active employees on the other.

Past service cost in the previous year resulted mainly from the complete closure of two defined benefit plans in the USA.

Depending on the cash flow profile and risk structure of the pension obligations involved, plan assets relating to defined benefit plans are invested in a diversified portfolio.

Plan assets in Germany, the UK and other countries comprised the following:

in € million	Germany		United Kingdom		Other		Total
	2020	2019	2020	2019	2020	2019	
COMPONENTS OF PLAN ASSETS							
Equity instruments	2,166	2,031	348	584	74	91	2,588 2,705
Debt instruments	7,326	6,513	6,940	6,648	632	592	14,898 13,754
thereof investment grade	5,041	4,275	6,316	5,891	625	585	11,982 10,752
thereof mixed funds (funds without a rating)	—	—	—	—	—	—	—
thereof non-investment grade	2,285	2,238	624	757	7	7	2,916 3,002
Real estate funds	—	—	—	—	19	19	19
Money market funds	—	—	85	74	2	29	87 103
Absolute return funds	—	—	—	—	—	—	—
Other	128	109	—	—	6	15	134 124
Total with quoted market price	9,620	8,653	7,373	7,306	733	746	17,726 16,705
Debt instruments	779	911	673	256	1	1	1,453 1,168
thereof investment grade	324	316	—	—	—	—	324 316
thereof mixed funds (funds without a rating)	455	595	673	256	—	—	1,128 851
thereof non-investment grade	—	—	—	—	1	1	1 1
Real estate	428	394	656	716	—	—	1,084 1,110
Cash and cash equivalents	159	20	—	—	—	1	159 21
Absolute return funds	645	632	643	640	23	31	1,311 1,303
Other	820	710	244	219	113	104	1,177 1,033
Total without quoted market price	2,831	2,667	2,216	1,831	137	137	5,184 4,635
31 December	12,451	11,320	9,589	9,137	870	883	22,910 21,340

In the financial year 2021, disbursements out of the plan assets are expected to exceed the employer's contributions to plan assets by €85 million. Plan assets of the BMW Group include own transferable financial instruments amounting to €1 million (2019: €8 million).

The BMW Group is exposed to **risks** arising both from defined benefit plans and defined contribution plans with a minimum return guarantee. The discount rates used to calculate pension obligations are subject to market fluctuation and therefore influence the level of the obligations. Furthermore, changes in other actuarial parameters, such as expected rates of inflation, also have an impact on pension obligations. In order to reduce currency exposures, a substantial portion of plan assets is either invested in the

same currency as the underlying plan or hedged by means of currency derivatives. As part of the internal reporting procedures and for internal management purposes financial risks relating to the pension plans are reported using a value-at-risk approach by reference to the pension deficit. The investment strategy is also subject to regular review together with external consultants, with the aim of ensuring that investments are structured to match the timing of pension payments and the expected development of pension obligations. In this way, fluctuations in pension funding shortfalls are reduced.

The defined benefit obligation relates to current employees, pensioners and former employees with vested benefits as follows:

The sensitivity analysis provided below shows the extent to which changes in individual factors – independently of each other – could influence the defined benefit obligation at the end of the reporting period.

It is only possible to aggregate sensitivities to a limited extent. Since the change in obligation follows a

non-linear pattern, estimates made on the basis of the specified sensitivities are only possible with this restriction. The calculation of sensitivities using ranges other than those specified could result in a disproportional change in the defined benefit obligation.

		Change in defined benefit obligation			
		31.12.2020		31.12.2019	
		in € million	in %	in € million	in %
Discount rate	increase of 0.75 %	-3,514	-13.2	-3,352	-13.6
	decrease of 0.75 %	4,585	17.2	4,290	17.4
	increase of 0.25 %	766	2.9	905	3.7
Pension level trend	decrease of 0.25 %	-721	-2.7	-810	-3.3
	increase of 1 year	1,078	4.1	1,155	4.7
	decrease of 1 year	-1,081	-4.1	-1,097	-4.4
Average life expectancy	increase of 0.25 %	218	0.8	200	0.8
	decrease of 0.25 %	-210	-0.8	-192	-0.8
Pension entitlement trend					

In the UK, the sensitivity analysis for the pension level trend also takes account of restrictions due to caps and floors.

33 OTHER PROVISIONS

Other provisions changed during the year as follows:

in € million	as of 1.1.2020*	Translation differences	Additions	Reversal of discounting	Utilised	Reversed	31.12.2020	thereof due within one year
Statutory and non-statutory warranty obligations, product guarantees	5,550	-277	3,178	158	-2,354	-124	6,131	1,731
Obligations for personnel and social expenses	2,496	-19	1,405	19	-1,288	-31	2,582	1,483
Other obligations	3,271	-43	1,361	9	-508	-337	3,753	2,794
Other obligations for ongoing operational expenses	1,892	-94	1,288	-	-1,399	-171	1,516	1,486
Other provisions	13,209	-433	7,232	186	-5,549	-663	13,982	7,494

* Prior year's figures adjusted.

Depending on when claims occur, it is possible that the BMW Group may be called upon to fulfil the warranty or guarantee obligations over the whole period of the warranty or guarantee. Warranty provisions include amounts recognised in connection with the exhaust gas recirculation cooler. Expected reimbursement claims at 31 December 2020 amounted to €1,046 million (2019: €1,086 million) and are disclosed within other assets (see [note 28](#)).

Provisions for obligations for personnel and social expenses comprise mainly obligations relating to performance-related remuneration components, workforce measures as well as pre-retirement part-time working arrangements and long-service awards.

The provisions for other obligations cover numerous identifiable specific risks and uncertain obligations, in particular for litigation and liability risks, including the provision recognised in the previous year for the ongoing EU Commission's antitrust proceedings. Further information is provided in [note 10](#).

Other obligations for ongoing operational expenses include in particular expected payments for bonuses and other price deductions.

34 INCOME TAX LIABILITIES

Current income tax liabilities totalling €747 million (2019: €963 million) include €40 million (2019: €89 million) which are expected to be settled after more than twelve months. Liabilities may be settled earlier than this depending on the timing of the underlying proceedings.

35 FINANCIAL LIABILITIES

Financial liabilities of the BMW Group comprise the following:

in € million	31.12.2020				31.12.2019			
	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	12,642	32,001	12,022	56,665	14,077	35,801	12,287	62,165
Asset-backed financing transactions	6,863	11,956	—	18,819	7,952	11,597	—	19,549
Liabilities from customer deposits (banking)	12,735	3,709	22	16,466	11,216	3,414	27	14,657
Liabilities to banks	4,578	3,159	1,300	9,037	7,903	2,204	1,329	11,436
Lease liabilities	492	1,181	838	2,511	544	1,363	988	2,895
Derivative instruments	593	517	38	1,148	1,149	886	61	2,096
Commercial paper	550	—	—	550	2,615	—	—	2,615
Other	533	248	399	1,180	637	271	419	1,327
Financial liabilities	38,986	52,771	14,619	106,376	46,093	55,536	15,111	116,740

Planned future cash outflows from variable lease payments, which are not taken into account in the measurement of lease liabilities, are expected to amount to €57 million (2019: €56 million).

Similarly, potential future cash outflows amounting to €1,252 million (2019: €1,393 million) (undiscounted) have not been taken into account in the measurement of lease liabilities as it is not reasonably certain that the leases will be renewed (or not terminated). These cash outflows relate to periods of up to 74 years (2019: up to 59 years).

Liabilities related to financing activities can be reconciled as follows:

in € million	as of 1.1.2020	Cash inflows / outflows	Changes due to the acquisition or disposal of companies	Changes due to exchange rate factors	Changes in fair values	Other changes	31.12.2020
Bonds	62,165	-4,306	-	-1,972	766	12	56,665
Asset-backed financing transactions	19,549	-82	-	-648	-	-	18,819
Liabilities from customer deposits (banking)	14,657	2,329	-	-520	-	-	16,466
Liabilities to banks	11,436	-2,172	-	-248	21	-	9,037
Lease liabilities	2,895	-494	-	-63	-	173	2,511
Commercial paper	2,615	-2,025	-	-40	-	-	550
Financial liabilities towards companies in which an investment is held	296	492	-	-48	-	-	740
Other (excluding interest payable)	864	-78	-	-34	-	-	752
Liabilities relating to financing activities	114,477	-6,336	-	-3,573	787	185	105,540

in € million	as of 1.1.2019	Cash inflows / outflows	Changes due to the acquisition or disposal of companies	Changes due to exchange rate factors	Changes in fair values	Other changes	31.12.2019
Bonds	53,346	7,342	-	618	859	-	62,165
Asset-backed financing transactions	17,335	1,869	-	345	-	-	19,549
Liabilities from customer deposits (banking)	14,359	202	-	96	-	-	14,657
Liabilities to banks	13,196	-1,754	-	-43	44	-7	11,436
Lease liabilities	105	-440	-	6	-	3,224	2,895
Commercial paper	2,480	134	-	1	-	-	2,615
Financial liabilities towards companies in which an investment is held	529	-233	-	-	-	-	296
Other (excluding interest payable)	626	202	-	36	-	-	864
Liabilities relating to financing activities	101,976	7,322	-	1,059	903	3,217	114,477

Bonds comprise:

Issuer	Interest	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in years)	Weighted average nominal interest rate (in %)
BMW Finance N.V.	variable	EUR 3,350 million	2.1	0.0
	variable	NOK 1,730 million	3.0	1.9
	variable	SEK 1,500 million	4.0	0.5
	variable	USD 500 million	3.0	1.0
	fixed	JPY 24,500 million	5.3	0.5
	fixed	EUR 23,800 million	6.5	0.8
	fixed	CNY 13,500 million	2.3	3.6
	fixed	HKD 2,352 million	5.8	2.6
	fixed	USD 2,050 million	5.3	2.5
	fixed	NOK 1,500 million	3.8	1.9
BMW US Capital, LLC	fixed	GBP 850 million	6.0	1.3
	fixed	AUD 273 million	10.0	3.2
	variable	USD 2,158 million	3.5	0.7
	fixed	USD 16,255 million	6.4	3.2
BMW International Investment B.V.	fixed	EUR 2,500 million	7.6	0.9
	fixed	AUD 30 million	5.0	3.0
	variable	SEK 500 million	3.0	0.7
	variable	GBP 250 million	2.2	0.1
	fixed	GBP 1,800 million	4.1	1.3
Other	fixed	NOK 1,000 million	10.0	3.3
	fixed	CHF 600 million	6.8	0.5
	fixed	CNY 6,000 million	3.0	4.8
	fixed	CAD 1,600 million	3.2	2.4

The following details apply to commercial paper:

Issuer	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in days)	Weighted average nominal interest rate (in %)
BMW Finance N.V.	EUR 550 million	71	-0.2

36 OTHER LIABILITIES

Other liabilities comprise the following items:

in € million	31.12.2020	31.12.2019*
Contract liabilities	5,485	5,038
Refund liabilities for future leased products	3,926	6,103
Deferred income	3,546	3,635
Bonuses and sales aides	2,911	2,971
Other taxes	1,484	1,265
Deposits received	1,019	983
Payables to other companies in which an investment is held	814	519
Payables to subsidiaries	180	192
Other advance payments received for orders	139	160
Social security	133	109
Sundry	1,550	2,091
Other liabilities	21,187	23,066

* Prior year's figures adjusted.

Contract liabilities relate to obligations for service and repair work as well as telematics services and roadside assistance agreed to be part of the sale of a vehicle (in some cases multi-component arrangements). An amount of €2,604 million (2019: €2,255 million) was released from contract liabilities in the financial year and recognised as revenues from contracts with customers.

Deferred income includes down payments received on leases with customers as well as deferred grants. Grants comprise mainly public sector funds to promote

37 TRADE PAYABLES

As in the previous year, trade payables are due within one year.

regional structures and which have been invested in the production plants in Brazil, China, Germany, Mexico, Austria and South Africa amongst others. The grants are partly subject to holding periods for the assets concerned of up to five years and/or minimum employment figures or minimum production figures. Grant income is recognised in the income statement over the useful lives of the assets to which it relates.

OTHER DISCLOSURES

38 CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Contingent liabilities

The following contingent liabilities existed at the balance sheet date:

in € million	31.12.2020	31.12.2019
Investment subsidies	77	284
Litigation	105	139
Guarantees	43	46
Other	1,067	618
Contingent liabilities	1,292	1,087

Other contingent liabilities comprise mainly risks relating to taxes and customs duties.

The BMW Group determines its best estimate of contingent liabilities on the basis of the information available at the date of preparation of the Group Financial Statements. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances. A part of the risks is covered by insurance.

The European Commission is currently conducting an investigation in connection with antitrust allegations against five German car manufacturers. The BMW Group has provided for the potential outcome of

the investigation in the form of a provision measured on the basis of the Statement of Objections, at the best possible estimate (see also note 10 to the Group Financial Statements for the financial year 2019). In relation to these allegations, numerous class action lawsuits have been brought in the USA and Canada as well as several private lawsuits in South Korea. The class action lawsuits in the USA were dismissed in the first instance in October 2020. The plaintiffs have appealed this decision. Class action lawsuits in Canada and private lawsuits in South Korea are still at an early stage. Further civil lawsuits based on the allegations are possible going forward. In addition, the Chinese State Administration for Market Regulation opened antitrust proceedings against BMW AG in March 2019, followed by the Korea Fair Trade Commission in May 2020 and the Turkish Competition Authority in July 2020. Possible risks for the BMW Group cannot be currently foreseen, either in terms of their outcome or the amounts involved. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

Regulatory authorities have ordered the BMW Group to recall various vehicle models in conjunction with airbags supplied by the Takata group of companies. Provision for the costs involved has been recognised within warranty provisions. In addition to the risks already covered by warranty provisions, it cannot be ruled out that further BMW Group vehicles will be affected by future recall actions. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

In September 2019, the Japan Fair Trade Commission conducted a search of BMW Japan Corp. in connection with its market practices in relation to dealerships. In mid-December 2020, the authority signalled its principle willingness to end the investigation without sanctions

and determination of a violation of the law, provided that an agreement with BMW Japan on future-oriented measures can be reached. The discussions in that regard are still ongoing. Any remaining risks for the BMW Group can currently not be ruled out and foreseen in detail, either in terms of their outcome or the amounts involved. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

On January 22, 2020, the U.S. Securities and Exchange Commission (SEC) had opened an investigation into potential violations of U.S. securities laws by BMW Group relating to disclosures regarding BMW Group's unit sales of new vehicles. This matter was settled on September 24, 2020 with the SEC, without admitting or denying the allegations, and BMW Group consented to the entry of an Order finding violations of the U.S. Securities Act and agreed to pay a penalty of \$18 million. Certain BMW Group entities and their officers are defendants in private securities litigation following the SEC Order. Possible risks for the BMW Group cannot be quantified at present. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

Other financial commitments

In addition to liabilities, provisions and contingent liabilities, the following commitments exist for the BMW Group at the end of the reporting period:

in € million	31.12.2020	31.12.2019
Purchase commitments for property, plant and equipment	3,264	3,128
Purchase commitments for intangible assets	2,787	2,146

39 FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments are assigned to IFRS 9 categories in the following table.

in € million	31.12.2020				31.12.2019			
	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Not assigned to an IFRS 9 category	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Not assigned to an IFRS 9 category
ASSETS								
Other investments	–	–	477	258	–	–	461	242
Receivables from sales financing	63,104	–	–	21,173	70,625	–	–	21,812
Financial assets								
Derivative instruments								
Cash flow hedges	–	–	–	851	–	–	–	326
Fair value hedges	–	–	–	1,992	–	–	–	1,244
Other derivative instruments	–	–	413	–	–	–	50	–
Marketable securities and investment funds	115	3,245	866	–	444	3,889	1,058	–
Loans to third parties	49	–	22	–	40	–	14	–
Other	199	–	–	–	260	–	–	–
Cash and cash equivalents	12,622	–	915	–	11,574	–	462	–
Trade receivables	2,298	–	–	–	2,518	–	–	–
Other assets								
Receivables from subsidiaries	546	–	–	–	308	–	–	–
Receivables from companies in which an investment is held	2,048	–	–	–	2,641	–	–	–
Collateral assets	454	–	–	–	413	–	–	–
Remaining other assets	1,504	–	–	5,774	1,519	–	–	8,058
Total	82,939	3,245	2,693	30,048	90,342	3,889	2,045	31,682



in € million	31.12.2020				31.12.2019											
	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Not assigned to an IFRS 9 category	At amortised cost	At fair value through other comprehensive income	At fair value through profit or loss	Not assigned to an IFRS 9 category								
LIABILITIES																
Financial liabilities																
Bonds	56,665	—	—	—	62,165	—	—	—								
Liabilities to banks	9,037	—	—	—	11,436	—	—	—								
Liabilities from customer deposits (banking)	16,466	—	—	—	14,657	—	—	—								
Commercial paper	550	—	—	—	2,615	—	—	—								
Asset-backed financing transactions	18,819	—	—	—	19,549	—	—	—								
Derivative instruments																
Cash flow hedges	—	—	—	112	—	—	—	805								
Fair value hedges	—	—	—	248	—	—	—	271								
Other derivative instruments	—	—	788	—	—	—	1,020	—								
Lease liabilities	—	—	—	2,511	—	—	—	2,895								
Other	1,180	—	—	—	1,327	—	—	—								
Trade payables	8,644	—	—	—	10,182	—	—	—								
Other liabilities																
Payables to subsidiaries	180	—	—	—	192	—	—	—								
Payables to other companies in which an investment is held	814	—	—	—	519	—	—	—								
Remaining other liabilities*	5,250	—	—	14,943	4,917	—	—	17,438								
Total	117,605	—	788	17,814	127,559	—	1,020	21,409								

* Prior year's figures adjusted.

Disclosures relating to financial instruments measured at amortised cost

The following table shows the fair values and carrying amounts of financial assets and liabilities that are measured at amortised cost and whose carrying amounts differ from their fair value.

The fair values are generally determined using the discounted cash flow method, taking into account the relevant risk of default. For the purposes of fair value measurement using the discounted cash flow method, expected future cash flows are discounted on the basis of up-to-date interest curves observable on the market.

The fair values of receivables from sales financing are measured using the discounted cash flow method, taking into account customer-specific credit risk. In view of the fact that these allowances are calculated in part on the basis of internal information, receivables from sales

financing are allocated to Level 3 in the level hierarchy in accordance with IFRS 13. The fair values of the financial assets shown in the table relate to financial institutions and are also measured using the discounted cash flow method, taking into account the risk of default. Given that these financial institutions all have excellent credit ratings, the risk of default is low and can be observed on the market. The fair values of these items are therefore allocated to Level 2.

In the case of financial liabilities, own credit risk is also taken into account based on credit default swaps available on the market, so that the fair values of these items are also allocated to Level 2.

For all other financial instruments not listed here that are measured at amortised cost, the carrying amount corresponds to the fair value. For this reason, they are not presented separately.

in € million	31.12.2020		31.12.2019	
	Fair value	Carrying amount	Fair value	Carrying amount
Receivables from sales financing – credit financing	65,326	63,104	73,699	70,625
Receivables from sales financing – finance and operating leases	23,116	21,173	22,741	21,812
Financial assets – Marketable securities and investment funds	116	115	446	444
Financial liabilities				
Bonds	58,136	56,665	62,757	62,165
Asset-backed financing transactions	18,818	18,819	19,659	19,549
Liabilities from customer deposits (banking)	16,599	16,466	14,739	14,657
Liabilities to banks	9,209	9,037	12,071	11,436

Disclosures relating to financial instruments measured at fair value

The carrying amounts of financial instruments measured at fair value are allocated to the measurement levels pursuant to IFRS 13 as described below.

in € million	31.12.2020			31.12.2019		
	Level hierarchy in accordance with IFRS 13			Level hierarchy in accordance with IFRS 13		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral assets	3,608	503	–	4,582	365	–
Other investments	80	–	397	106	–	355
Cash equivalents	915	–	–	–	462	–
Loans to third parties	–	–	22	–	–	14
Derivative instruments (assets)						
Interest rate risks	–	2,344	–	–	1,274	–
Currency risks	–	335	–	–	74	–
Raw material market price risks	–	573	1	–	267	–
Other risks	–	–	3	–	–	5
Derivative instruments (liabilities)						
Interest rate risks	–	919	–	–	1,155	–
Currency risks	–	171	–	–	723	–
Raw material market price risks	–	52	6	–	218	–

In the financial year 2020, the availability of market or stock exchange prices was re-assessed as at 31 December. As a result, an amount of €275 million relating to marketable securities, investment funds and collateral assets was reclassified from Level 1 to Level 2, in view of the fact that the fair values of the marketable securities concerned are derived on the basis of comparable instruments in the form of a theoretical price. Furthermore, money market funds amounting to €915 million were reclassified from

Level 2 to Level 1 as at 31 December 2020, due to the fact that corresponding market or stock exchange prices are available.

In the previous financial year, marketable securities amounting to €187 million were transferred as at 30 June 2019 from Level 1 to Level 2, reflecting the fact that their fair value was determined on the basis of observable market data.

As a general rule, any transfers between fair-value hierarchy levels are made at the end of the relevant interim or year-end reporting period.

Financial instruments measured at fair value using input factors not based on observable market prices are allocated to Level 3. The fair values of these financial instruments are shown in the following table:

in € million	31.12.2020 Fair value	31.12.2019 Fair value
Unquoted equity instruments	397	355
Convertible bonds	22	14
Options on unquoted equity instruments	3	5
Derivative instruments	-5	-

Financial instruments allocated to Level 3 relate mainly to investments in a private-equity fund. The valuation of unquoted equity instruments is determined primarily using the market-based approach. In particular, the financing rounds that take place within the private equity sector – usually on a regular basis at intervals of approximately 12 to 24 months – represent a significant input factor for these purposes. In addition, the investment advisor provides the external fund manager with relevant, investment-specific information on an ongoing basis (at least quarterly). The latter subsequently assesses the underlying individual companies in accordance with the guidelines for International Private Equity and Venture Capital Valuations (IPEV).

As part of the process of analysing valuations, the external fund manager reviews the investment-specific milestones, including an analysis of financial, technical and liquidity-specific performance indicators. Based on this analysis, it is considered whether the price of the most recent financing round is acceptable as a reasonable market valuation, in particular for early-stage or growth-phase investments. Key performance indicators used for the purpose of milestone analysis are highly dependent on the business model underlying the investment; typical

technical key performance indicators relate to licenses and patents held, the stage of technology development such as evidence of feasibility and prototypes, market entries, customer and user growth and appointments to key management positions. Key financial performance indicators used are revenues, EBITDA and the corresponding growth rate and/or development of specific contribution margins. Key liquidity-specific performance indicators are cash on hand, cash burn rates and prospects for future financing rounds.

Since the pricing of equity investments derived from financing rounds is considered to be the key input factor for the valuation, adjustments in valuation give rise to a similar change in the equity instrument that is required to be recorded with income statement effect.

In addition, the valuation of selected equity instruments is based on the income approach. This involves discounting cash flows on the basis of current business cases using the weighted average cost of capital to determine the fair value of the financial instrument. Changes in fair values determined in connection with adjustments to significant input factors are not material for the BMW Group.

The convertible bonds that have been classified to Level 3 are primarily used as instruments in advance of future financing rounds relating to private equity investments. Valuations are therefore performed in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines.

Mandatory conversions are usually structured in such a way that the number of shares to be received depends on the future share price. Due to the generally short maturities, the instruments are subject to only insignificant fluctuations in value. Irrespective of this fact, impairment tests are performed at regular intervals.

The exercise price for share options in such companies is generally low, verging towards zero. Consequently, financing rounds have a direct impact on the market value of the options. In this respect, they are valued in a similar way to unquoted equity instruments, as described above.

For selected derivatives, a complete set of data relevant for valuation purposes is not available due to their limited market maturity. In order to model forward curves, data is collated and updated on the basis of regular bank and trader inquiries. The valuation methodology applied is in line with the general valuation principles for derivatives used within the treasury management system of the BMW Group. Changes in fair values resulting from shifts in forward curves within a range of +/- 10% are not material for the BMW Group.

The balance sheet carrying amount of Level 3 financial instruments developed as follows:

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Derivative instruments	Financial Instruments Level 3
1 January 2020	355	14	5	–	374
Additions	73	17	–	–	90
Disposals	–87	–7	–2	2	–94
Gains (+)/losses (–) recognised in accumulated other equity	–	–	–	–7	–7
Gains (+)/losses (–) recognised in the income statement	85	–	–	–	85
Currency translation differences	–29	–2	–	–	–31
31 December 2020	397	22	3	–5	417

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Derivative instruments	Financial Instruments Level 3
1 January 2019	265	3	4	–	272
Additions	90	14	–	–	104
Disposals	–38	–3	–	–	–41
Gains (+)/losses (–) recognised in accumulated other equity	–	–	–	–	–
Gains (+)/losses (–) recognised in the income statement	33	–	1	–	34
Currency translation differences	5	–	–	–	5
31 December 2019	355	14	5	–	374

Gains and losses recognised in the income statement are reported within the line item "Other financial result". Gains and losses recognised in the income statement in the 2020 financial year included an unrealised net positive amount of €84 million (2019: €32 million).

Offsetting of financial instruments

Derivative financial instruments of the BMW Group are subject to legally enforceable master netting agreements or similar contracts. However, receivables and payables relating to derivative financial instruments are not netted due to non-fulfilment of the stipulated criteria. Offsetting would have the following impact on the carrying amounts of derivatives:

in € million	31.12.2020		31.12.2019	
	Reported on assets side	Reported on equity and liabilities side	Reported on assets side	Reported on equity and liabilities side
Balance sheet amounts as reported	3,256	1,148	1,620	2,096
Gross amount of derivatives which can be offset in case of insolvency	-790	-790	-833	-833
Net amount after offsetting	2,466	358	787	1,263

Non-derivative financial assets and liabilities are only offset if a legally enforceable right currently exists and it is actually intended to offset the relevant amounts. No financial assets and liabilities have been netted in the BMW Group due to the fact that the necessary requirements for netting have not been met.

Gains and losses on financial instruments

The following table shows the net gains and losses arising on financial instruments in accordance with IFRS 9:

in € million	2020	2019
Financial instruments measured at fair value through other comprehensive income	7	42
Financial instruments measured at fair value through profit or loss	310	-1,012
Financial assets measured at amortised cost	-1,050	160
Financial liabilities measured at amortised cost	-350	296

Net gains and losses arising on financial instruments measured at fair value through other comprehensive income mainly relate to changes in the fair value of marketable securities. Further details are provided in the disclosures relating to the statement of comprehensive income ([L note 19](#)). Total interest income arising on financial assets measured at fair value through other comprehensive income amounted to €37 million (2019: €49 million) and total interest expense to €30 million (2019: €41 million).

Net gains and losses arising on financial instruments measured at fair value through profit and loss mainly include results from the fair value measurement of stand-alone derivatives, marketable securities and shares in investment funds, as well as other financial assets.

Net gains and losses arising on financial assets measured at amortised cost comprise mainly exchange rate gains/losses and impairment losses/reversals. Net gains and losses arising on financial liabilities measured at amortised cost comprise mainly exchange rate gains/losses as well as fair value gains/losses on hedged items in designated hedging relationships that are recognised in the income statement.

Total interest income arising on financial assets measured at amortised cost relates mainly to the interest income earned on credit financing and reported within revenues. Total interest expense arising on financial liabilities measured at amortised cost amounted to €1.8 billion (2019: €1.9 billion).

Credit risk

The BMW Group is exposed to counterparty credit risks if contractual partners, for example a retail customer or a dealership, are unable or only partially able to meet their contractual obligations. Information on the management of credit risk for receivables from financial services is provided in the Combined Management Report (see section [Report on Outlook, Risks and Opportunities](#)).

Notwithstanding the existence of collateral accepted, the carrying amount of financial assets (with the exception of derivative financial instruments) generally represents the maximum credit risk. In addition, the credit risk is increased by additional unutilised loan commitments in the dealership financing line of business. Total dealership financing credit risk at the end of the reporting period therefore amounted to €30,682 million (2019: €31,943 million).

In the case of all relationships underlying non-derivative financial instruments, in order to minimise the credit risk and depending on the nature and amount of exposure, collateral is required, credit information and references obtained or historical data based on the existing business relationship, in particular payment behaviour, reviewed.

In the case of trade receivables, customers are regularly assessed with regard to their credit risk. Depending on contractual status, necessary measures, such as dunning procedures, are initiated in good time.

The credit risk relating to cash deposits and derivative financial instruments is minimised by the fact that the Group only enters into such contracts with parties of first-class credit standing.

Within the financial services business, items financed for retail customers and dealerships (such as vehicles, facilities and property) serve as first-ranking collateral with a recoverable value. Security is also put up by customers in the form of collateral asset pledges, asset assignment and first-ranking mortgages, supplemented where appropriate by warranties and guarantees. Items previously held as collateral that are subsequently acquired relate mainly to vehicles. As a rule, these assets can be converted into cash at short notice through the dealership organisation. Creditworthiness testing is an important aspect of the BMW Group's credit risk management. Every borrower's creditworthiness is tested for all credit financing and lease contracts entered into by the BMW Group. In the case of retail customer financing, creditworthiness is assessed using validated scoring systems integrated in the acquisition process. In the area of dealership financing, creditworthiness is assessed by means of ongoing credit monitoring and an internal rating system that takes account not only of the material credit standing of the borrower, but also of qualitative factors, such as past reliability in business relations.

The credit risk on trade receivables is assessed mainly on the basis of information relating to overdue amounts. The gross carrying amounts of these receivables are allocated in accordance with IFRS 9 to overdue ranges used for management purposes as follows:

in € million	31.12.2020	31.12.2019
Not overdue	2,002	1,947
1–30 days overdue	229	369
31–60 days overdue	31	89
61–90 days overdue	23	40
More than 90 days overdue	60	145
Total	2,345	2,590

Receivables from sales financing are allocated to internally defined rating categories based on credit risk. The classification into creditworthiness levels is based on default probabilities. The related gross carrying amounts in accordance with IFRS 9 are allocated as follows:

in € million	31.12.2020						31.12.2019						31.12.2020						
	Stage 1			Stage 2			Stage 3			Stage 1			Stage 2			Stage 3			
	General	Simplified				Total	Expected credit loss	General	Simplified		Total	Expected credit loss	General	Simplified		Total	Expected credit loss		
Gross carrying amount of financial assets with good credit ratings	76,356	1,633	367	–	78,356	406	85,399	696	378	–	86,473	272	4,102	1,167	22	–	5,291	199	
Gross carrying amount of financial assets with medium credit ratings	3,778	1,653	38	–	5,469	431	38	704	16	1,014	1,772	628	80,252	4,223	422	1,019	85,916	1,639	
Gross carrying amount of financial assets with poor credit ratings	118	937	17	1,019	2,091	802	38	704	16	1,014	1,772	628	Total	89,539	2,567	416	1,014	93,536	1,099

Further disclosures relating to credit risk – in particular with regard to the amounts of impairment losses recognised – are provided in the explanatory notes to the relevant categories of receivables in [note 25](#) and [30](#).

Liquidity risk

The following table shows the maturity structure of expected contractual cash flows (undiscounted) for financial liabilities:

in € million	31.12.2020				31.12.2019			
	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
NON-DERIVATIVE FINANCIAL LIABILITIES								
Bonds	13,456	33,224	11,930	58,610	14,977	37,477	12,595	65,049
Asset-backed financing transactions	7,067	12,369	—	19,436	8,255	12,090	—	20,345
Liabilities to banks	5,295	3,317	1,388	10,000	8,751	2,317	1,378	12,446
Liabilities from customer deposits (banking)	12,808	3,781	22	16,611	11,277	3,505	27	14,809
Trade payables	8,644	—	—	8,644	10,182	—	—	10,182
Lease liabilities	512	1,227	1,028	2,767	562	1,523	1,302	3,387
Commercial paper	550	—	—	550	2,618	—	—	2,618
Other financial liabilities	120	288	357	765	188	435	384	1,007
DERIVATIVE FINANCIAL LIABILITIES								
With gross settlement	432	248	14	694	1,524	758	—26	2,256
Cash outflows	14,910	5,544	631	21,085	33,826	18,485	598	52,909
Cash inflows	—14,478	—5,296	—617	—20,391	—32,302	—17,727	—624	—50,653
With net settlement	380	144	28	552	374	338	23	735
Cash outflows	380	144	28	552	374	338	23	735
Total financial liabilities	49,264	54,598	14,767	118,629	58,708	58,443	15,683	132,834

The cash flows relating to non-derivative liabilities comprise principal repayments and the related interest. The amounts disclosed for derivative instruments comprise only cash flows relating to derivatives that have a negative fair value at the balance sheet date. In the case of derivatives with a negative fair value, an overall positive cash flow can arise due to the various yield curves used.

At 31 December 2020 credit commitments available at short notice to dealerships which had not been called upon at the end of the reporting period amounted to €14,367 million (2019: €10,776 million).

Solvency is assured at all times by managing and monitoring the liquidity situation on the basis of a rolling

cash flow forecast. The resulting funding requirements are covered by a variety of instruments placed on the world's financial markets, with the aim to minimise risk by matching maturities with financing requirements and in alignment with a dynamic target debt structure.

As a further reduction of risk, a syndicated credit line totalling €8 billion (2019: €8 billion) from a consortium of international banks is available to the BMW Group. Intra-group cash flow fluctuations are balanced out by the use of daily cash pooling arrangements.

Further information is provided in the Combined Management Report.

Market risks

The principal market risks to which the BMW Group is exposed are currency risk, interest rate risk and raw materials market price risk.

Protection against such risks is provided in the first instance through natural hedging which arises when the values of non-derivative financial instruments have matching maturities and amounts (netting). Derivative financial instruments are used to reduce the risk remaining after netting.

Currency, interest rate and raw materials market price risks of the BMW Group are managed at a corporate level.

Further information is provided in the "Report on outlook, risks and opportunities" section of the Combined Management Report.

Currency risk

As an enterprise with worldwide operations, the BMW Group conducts business in a variety of currencies, from which currency risks arise. In order to hedge currency risks, the BMW Group holds, as at 31 December 2020, derivative financial instruments mostly in the form of forward currency contracts and currency swaps.

As part of the implementation of the risk management strategy, the extent to which risk exposures should be hedged is decided at regular intervals. The economic relationship between the hedged item and the hedging instrument is based essentially on the fact that they are denominated in the same currency and have the same maturities. Items are hedged on the basis of a constant ratio of one to one between hedging instrument and risk exposure.

Causes of hedge ineffectiveness are seen potentially only for counterparty credit risk. However, in view of the processes that have been established for credit risk management, ineffectiveness is not expected to arise.

The BMW Group measures currency risk using a cash-flow-at-risk model. The analysis of currency risk is based on forecast foreign currency transactions which could result in exposures to surpluses of foreign currency cash inflows and cash outflows. At the end of the reporting period, the overall currency exposure – in each case for the following year and determined by aggregating the individual currency exposures based on their absolute amount – was as follows:

in € million	31.12.2020	31.12.2019
Currency exposure	33,975	33,950

Currency exposures include short positions amounting to €5,222 million (2019: €2,789 million).

This exposure is compared to all hedges that are in place. The net cash flow surplus represents an uncovered risk position. The cash-flow-at-risk approach involves

showing the impact of potential exchange rate fluctuations on operating cash flows on the basis of probability distributions. Volatilities and correlations serve as the main input factors to determine the relevant probability distributions.

The potential negative impact on earnings is calculated at the reporting date for each currency for the following financial year on the basis of current market prices and exposures with a confidence level of 95%. The risk mitigating effect of correlations between the various currencies is taken into account when the risks are aggregated.

The following table shows the potential negative impact for the BMW Group for the following year resulting from unfavourable changes in exchange rates, measured on the basis of the cash-flow-at-risk approach.

	31.12.2020	31.12.2019
Cash flow at risk	531	487

Interest rate risk

Interest rate risks arise when funds are borrowed and invested with differing fixed-rate periods or differing terms. At the BMW Group, all items subject to, or bearing, interest are exposed to interest rate risk and can therefore affect both the assets and liabilities side of the balance sheet.

The fair value of the Group's interest rate portfolios was as follows at the end of the reporting period:

in € million	31.12.2020	31.12.2019
Fair values of interest rate portfolios	58,545	55,697

Interest rate risk is managed through the use of interest rate derivatives. As part of the implementation of the risk management strategy, interest rate risks are monitored and managed at regular intervals. The interest rate contracts used for hedging purposes comprise mainly swaps, which, if hedge accounting is applied, are accounted for as fair value hedges. The economic relationship between the hedged item and the hedging instrument is based on the fact that the main parameters of the hedged item and the related hedging instrument, for example start date, term and currency, are the same. Items are hedged on the basis of a constant ratio of one to one between hedging instrument and risk exposure.

In view of the fact that own credit risk is excluded from the hedging relationship, ineffectiveness is expected to be low.

For selected fixed-interest assets, part of the interest rate risk is hedged on a portfolio basis. In this case, swaps

are used as the hedging instrument. Hedge relationships are terminated and redesignated on a monthly basis at the end of each reporting period, thereby taking account of the constantly changing content of each portfolio.

In view of the plans to reform and replace certain benchmark interest rates, the timing and exact nature of these changes is currently subject to uncertainty. Across the BMW Group, a considerable number of contracts are directly affected by the benchmark interest rates reform. Hedging relationships entered into by the BMW Group are mainly based on USD LIBOR and GBP LIBOR benchmark interest rates, which are designated as hedged risks in fair value hedging relationships. The hedging relationships affected are subject to uncertainty with respect to the identifiability of the designated benchmark interest rates.

The transition to the newly created or revised benchmark rates is being managed and monitored as part of a multidisciplinary project. The conversion project will involve making changes to systems, processes, risk and valuation models, as well as dealing with the associated accounting implications. The uncertainty arising from the benchmark interest rate reform is likely to continue to exist up to the end of 2021.

The BMW Group applies a value-at-risk approach throughout the Group for internal reporting purposes and to manage interest rate risk. This approach is based on a historical simulation in which the potential future fair value losses of the interest rate portfolios are compared across the Group with expected amounts on the basis of a holding period of 250 days and a confidence level of 99.98 %. The risk mitigating effect of correlations between the various portfolios is taken into account when the risks are aggregated.

In the following table, the potential volumes of fair value fluctuations – measured on the basis of the value-at-risk approach – are compared with the expected value for the interest-rate-sensitive exposures of the BMW Group:

in € million	31.12.2020	31.12.2019
Value at risk	1,160	1,094

Raw materials price risk

The BMW Group is exposed to market price risks on raw materials. In order to hedge these risks, the Group mainly uses forward commodity contracts. As part of the implementation of the risk management strategy, the extent to which risk exposures should be hedged is decided at regular intervals and the corresponding hedging ratio defined. Items are hedged on the basis of a constant ratio of one to one between hedging instrument and risk exposure.

Causes of hedge ineffectiveness are seen potentially only for counterparty credit risk. However, in view of the processes that have been established for credit risk management, ineffectiveness is not expected to arise.

The economic relationship between the hedged item and the hedging instrument is based essentially on the fact that they have the same basis and term. The BMW Group designates only the commodity price index-linked raw material surcharge as a hedged item. Other price components contained in the contract are not designated as being part of the hedge relationship as no effective hedging instruments exist for these components.

The starting point for analysing raw materials price risk is to identify planned purchases of raw materials or components containing raw materials, the so-called "exposure". At each reporting date, the exposure for the following financial year amounted to:

in € million	31.12.2020	31.12.2019
Raw material price exposures	4,204	4,382

This exposure is compared to all hedges that are in place. The net cash flow surplus represents an uncovered risk position. The cash-flow-at-risk approach involves showing the impact of potential raw materials market price fluctuations on operating cash flows on the basis of probability distributions. Volatilities and correlations serve as input factors to assess the relevant probability distributions.

The potential negative impact on earnings is calculated at the reporting date for each raw materials category for the following financial year on the basis of current market prices and exposure with a confidence level of 95 %. The risk mitigating effect of correlations between the various categories of raw materials is taken into account when the risks are aggregated.

The following table shows the potential negative impact for the BMW Group resulting from fluctuations in prices across all categories of raw materials, measured on the basis of the cash-flow-at-risk approach. The risk at each reporting date for the following financial year was as follows:

in € million	31.12.2020	31.12.2019
Cash flow at risk	310	419

Disclosures on hedging measures

The following disclosures on hedging measures include derivatives of fully consolidated companies that are designated as a hedging instrument. The amounts shown in the table are stated before deferred taxes and take account of additional effects arising from the application of the modified closing rate method.

The nominal amounts of hedging instruments were as follows:

in € million	31.12.2020		
	Maturity within one year	Maturity between one and five years	Maturity later than five years
Currency risks	11,939	4,530	–
Interest rate risks	8,082	28,213	12,373
Raw material price risks	1,449	1,792	–
Nominal amounts of hedging instruments	21,470	34,535	12,373

in € million	31.12.2019		
	Maturity within one year	Maturity between one and five years	Maturity later than five years
Currency risks	14,823	9,020	–
Interest rate risks	6,672	29,691	12,938
Raw material price risks	1,651	1,920	–
Nominal amounts of hedging instruments	23,146	40,631	12,938

The following table shows the most significant average hedging rates of hedging transactions used by the BMW Group:

Currency risks	Average hedging rates	
	31.12.2020	31.12.2019
EUR/CNY	8.05	8.26
EUR/USD	—	1.16
EUR/GBP	0.87	0.87
EUR/KRW	1,334.86	1,328.59
EUR/JPY	124.20	124.92

A cash-flow-at-risk approach to risk management involves making use of portfolio effects. No USD-denominated hedging transactions were in hedging relationships at the balance sheet date.

Raw material price risks	Average hedging rates	
	31.12.2020	31.12.2019
Aluminium (EUR/t)	1,573	1,833
Copper (EUR/t)	4,568	5,173
Nickel (EUR/t)	11,188	12,307
Palladium (EUR/oz)	1,350	1,022
Platinum (EUR/oz)	701	916

Information on average interest hedge rates is not provided, since interest rate derivatives designated as hedging instruments are used exclusively to hedge items in fair value hedges. The hedge rates therefore correspond in each case to current market interest rate levels. Most of the hedges used in this context relate to variable yield curves relating to the euro, US dollar and British pound currency areas.

The following table provides information on the nominal amounts, carrying amounts and fair value changes of contracts designated as hedging instruments:

in € million	31.12.2020				31.12.2019			
	Carrying Amounts				Carrying Amounts			
	Nominal amounts	Assets	Liabilities	Change in fair value of designated components	Nominal amounts	Assets	Liabilities	Change in fair value of designated components
Cash Flow Hedges								
Currency risks	16,469	277	54	1,169	23,843	60	590	—479
Raw material price risks	3,241	574	58	466	3,571	266	215	250
Fair Value Hedges								
Interest rate risks	59,774	1,992	248	723	59,999	1,244	271	758

The following table shows key information on hedged items for each risk category as well as the balances of designated components within accumulated other equity:

in € million	31.12.2020						31.12.2019					
	Carrying Amounts			Balances in accumulated other equity			Carrying Amounts			Balances in accumulated other equity		
	Assets	Liabilities	Change in value of hedged items	Continuing hedge relationships	Terminated hedge relationships		Assets	Liabilities	Change in value of hedged items	Continuing hedge relationships	Terminated hedge relationships	
Cash Flow Hedges												
Currency risks	–	–	–1,169	532	–		–	–	479	–23	–	
Raw material price risks	–	–	–467	510	–		–	–	–250	1	–	
Fair Value Hedges												
Interest rate risks	8,483	58,714	–720	–	–		8,631	58,723	–759	–	–	

The accumulated amount of hedge-related fair value adjustments is €10 million (2019: €8 million) for assets and €1,680 million (2019: €1,012 million) for liabilities.

Hedge relationships give rise to the following effects:

in € million	2020			2019		
	Change of designated components in other comprehensive income	Change in costs of hedging in other comprehensive income	Hedge ineffectiveness recognised in income statement	Change of designated components in other comprehensive income	Change in costs of hedging in other comprehensive income	Hedge ineffectiveness recognised in income statement
Cash Flow Hedges						
Currency risks	554	198	–	–961	117	–
Raw material price risks	509	–5	–	264	–7	–
Fair Value Hedges						
Interest rate risks	–	2	3	–	9	–1

Designated components and costs of hedging within accumulated other equity changed as follows:

in € million	Currency risks		Interest rate risk		Raw material price risk	
	Designated component	Costs of hedging	Costs of hedging	Designated component	Costs of hedging	
Opening balance at 1 January 2020	–22	–497	–4	1	5	
Change in fair value during the reporting period	1,170	–443	5	466	1	
Reclassification to profit or loss						
for continuing hedge relationships	–512	557	–3	–	–	
for terminated hedge relationships	–104	84	–	–29	–	
Reclassification to acquisition costs for inventories	–	–	–	72	–6	
Closing balance at 31 December 2020	532	–299	–2	510	–	

in € million	Currency risks		Interest rate risk		Raw material price risk	
	Designated component	Costs of hedging	Costs of hedging	Designated component	Costs of hedging	
Opening balance at 1 January 2019	940	–614	–13	–262	12	
Change in fair value during the reporting period	–480	–622	13	250	–1	
Reclassification to profit or loss						
for continuing hedge relationships	–491	716	–4	–	–	
for terminated hedge relationships	9	23	–	5	–	
Reclassification to acquisition costs for inventories	–	–	–	8	–6	
Closing balance at 31 December 2019	–22	–497	–4	1	5	

The nominal amount of hedging instruments directly affected by the reform of benchmark interest rates is €14,469 million (of which USD LIBOR €11,581 million and GBP LIBOR €2,500 million).

40 RELATED PARTY RELATIONSHIPS

The following individuals and entities are related parties in accordance with IAS 24:

- Stefan Quandt and Susanne Klatten, as well as companies controlled by them,
- The Board of Management and the Supervisory Board of the BMW Group,
- Associated companies, joint ventures, non-consolidated subsidiaries, BMW Trust e.V. and BMW Foundation Herbert Quandt

Transactions of the Group companies with related parties were carried out, without exception, in the normal course of business of each of the parties concerned and conducted at market conditions, i.e. conditions that are also granted to other third-party manufacturers.

During the year under report, members of the Board of Management and the Supervisory Board concluded vehicle purchase contracts and related service contracts as well as vehicle rental, vehicle leasing and vehicle financing contracts with BMW Group entities on market conditions.

Stefan Quandt, Germany, is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also the sole shareholder and Chairman of the Supervisory Boards of DELTON Health AG, Bad Homburg v.d.H., and DELTON Technology SE, Bad Homburg v.d.H., as well as the sole shareholder of DELTON Logistics S.à r.l., Grevenmacher, which via its subsidiaries, performed logistic-related services for the BMW Group during the financial year 2020. In addition, the DELTON companies held by Stefan Quandt acquired vehicles from the BMW Group by way of leasing.

Stefan Quandt, Germany, is also the indirect majority shareholder of SOLARWATT GmbH, Dresden. Cooperation arrangements are in place between BMW Group and SOLARWATT GmbH, Dresden, within the field of electric mobility. The focus of this cooperation is on the provision of complete photovoltaic solutions for rooftop systems and carports to BMWi customers. In 2020 SOLARWATT GmbH, Dresden, acquired vehicles from the BMW Group by way of leasing.

Susanne Klatten, Germany, is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairwoman of the Supervisory Board of ALTANA AG, Wesel. In 2020, ALTANA AG, Wesel, acquired vehicles from the BMW Group, mainly by way of leasing.

Susanne Klatten, Germany, is also the sole shareholder and Chairwoman of the Supervisory Board of UnternehmerTUM GmbH, Garching. In 2020, the BMW Group bought in services from UnternehmerTUM GmbH, Garching, mainly in the form of consultancy and workshop services.

In addition, Susanne Klatten, Germany, and Stefan Quandt, Germany, are indirectly sole shareholders of Entrust Corp., Shakopee, Minnesota. Stefan Quandt is also a member of the supervisory board of this entity. In 2020, Entrust Corp., Shakopee, Minnesota, acquired vehicles from the BMW Group by way of leasing.

Seen from the perspective of BMW Group entities, the volume of transactions with the above-mentioned entities was as follows:

in € thousand	Supplies and services performed		Supplies and services received		Receivables at 31 December		Payables at 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
DELTON Health AG (formerly DELTON AG)	1,950	2,065	—	—	1	20	—	—
DELTON Logistics S.à r.l.	1,235	1,473	19,068	21,596	5	14	1,574	1,871
DELTON Technology SE	6	6	—	—	—	—	—	—
SOLARWATT GmbH	2,363	453	—	—	287	8	—	—
ALTANA AG	2,425	2,529	273	462	243	355	80	65
UnternehmerTUM GmbH	37	104	1,310	2,651	—	27	510	693
EnviroChemie GmbH	11	28	—	107	—	—	—	—
Entrust Corp.	134	154	—	—	9	10	—	—

A significant proportion of the BMW Group's transactions with related parties relates to the joint venture BMW Brilliance Automotive Ltd.

in € million	Supplies and services performed		Supplies and services received		Receivables at 31 December		Payables at 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
BMW Brilliance Automotive Ltd.	9,701	9,227	155	107	2,045	2,639	804	496

For the most part, this involves the sale of vehicle components to BMW Brilliance Automotive Ltd. for further processing. BMW Group entities also perform services on behalf of BMW Brilliance Automotive Ltd.

In total, the following amounts of goods and services were supplied to or received from other joint ventures and associated companies:

in € million	Supplies and services performed		Supplies and services received		Receivables at 31 December		Payables at 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
Other joint ventures and associated companies	32	28	64	78	8	1	9	9

Business relationships with non-consolidated companies are small in scale.

BMW Trust e.V., Munich, administers assets on a trustee basis to secure obligations relating to pensions in Germany and is therefore a related party of the BMW Group in accordance with IAS 24. This entity has no assets of its own. It had no income or expenses during the period under report. BMW AG bears expenses on an immaterial scale and performs services for BMW Trust e.V., Munich.

The BMW Foundation Herbert Quandt, Munich, is an independent corporate foundation and due to the BMW Group's significant influence, qualifies as a related party according to IAS 24. BMW Group made donations to the BMW Foundation Herbert Quandt during the financial year 2020 totaling €6.3 million (2019: €6.4 million). No other significant transactions took place.

For disclosures relating to key management personnel, please see [note 43](#) and the Remuneration Report.

41 SHARE-BASED REMUNERATION

The BMW Group provides three share-based programmes: one for eligible employees, one for senior heads of department and one for members of the Board of Management.

Employee Share Programme

In connection with the Employee Share Programme, non-voting shares of preferred stock in BMW AG were granted in 2020 to qualifying employees at favourable conditions (see [note 31](#) for the number and price of issued shares). Participants in the programme were entitled in 2020 to acquire packages of 8, 18 or 28 shares of preferred stock (2019: 10, 17 or 25) with a discount in each case of €11.50 (2019: €13.00) per share compared to the market price (average closing price in Xetra trading in the period from 3 November to 6 November 2020: €48.05). The programme was open to employees who have been in an employment relationship with BMW AG or by a wholly-owned BMW AG subsidiary in Germany, provided that the management of the subsidiary concerned has decided to participate in the programme. At the date

of the announcement of the programme, there was a requirement for the employment relationship to have existed without interruption for at least one year and for it to continue until the transfer of the shares of preferred stock. Shares of preferred stock acquired in conjunction with the Employee Share Programme are subject to a vesting period of four years, starting from 1 January of the year in which the shares were acquired. In the financial year under report, 822,124 (2019: 744,447) shares of preferred stock were acquired by employees. This figure includes 822,000 (2019: 740,400) shares out of Authorised Capital 2019, with the remainder bought back via the stock exchange. Every year the Board of Management of BMW AG decides whether the scheme is to be continued.

In the financial year 2020, the BMW Group recorded a personnel expense of €9 million (2019: €10 million) for the Employee Share Programme, corresponding to the difference between the market price and the reduced price of the shares of preferred stock purchased by employees.

Programme for senior heads of department and members of the Board of Management

The share-based remuneration programme for qualifying department heads, 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. With effect from 1 July 2019, the share-based compensation programme was revised and the investment requirement increased to 26% of the earnings-related bonus. In return for the investment requirement, 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 additional share of common stock or the cash equivalent, to be decided at BMW AG's discretion.

For financial years beginning after 1 January 2011, BMW AG has added a share-based remuneration component to the existing compensation system for Board of Management members.

Members of the Board of Management receive a cash compensation (investment component) for the specific purpose of investment – after tax and contributions – in shares of common stock of BMW AG. For the financial years 2018 to 2020, the investment component corresponds to 45% of the gross bonus. The investment component is paid after the end of the Annual General Meeting, at which the separate financial statements of BMW AG for the relevant financial year are presented.

The shares of common stock are purchased immediately after the investment component has been paid out. Shares of common stock purchased in this way by Board members are required to be held for a period of four years. Under the compensation system valid up to the financial year 2020, Board members receive from BMW AG, for every three shares of common stock held, either one additional share of common stock or the cash equivalent, to be decided at BMW AG's discretion. In the event of death or invalidity, special rules apply for early payment of share-based remuneration components based on the target amounts. Insofar 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 share-based remuneration are forfeited.

The members of the Board of Management in office at the end of the reporting period hold 44,037 shares of BMW common stock based on holding requirements arising from share-based remuneration for the financial years 2016 to 2019 (2019: 36,921).

The share-based remuneration component is measured at its fair value at each balance sheet date between grant and settlement date, and on the settlement date. The amounts are recognised as personnel expense on a straight-line basis over the vesting period and reported in the balance sheet as a provision.

The cash-settlement obligation for the share-based remuneration component is measured at its fair value at the balance sheet date (based on the closing price of BMW AG common stock in Xetra trading at 31 December 2020).

The total carrying amount of the provision for the share-based remuneration component of current and former Board of Management members and senior heads of department at 31 December 2020 was €6,383,766 (2019: €5,851,703).

The total expense recognised in 2020 for the share-based remuneration component of current and former Board of Management members and senior heads of department was €1,820,265 (2019: €1,979,477).

The fair value of the programmes for Board of Management members and senior heads of department at the date of grant of the share-based remuneration components was €987,759 (2019: €1,374,798), based on a total of 13,444 shares (2019: 19,983 shares) of BMW AG common stock or a corresponding cash-based settlement measured at the relevant market share price prevailing on the grant date.

Further details on the remuneration of the Management Board are provided in the Remuneration Report, which is part of the Combined Management Report.

42 DECLARATION WITH RESPECT TO THE CORPORATE GOVERNANCE CODE

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft have issued the prescribed Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act. It is included in the Corporate Governance Statement, which is on the BMW Group website at www.bmwgroup.com/ezu.

43 COMPENSATION OF MEMBERS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

The total compensation of the current members of the Board of Management and the Supervisory Board of BMW AG expensed for the financial year 2020 in accordance with IFRS comprised the following:

in € million	2020	2019
Compensation to members of the Board of Management	18.8	30.0
Fixed remuneration	7.3	8.1
Variable remuneration	10.9	20.9
thereof Performance Cash Plan	1.3	8.3
Share-based remuneration component	0.6	1.0
Allocation to pension provisions	2.6	2.9
Benefits in conjunction with the termination of board activity	0.6	7.1
Compensation to members of the Supervisory Board	5.6	5.6
Fixed compensation and attendance fees	5.6	2.0
Variable compensation	–	3.6
Total expense	27.6	45.6
thereof due within one year	23.1	28.6

Since the financial year 2018 and up to and including the financial year 2020, variable cash compensation has been supplemented by a multi-year and future-oriented Performance Cash Plan (PCP). 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 assessment period. The total remuneration of former members of the Board of Management and their dependants amounted to €13.1 million (2019: €16.0 million).

Pension obligations to current members of the Board of Management are covered by provisions amounting to €14.7 million (2019: €14.6 million), determined in accordance with IAS 19. Pension obligations to former members of the Board of Management and their surviving dependants, also determined in accordance with IAS 19, amounted to €118.8 million (2019: €113.1 million).

The compensation arrangements applicable for members of the Supervisory Board for the financial year 2020 do not include any stock options, value appreciation rights comparable to stock options or any other stock-based compensation components. Apart from an advance amount paid out of the Performance Cash Plan 2019 – 2021 to individual members of the Board of Management, no loans or advances were granted to members of the Board of Management and the Supervisory Board by BMW AG or its subsidiaries in the financial year 2020, nor were any contingent liabilities entered into in their favour. During the year under report, members of the Board of Management and the Supervisory Board concluded vehicle purchase contracts and related service contracts as well as vehicle rental, vehicle leasing and vehicle financing contracts with BMW Group entities on market conditions.

Further details about the remuneration of current members of the Board of Management and the Supervisory Board can be found in the Remuneration Report, which is part of the Combined Management Report.

44 EVENTS AFTER THE END OF THE REPORTING PERIOD

The coronavirus pandemic will continue to influence the course of business for the BMW Group in 2021. The situation remains volatile and could have an impact on the results of operations, financial position and net assets of BMW AG and the BMW Group.

The further course of the pandemic and implications for the BMW Group's business performance is being continually monitored.

Current estimates and assumptions for the financial year 2021, to the extent already known to the BMW Group, have been taken into account and described in the Report on Outlook. Apart from these assessments, no further significant negative effects are known or can be estimated at the present time. However, further negative effects could arise in the course of the year.

No other events have occurred since the end of the financial year which could have a major impact on the results of operations, financial position and net assets of BMW AG and the BMW Group.

SEGMENT INFORMATION

45 EXPLANATORY NOTES TO SEGMENT INFORMATION

Information on reportable segments

For the purposes of presenting segment information, the activities of the BMW Group are divided into operating segments in accordance with IFRS 8. The segmentation follows the internal management and reporting system and takes account of the organisational structure of the BMW Group based on the various products and services of the reportable segments.

The activities of the BMW Group are broken down into the operating segments Automotive, Motorcycles, Financial Services and Other Entities.

Within the Automotive segment, the BMW Group develops, manufactures, assembles and sells automobiles and off-road vehicles, under the brands BMW, MINI and Rolls-Royce as well as spare parts, accessories and mobility services. BMW and MINI brand products are sold in Germany through branches of BMW AG and by independent, authorised dealerships. Sales outside Germany are handled mainly by subsidiary companies and by independent import companies in some markets. Rolls-Royce brand vehicles are sold in selected markets via subsidiary companies and elsewhere by independent, authorised dealers.

Activities relating to the development, manufacture, assembly and sale of motorcycles as well as spare parts and accessories are reported in the Motorcycles segment.

Automobile leasing, fleet business, multi-brand business, retail and dealership financing, customer deposit business and insurance activities are the main activities allocated to the Financial Services segment.

Holding and Group financing companies are reported in the Other Entities segment. This segment also includes the operating companies BMW (UK) Investments Ltd. and Bavaria Lloyd Reisebüro GmbH, which are not allocated to one of the other segments.

Internal management and reporting

Segment information is prepared as a general rule in conformity with the accounting policies adopted for preparing and presenting the Group Financial Statements. Exceptions to this general principle include the treatment of inter-segment warranties, the earnings impact of which is allocated to the Automotive and Financial Services segments on the basis used internally to manage the business. In addition, intragroup repurchase agreements between the Automotive and Financial Services segments pursuant to IFRS 15, impairment allowances on intragroup receivables and changes in the value of consolidated other investments pursuant to IFRS 9 are also excluded. Intragroup leasing arrangements are not reflected in the internal management and reporting system on an IFRS 16 basis and therefore, in accordance with IFRS 8, do not give rise to any changes in the presentation of segment information. Inter-segment receivables and payables, provisions, income, expenses and profits are eliminated upon consolidation. Inter-segment revenues are based on market prices. Centralised functions are included in the segments concerned. Expenses for centralised administrative functions allocated to the Financial Services segment are not settled in cash.

The role of "chief operating decision maker" with respect to resource allocation and performance assessment of the reportable segment is embodied in the full Board of Management. For this purpose, different measures of segment performance as well as segment assets are taken into account in the operating segments.

The Automotive and Motorcycles segments are managed on the basis of return on capital employed (RoCE). The relevant measure of segment results used is therefore profit before financial result. Capital employed is the corresponding measure of segment assets used to determine how to allocate resources and comprises all current and non-current operational assets after deduction of liabilities used operationally which are generally not subject to interest (e.g. trade payables).

The success of the Financial Services segment is measured on the basis of return on equity (RoE). Profit before tax therefore represents the relevant measure of segment earnings. The measure of segment assets in the Financial Services segment corresponds to net assets, defined as total assets less total liabilities.

The success of the Other Entities segment is assessed on the basis of profit or loss before tax. The corresponding measure of segment assets used to manage the Other Entities segment is total assets less asset-side income tax items and intragroup investments.

Segment information by operating segment is as follows:

in € million	Automotive		Motorcycles		Financial Services		Other Entities		Reconciliation to Group figures		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
SEGMENT INFORMATION BY OPERATING SEGMENT												
External revenues	68,106	73,624	2,293	2,374	28,590	28,210	1	2	—	—	98,990	104,210
Inter-segment revenues	12,747	18,058	—9	—6	1,454	1,388	2	3	—14,194	—19,443	—	—
Total revenues	80,853	91,682	2,284	2,368	30,044	29,598	3	5	—14,194	—19,443	98,990	104,210
Segment result	2,162	4,499	103	194	1,725	2,272	—235	—96	1,467	249	5,222	7,118
Result from equity accounted investments	920	136	—	—	—	—	—	—	—	—	920	136
Capital expenditure on non-current assets	6,041	7,607	146	149	24,146	27,544	—	—	—6,291	—7,003	24,042	28,297
Depreciation and amortisation on non-current assets	5,978	5,853	119	110	12,054	11,142	—	—	—6,175	—6,356	11,976	10,749

in € million	Automotive		Motorcycles		Financial Services		Other Entities		Reconciliation to Group figures		Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Segment assets												
Segment assets	15,779	16,193	681	712	15,555	15,545	98,226	106,038	86,417	89,546	216,658	228,034
Investments accounted for using the equity method	3,585	3,199	—	—	—	—	—	—	—	—	3,585	3,199

Write-downs on inventories to their net realisable value amounted to €59 million (2019: €126 million) were recognised by the Automotive segment in the financial year 2020. The reversal of impairment losses had a positive impact of €2 million (2019: €22 million) on the segment result of the Automotive segment.

The result of the Financial Services segment was negatively impacted by impairment losses totalling €362 million (2019: €254 million) recognised on leased products. Income from the reversal of impairment losses on leased products amounted to €126 million (2019: €95 million).

The Other Entities' segment result includes interest and similar income amounting to €1,169 million (2019: €1,515 million) and interest and similar expenses amounting to €1,232 million (2019: €1,419 million).

The information disclosed for capital expenditure and depreciation and amortisation relates to non-current property, plant and equipment, intangible assets and leased products.

The total of the segment figures can be reconciled to the corresponding Group figures as follows:

in € million	2020	2019
Reconciliation of segment result		
Total for reportable segments	3,755	6,869
Financial result of Automotive segment	560	-32
Financial result of Motorcycles segment	-3	-7
Elimination of inter-segment items	910	288
Group profit before tax from continuing operations	5,222	7,118
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	30,333	35,300
Elimination of inter-segment items	-6,291	-7,003
Total Group capital expenditure on non-current assets	24,042	28,297
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	18,151	17,105
Elimination of inter-segment items	-6,175	-6,356
Total Group depreciation and amortisation on non-current assets	11,976	10,749

in € million	31.12.2020	31.12.2019
Reconciliation of segment assets		
Total for reportable segments	130,241	138,488
Non-operating assets – Automotive	59,677	58,612
Liabilities of Automotive segment not subject to interest	35,769	38,257
Non-operating assets – Motorcycles	39	47
Liabilities of Motorcycles segment not subject to interest	782	688
Total liabilities – Financial Services segment	132,062	140,955
Non-operating assets – Other Entities segment	7,007	6,859
Elimination of inter-segment items	-148,919	-155,872
Total Group assets	216,658	228,034

The reconciliation of segment figures to the corresponding total Group figures shows the elimination of inter-segment items. Revenues with other segments result mainly from the sale of vehicles, for which the Financial Services segment has concluded a financing or lease contract. Eliminations of inter-segment items in the reconciliation to the Group profit before tax, capital expenditure and depreciation and amortisation mainly result from the sale of vehicles in the Automotive segment, which are subsequently accounted for as leased

products in the Financial Services segment. In the reconciliation of segment assets to Group assets, eliminations relate mainly to intragroup financing balances.

In the information by region, external sales are based on the location of the customer. The information disclosed for non-current assets relates to property, plant and equipment, intangible assets and leased products. Eliminations disclosed for non-current assets relate to leased products.

Information by region in € million	External revenues		Non-current assets	
	2020	2019	2020	2019
Germany	13,638	13,428	40,254	39,237
China	21,315	20,564	170	199
USA	17,837	19,720	19,487	22,470
Rest of Europe	30,258	32,805	17,630	17,373
Rest of Asia	10,433	11,344	1,599	1,756
Rest of the Americas	3,379	3,904	3,192	3,834
Other regions	2,130	2,445	619	453
Eliminations	–	–	–6,764	–7,739
Group	98,990	104,210	76,187	77,583

LIST OF INVESTMENTS AT 31 DECEMBER 2020

46 LIST OF INVESTMENTS AT 31 DECEMBER 2020

The List of investments of BMW AG pursuant to § 285 and § 313 HGB is presented below. Disclosures for equity and earnings and for investments are not made if they are of "minor significance" for the results of operations, financial position and net assets of BMW AG pursuant to § 286 (3) sentence 1 no. 1 HGB and § 313 (3) sentence 4 HGB. It is also shown in the list which subsidiaries apply the exemptions available in § 264 (3) and § 264 b HGB with regard to the publication of annual financial statements and the drawing up of a management report and/or notes to the financial statements (footnotes 5 and 6). The Group Financial Statements of BMW AG serve as exempting consolidated financial statements for these companies.

AFFILIATED COMPANIES (SUBSIDIARIES) OF BMW AG AT 31 DECEMBER 2020

Companies	Equity in € million	Profit/loss in € million	Capital invest- ment in %
DOMESTIC¹			
BMW Beteiligungs GmbH & Co. KG, Munich ⁶	6,897	797	100
BMW INTEC Beteiligungs GmbH, Munich ^{3,6}	3,558	–	100
BMW Bank GmbH, Munich ³	2,075	–	100
BMW Finanz Verwaltungs GmbH, Munich	210	–	100
BMW Verwaltungs GmbH, Munich ^{3,6}	153	–	100
Parkhaus Oberwiesenfeld GmbH, Munich	–	–	100
BMW High Power Charging Beteiligungs GmbH, Munich ^{4,6}	–	–	100
Alphabet Fuhrparkmanagement GmbH, Munich ⁴	–	–	100
Alphabet International GmbH, Munich ^{4,5,6}	–	–	100
BMW Hams Hall Motoren GmbH, Munich ^{4,5,6}	–	–	100
BMW Vertriebszentren Verwaltungs GmbH, Munich	–	–	100
BMW Fahrzeugtechnik GmbH, Eisenach ^{3,5,6}	–	–	100
BMW Anlagen Verwaltungs GmbH, Munich ^{3,6}	–	–	100
Bavaria Wirtschaftsagentur GmbH, Munich ^{3,5,6}	–	–	100
Rolls-Royce Motor Cars GmbH, Munich ^{4,5,6}	–	–	100
BAVARIA-LLOYD Reisebüro GmbH, Munich	–	–	51
BMW M GmbH Gesellschaft für individuelle Automobile, Munich ^{3,5,6}	–	–	100
BMW Vermögensverwaltungs GmbH, Munich	–	–	100
Bürohaus Petuelring GmbH, Munich	–	–	100
LARGUS Grundstücks-Verwaltungsgesellschaft mbH, Munich	–	–	100
FOREIGN²			
Europe¹⁰			
BMW Holding B.V., The Hague	21,742	2,634	100
BMW International Holding B.V., The Hague	9,477	1,165	100
BMW Österreich Holding GmbH, Steyr	3,041	761	100
BMW International Investment B.V., The Hague	1,706	–1	100

BMW España Finance S.L., Madrid	1,190	65	100
BMW Financial Services (GB) Ltd., Farnborough	1,157	242	100
BMW (UK) Holdings Ltd., Farnborough	1,111	417	100
BMW (Schweiz) AG, Dielsdorf	1,050	20	100
BMW Motoren GmbH, Steyr	927	143	100
BMW Finance S.N.C., Guyancourt	530	35	100
BMW (UK) Manufacturing Ltd., Farnborough	496	51	100
BMW i Ventures SCS SICAV-RAIF, Senningerberg	340	54	100
ALPHABET (GB) Ltd., Farnborough	272	63	100
BMW Finance N.V., The Hague	225	16	100
BMW (UK) Ltd., Farnborough	223	46	100
BMW France S.A., Montigny-le-Bretonneux	216	2	100
Rolls-Royce Motor Cars Ltd., Farnborough	202	54	100
BMW Iberica S.A., Madrid	195	1	100
BMW Austria Leasing GmbH, Salzburg	193	17	100
BMW Russland Trading OOO, Moscow	189	134	100
BMW Italia S.p.A., San Donato Milanese	156	-5	100
BMW Austria Bank GmbH, Salzburg	148	11	100
Alphabet Nederland B.V., Breda	122	13	100
BMW Finanzdienstleistungen (Schweiz) AG, Dielsdorf	100	13	100
BMW Financial Services Scandinavia AB, Sollentuna	-	-	100
BMW Vertriebs GmbH, Salzburg	-	-	100
Alphabet Belgium Long Term Rental NV, Aartselaar	-	-	100
BMW Bank OOO, Moscow	-	-	100
Bavaria Reinsurance Malta Ltd., Floriana	-	-	100
BMW Malta Ltd., Floriana	-	-	100
BMW Financial Services Belgium S.A./N.V., Bornem	-	-	100
BMW Belgium Luxembourg S.A./N.V., Bornem	-	-	100
BMW Northern Europe AB, Stockholm	-	-	100
BMW Financial Services B.V., The Hague	-	-	100
BMW Norge AS, Fornebu	-	-	100
Alphabet Italia Fleet Management S.p.A., Rome	-	-	100

Alphabet España Fleet Management S.A.U., Madrid	-	-	100
Swindon Pressings Ltd., Farnborough	-	-	100
BMW Financial Services Polska Sp. z o.o., Warsaw	-	-	100
BMW Austria GmbH, Salzburg	-	-	100
BMW Services Ltd., Farnborough	-	-	100
Alphabet France Fleet Management S.N.C., Saint-Quentin-en-Yvelines	-	-	100
Alphabet Austria Fuhrparkmanagement GmbH, Salzburg	-	-	100
Alphabet Fuhrparkmanagement (Schweiz) AG, Dielsdorf	-	-	100
BMW Portugal Lda., Porto Salvo	-	-	100
BMW Financial Services (Ireland) DAC, Dublin	-	-	100
BMW Financial Services Denmark A/S, Copenhagen	-	-	100
BMW Hellas Trade of Cars A.E., Kifissia	-	-	100
BMW Nederland B.V., The Hague	-	-	100
Oy BMW Suomi AB, Helsinki	-	-	100
BMW Distribution S.A.S., Vélizy-Villacoublay	-	-	100
Park Lane Ltd., Farnborough	-	-	100
BMW Renting (Portugal) Lda., Porto Salvo	-	-	100
BMW Hungary Kft., Vecsés ⁹	-	-	100
BMW Romania S.R.L., Bucharest	-	-	100
BMW Italia Retail S.r.l., Rome	-	-	100
BMW Automotive (Ireland) Ltd., Dublin	-	-	100
BMW Danmark A/S, Copenhagen	-	-	100
BMW Czech Republic s.r.o., Prague	-	-	100
BMW Madrid S.L., Madrid	-	-	100
BMW Slovenská republika s.r.o., Bratislava	-	-	100
BMW Slovenia distribucija motornih vozil d.o.o., Ljubljana	-	-	100
BMW Bulgaria EOOD, Sofia	-	-	100
Alphabet Polska Fleet Management Sp. z o.o., Warsaw	-	-	100
BMW (UK) Investments Ltd., Farnborough	-	-	100
BiV Carry I SCS, Senningerberg	-	-	100
BMW (UK) Capital plc, Farnborough	-	-	100
Alphabet Luxembourg S.A., Leudelange	-	-	100

Riley Motors Ltd., Farnborough	-	-	100
Triumph Motor Company Ltd., Farnborough	-	-	100
BMW Central Pension Trustees Ltd., Farnborough	-	-	100
BLMC Ltd., Farnborough	-	-	100
Bavarian Sky S.A., Compartment German Auto Loans 7, Luxembourg ¹¹	-	-	0
Bavarian Sky S.A., Compartment German Auto Loans 8, Luxembourg ¹¹	-	-	0
Bavarian Sky S.A., Compartment German Auto Loans 9, Luxembourg ¹¹	-	-	0
Bavarian Sky S.A., Compartment German Auto Loans 10, Luxembourg ¹¹	-	-	0
Bavarian Sky S.A., Compartment German Auto Leases 5, Luxembourg ¹¹	-	-	0
Bavarian Sky S.A., Compartment A, Luxembourg ¹¹	-	-	0
Bavarian Sky S.A., Compartment B , Luxembourg ¹¹	-	-	0
Bavarian Sky Europe S.A. Compartment A, Luxembourg ¹¹	-	-	0
Bavarian Sky UK 2 plc, London ¹¹	-	-	0
Bavarian Sky UK 3 plc, London ¹¹	-	-	0
Bavarian Sky UK A Ltd., London ¹¹	-	-	0
Bavarian Sky UK B Ltd., London ¹¹	-	-	0
Bavarian Sky UK C Ltd., London ¹¹	-	-	0
Bavarian Sky UK D Ltd., London ¹¹	-	-	0

The Americas

BMW (US) Holding Corp., Wilmington, Delaware	2,873	164	100
BMW Manufacturing Co. LLC, Wilmington, Delaware	2,150	208	100
BMW Bank of North America Inc., Salt Lake City, Utah	1,304	80	100
BMW Financial Services NA LLC, Wilmington, Delaware	1,127	738	100
BMW of North America LLC, Wilmington, Delaware	769	309	100
BMW Canada Inc., Richmond Hill, Ontario	550	89	100
Financial Services Vehicle Trust, Wilmington, Delaware	293	-521	100
BMW do Brasil Ltda., Araquari	125	-6	100
BMW SLP, S.A. de C.V., Villa de Reyes	109	59	100
BMW US Capital LLC, Wilmington, Delaware	-	-	100
BMW Financeira S.A. Credito, Financiamento e Investimento, São Paulo	-	-	100
BMW de Mexico S.A. de C.V., Mexico City	-	-	100

BMW of Manhattan Inc., Wilmington, Delaware	-	-	100
Rolls-Royce Motor Cars NA LLC, Wilmington, Delaware	-	-	100
BMW Financial Services de Mexico S.A. de C.V. SOFOM, Mexico City	-	-	100
BMW Leasing de Mexico S.A. de C.V., Mexico City	-	-	100
BMW Insurance Agency Inc., Wilmington, Delaware	-	-	100
BMW de Argentina S.A., Buenos Aires	-	-	100
BMW Consolidation Services Co. LLC, Wilmington, Delaware	-	-	100
BMW Leasing do Brasil S.A., São Paulo	-	-	100
BMW Acquisitions Ltda., São Paulo	-	-	100
BMW Manufacturing Indústria de Motos da Amazônia Ltda., Manaus	-	-	100
SB Acquisitions LLC, Wilmington, Delaware	-	-	100
BMW Auto Leasing LLC, Wilmington, Delaware	-	-	100
BMW FS Securities LLC, Wilmington, Delaware	-	-	100
BMW FS Funding Corporation, Wilmington, Delaware	-	-	100
BMW Facility Partners LLC, Wilmington, Delaware	-	-	100
BMW Manufacturing LP, Woodcliff Lake, New Jersey	-	-	100
BMW FS Receivables Corporation, Wilmington, Delaware	-	-	100
BMW Receivables 1 Inc., Richmond Hill, Ontario	-	-	100
BMW Receivables Ltd. Partnership, Richmond Hill, Ontario	-	-	100
BMW Receivables 2 Inc., Richmond Hill, Ontario	-	-	100
BMW Extended Service Corporation, Wilmington, Delaware	-	-	100
BMW Vehicle Lease Trust 2018-1, Wilmington, Delaware ¹¹	-	-	0
BMW Vehicle Lease Trust 2019-1, Wilmington, Delaware ¹¹	-	-	0
BMW Vehicle Owner Trust 2018-A, Wilmington, Delaware ¹¹	-	-	0
BMW Vehicle Owner Trust 2019-A, Wilmington, Delaware ¹¹	-	-	0
BMW Vehicle Owner Trust 2020-A, Wilmington, Delaware ¹¹	-	-	0
BMW Floorplan Master Owner Trust Series 2018-1, Wilmington, Delaware ¹¹	-	-	0
BMW 2020-A Lease Conduit, Wilmington, Delaware ¹¹	-	-	0
BMW Canada 2018-A, Richmond Hill, Ontario ¹¹	-	-	0
BMW Canada Auto Trust 2018-1, Richmond Hill, Ontario ¹¹	-	-	0
BMW Canada Auto Trust 2019-1, Richmond Hill, Ontario ¹¹	-	-	0
BMW Canada Auto Trust 2020-1, Richmond Hill, Ontario ¹¹	-	-	0

Africa

BMW (South Africa) (Pty) Ltd., Pretoria	839	81	100
BMW Financial Services (South Africa) (Pty) Ltd., Midrand	154	7	100
SuperDrive Investments (RF) Ltd., Cape Town ¹¹	-	-	0

Asia

BMW Automotive Finance (China) Co. Ltd., Beijing	2,664	280	58
BMW Financial Services Korea Co. Ltd., Seoul	610	55	100
BMW Japan Finance Corp., Tokyo	583	62	100
BMW China Automotive Trading Ltd., Beijing	522	477	100
Herald International Financial Leasing Co. Ltd., Tianjin	259	36	58
BMW Korea Co. Ltd., Seoul	207	14	100
BMW Leasing (Thailand) Co. Ltd., Bangkok	184	10	100
BMW Manufacturing (Thailand) Co. Ltd., Rayong	140	84	100
BMW Japan Corp., Tokyo	108	-35	100
BMW (Thailand) Co. Ltd., Bangkok	-	-	100
BMW India Financial Services Private Ltd., Gurgaon	-	-	100
BMW Malaysia Sdn Bhd, Kuala Lumpur	-	-	51
BMW China Services Ltd., Beijing	-	-	100
BMW China Investment Ltd., Beijing ⁹	-	-	100
BMW Asia Technology Centre Sdn Bhd, Kuala Lumpur	-	-	100
PT BMW Indonesia, Jakarta	-	-	100
BMW Holding Malaysia Sdn Bhd, Kuala Lumpur	-	-	100
BMW Asia Pte. Ltd., Singapore	-	-	100
BMW India Private Ltd., Gurgaon	-	-	100
BMW Credit (Malaysia) Sdn Bhd, Kuala Lumpur	-	-	100
BMW Asia Pacific Capital Pte Ltd., Singapore	-	-	100
BMW Lease (Malaysia) Sdn Bhd, Kuala Lumpur	-	-	100
BMW Tokio Corp., Tokyo	-	-	100
2016-2 ABL, Tokyo ¹¹	-	-	0
2017-1 ABL, Tokyo ¹¹	-	-	0
2017-2 ABL, Tokyo ¹¹	-	-	0

2017-3 ABL, Tokyo ¹¹	-	-	0
2018-1 ABL, Tokyo ¹¹	-	-	0
2018-2 ABL, Tokyo ¹¹	-	-	0
2018-3 ABL, Tokyo ¹¹	-	-	0
2019-1 ABL, Tokyo ¹¹	-	-	0
2019-2 ABL, Tokyo ¹¹	-	-	0
2019-3 ABL, Tokyo ¹¹	-	-	0
2020-1 ABL, Tokyo ¹¹	-	-	0
Bavarian Sky China 2018-2, Beijing ¹¹	-	-	0
Bavarian Sky China 2019-1, Beijing ¹¹	-	-	0
Bavarian Sky China 2019-2, Beijing ¹¹	-	-	0
Bavarian Sky China 2019-3, Beijing ¹¹	-	-	0
Bavarian Sky China 2020-1, Beijing ¹¹	-	-	0
Bavarian Sky China 2020-2, Beijing ¹¹	-	-	0
Bavarian Sky China Leasing 2019-1, Tianjin ¹¹	-	-	0
Bavarian Sky China Leasing 2019-2, Tianjin ¹¹	-	-	0
Bavarian Sky China Leasing 2020-1, Tianjin ¹¹	-	-	0

Oceania

BMW Australia Finance Ltd., Mulgrave	323	21	100
BMW Australia Ltd., Melbourne	115	22	100
BMW Financial Services New Zealand Ltd., Auckland	-	-	100
BMW New Zealand Ltd., Auckland	-	-	100
BMW Sydney Pty. Ltd., Sydney	-	-	100
BMW Melbourne Pty. Ltd., Melbourne	-	-	100
BMW Australia Trust 2011-2, Mulgrave ¹¹	-	-	0
Bavarian Sky Australia Trust A, Mulgrave ¹¹	-	-	0

**BMW AG'S NON-CONSOLIDATED COMPANIES
AT 31 DECEMBER 2020**

Companies	Equity in € million	Profit/loss in € million	Capital invest- ment in %
DOMESTIC⁷			
Alphabet Fleetservices GmbH, Munich ⁴	-	-	100
Automag GmbH, Munich	-	-	100
BMW Car IT GmbH, Munich ⁴	-	-	100
BMW i Ventures GmbH, Munich	-	-	100
IDEALworks GmbH, Munich	-	-	100
FOREIGN⁷			
Europe			
Alphabet Insurance Services Polska Sp. z o.o., Warsaw	-	-	100
BMW (GB) Ltd., Farnborough	-	-	100
BMW (UK) Pensions Services Ltd., Hams Hall	-	-	100
BMW Car Club Ltd., Farnborough	-	-	100
BMW Drivers Club Ltd., Farnborough	-	-	100
BMW Poland sp. z o.o., Warsaw	-	-	100
BMW Financial Services Slovakia s.r.o., Bratislava			100
BMW Financial Services Czech Republic s.r.o., Prague	-	-	100
BMW Group Benefit Trust Ltd., Farnborough	-	-	100
BMW i Ventures B.V., Den Haag	-	-	100
BMW Manufacturing Hungary Kft., Vecsés	-	-	100
BMW Manufacturing Russland OOO, Kaliningrad	-	-	100
BMW Mobility Development Center s.r.o., Prague	-	-	100
BMW Motorsport Ltd., Farnborough	-	-	100
BMW Russland Automotive OOO, Kaliningrad	-	-	100
Cezwei PL GmbH, Salzburg	-	-	100
John Cooper Garages Ltd., Farnborough	-	-	100
John Cooper Works Ltd., Farnborough	-	-	100
OOO BMW Leasing, Moscow	-	-	100
U.T.E. Alphabet España-Bujarkay, Seville	-	-	90

The Americas

217-07 Northern Boulevard Corporation, Wilmington, Delaware	-	-	100
BMW Experience Centre Inc., Richmond Hill, Ontario	-	-	100
BMW i Ventures Inc., Wilmington, Delaware	-	-	100
BMW i Ventures LLC, Wilmington, Delaware	-	-	100
BMW Leasing de Argentina S.A., Buenos Aires	-	-	100
BMW Operations Corp., Wilmington, Delaware	-	-	100
BMW Technology Corp., Wilmington, Delaware	-	-	100
Designworks/USA Inc., Newbury Park, California	-	-	100
MINI Business Innovation LLC, Wilmington, Delaware	-	-	100
Urban X Accelerator SPV LLC, Wilmington, Delaware	-	-	100
BMW Shared Services LLC, Wilmington, Delaware	-	-	100
BMW Mobility Services LLC, Wilmington, Delaware	-	-	100
Toluca Planta de Automóviles S.A. de C.V., Mexico City	-	-	100

Africa

BMW Automobile Distributors (Pty) Ltd., Midrand	-	-	100
BPF Midrand Property Holdings (Pty) Ltd., Midrand	-	-	100
Multisource Properties (Pty) Ltd., Midrand	-	-	100

Asia

BMW Finance (United Arab Emirates) Ltd., Dubai	-	-	100
BMW Financial Services Hong Kong Ltd., Hong Kong	-	-	51
BMW Financial Services Singapore Pte Ltd., Singapore	-	-	100
BMW Hong Kong Services Ltd., Hong Kong	-	-	100
BMW India Foundation, Gurgaon	-	-	100
BMW India Leasing Private Ltd., Gurgaon	-	-	100
BMW Insurance Services Korea Co. Ltd., Seoul	-	-	100
BMW Middle East Retail Competency Centre DWC-LLC, Dubai	-	-	100
BMW Mobility Services Ltd., Sichuan Tianfu New Area (Chengdu Section)	-	-	100
BMW Philippines Corp., Manila	-	-	70
BMW Technology Office Israel Ltd., Tel Aviv	-	-	100
Herald Hezhong (Beijing) Automotive Trading Co. Ltd., Beijing	-	-	100
THEPSATRI Co. Ltd., Bangkok	-	-	100

**BMW AG'S ASSOCIATED COMPANIES, JOINT VENTURES
AND JOINT OPERATIONS AT 31 DECEMBER 2020**

Companies	Equity in € million	Profit/loss in € million	Capital invest- ment in %
Joint ventures – equity accounted			
DOMESTIC			
YOUR NOW Holding GmbH, Munich ⁸	1,226	-749	50
IONITY Holding GmbH & Co. KG, Munich ⁸	244	-37	20
FOREIGN			
BMW Brilliance Automotive Ltd., Shenyang ⁸	7,388	2,560	50
Associated companies – equity accounted			
FOREIGN			
THERE Holding B.V., Amsterdam ⁸	1,214	206	30
Joint operations – proportionately consolidated entities			
FOREIGN			
Spotlight Automotive Ltd., Zhangjiagang ⁸	217	-	50
Not equity accounted or proportionately consolidated entities			
DOMESTIC⁷			
Encry GmbH, Unterschleißheim	-	-	50
The Retail Performance Company GmbH, Munich	-	-	50
PDB – Partnership for Dummy Technology and Biomechanics GbR, Gaimersheim	-	-	20
FOREIGN⁷			
Bavarian & Co Co. Ltd., Incheon	-	-	20
BMW Albatha Finance PSC, Dubai	-	-	40
BMW Albatha Leasing LLC, Dubai	-	-	40
BMW AVTOTOR Holding B.V., Amsterdam	-	-	50
Critical TW S.A., Porto	-	-	50

BMW AG'S PARTICIPATIONS AT 31 DECEMBER 2020

Companies	Equity in € million	Profit/loss in € million	Capital invest- ment in %
DOMESTIC⁷			
Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern	–	–	5
GSB Sonderabfall-Entsorgung Bayern GmbH, Baar-Ebenhausen	–	–	3
Hubject GmbH, Berlin	–	–	16
IVM Industrie-Verband Motorrad GmbH & Co. Dienstleistungs KG, Essen	–	–	20
Joblinge gemeinnützige AG Berlin, Berlin	–	–	10
Joblinge gemeinnützige AG Leipzig, Leipzig	–	–	17
Joblinge gemeinnützige AG München, Munich	–	–	6
Racer Benchmark Group GmbH, Landsberg am Lech	–	–	9
SGL Carbon SE, Wiesbaden	–	–	18
Mobimeo GmbH, Berlin	–	–	10
FOREIGN⁷			
Northvolt AB, Stockholm	–	–	4

¹ The amounts shown for the German subsidiaries correspond to the annual financial statements drawn up in accordance with German accounting requirements (HGB).

² The amounts shown for the foreign subsidiaries correspond to the annual financial statements drawn up in accordance with uniform IFRS rules. Equity and earnings not denominated in euro are translated into euro using the closing exchange rate at the balance sheet date.

³ Profit and Loss Transfer Agreement with BMW AG.

⁴ Profit and Loss Transfer Agreement with a subsidiary of BMW AG.

⁵ Exemption from drawing up a management report applied in accordance with § 264 (3) and § 264 b HGB.

⁶ Exemption from publication of financial statements applied in accordance with § 264 (3) and § 264 b HGB.

⁷ These entities are neither consolidated nor accounted for using the equity method due to their overall immateriality for the Group Financial Statements.

⁸ The amounts shown for entities accounted for using the equity method and for proportionately consolidated entities correspond to the annual financial statements drawn up in accordance with uniform IFRS rules. Equity not denominated in euro is translated into euro using the closing exchange rate at the balance sheet date, earnings are translated using the average rate.

⁹ First-time consolidation.

¹⁰ Deconsolidation in the financial year 2020: Sutum ROM GmbH (merger), Société Nouvelle WATT Automobiles S.A.R.L. (merger), Alphabet France SAS (merger), Alphabet (UK) Ltd. (liquidation), BMW Retail Nederland B.V. (liquidation), BMW Amsterdam B.V. (sale).

¹¹ Control on basis of economic dependence.

Munich, 9 March 2021

Bayerische Motoren Werke
Aktiengesellschaft

THE BOARD OF MANAGEMENT

OLIVER ZIPSE

ILKA HORSTMEIER **DR. MILAN NEDELJKOVIĆ**

PIETER NOTA **DR. NICOLAS PETER**

FRANK WEBER **DR.-ING. ANDREAS WENDT**

CORPORATE GOVERNANCE

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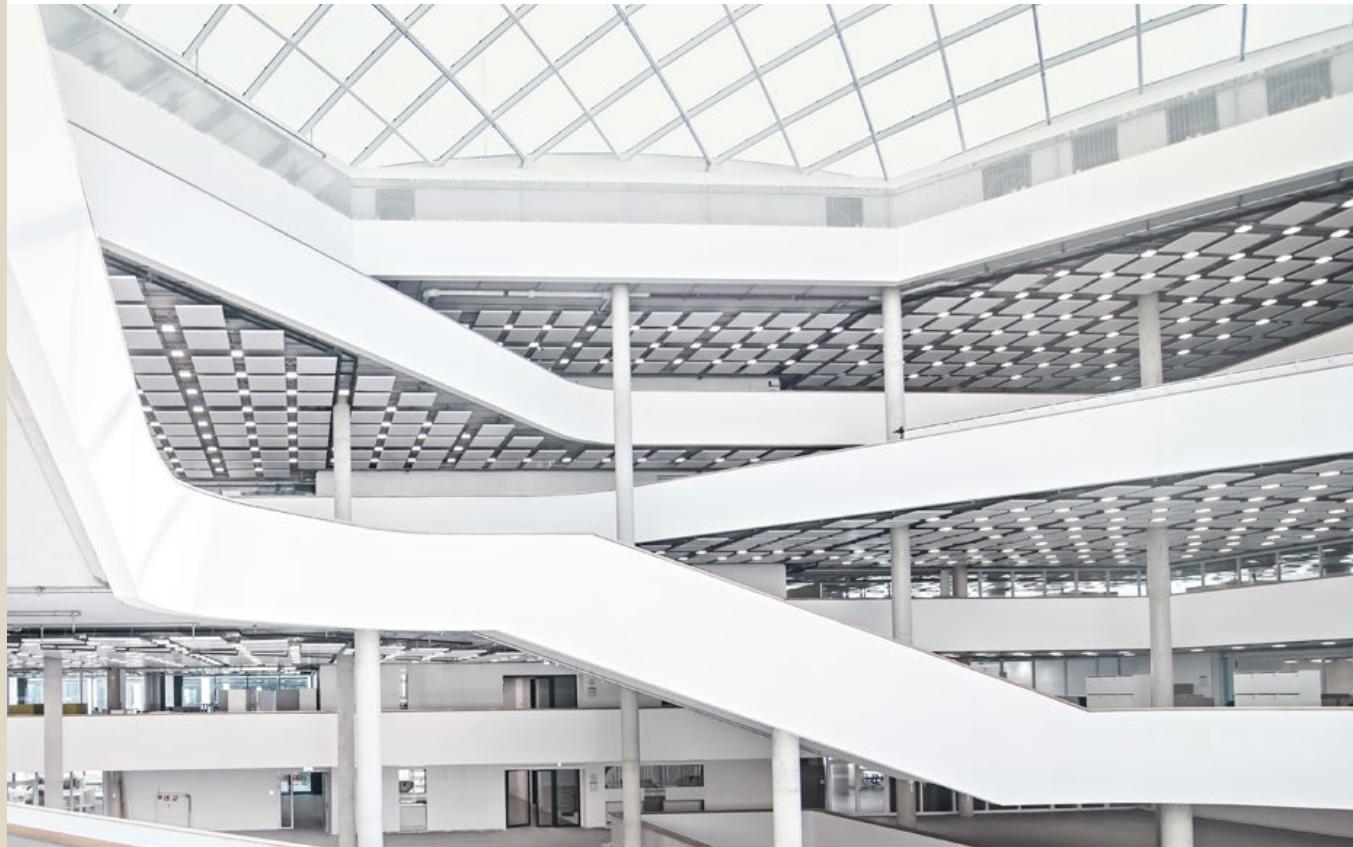
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FUNDAMENTAL ASPECTS OF CORPORATE GOVERNANCE (PART OF THE COMBINED MANAGEMENT REPORT)

Good corporate governance – acting in accordance with the principles of responsible management aimed at increasing enterprise value 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 corporate communication, corporate governance in the interest of 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 the Supervisory Board report below on the main features of corporate governance. The Corporate Governance Report pursuant to Principle 22 of the German Corporate Governance Code (DCGK), as amended on 16 December 2019, is part of the Corporate Governance Statement, which can be accessed at ↗www.bmwgroup.com/ezu (Corporate Governance).

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, namely the Annual General Meeting, the Supervisory Board and the Board of Management. The duties and authorities of those bodies derive from the Stock Corporation Act and the Articles of Incorporation of BMW AG. Shareholders, as the owners of the business, exercise their rights at the Annual General Meeting. The Board of Management is fully responsible for managing the enterprise 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 accountability 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 proceedings. 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 enterprise as described above is also known as a “two-tier board structure”.

BOARD OF MANAGEMENT

The Board of Management manages the enterprise under its own responsibility, acting in the best 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.

In accordance with § 7 of the Articles of Association, the Board of Management of BMW AG comprises two or more persons; other than that, the number of members of the Board of Management is determined by the Supervisory Board. At 31 December 2020, the Board of Management comprised seven members. The Board of Management decides on the principal guidelines for managing the enterprise, determines and agrees upon the strategic orientation 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 on compliance within the BMW Group are available in the section ↗**Compliance and Human Rights**. The Board of Management is also responsible for ensuring that appropriate risk management and risk controlling systems are in place throughout the Group.

Members of the Board of Management 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 benefit of the BMW Group. Individual members of the Board of Management of BMW AG are required to disclose any conflicts of interest to the Supervisory Board without delay and inform the other members of the Board of Management accordingly.

Deliberations are held and decisions taken by the Board of Management as a collegiate body at full Board meetings as well as at Product and Customer full Board meetings. The Board of Management also deliberates and makes decisions at meetings of its three committees – Customer, Operations and Senior Executives. The overall framework for developing business strategies, the use of resources, the implementation of strategies and matters of particular importance to BMW AG are decided upon at Board of Management meetings.

The Board of Management Board has issued terms of procedure for itself. The allocation of areas of responsibility and business segments among the members of the Board of Management is set out in the Board's Schedule of Responsibilities.

Further information on the composition and working methods of the Management Board and its committees is provided in the Corporate Governance Statement at www.bmwgroup.com/ezu (Corporate Governance).

SUPERVISORY BOARD

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 BMW AG. It is involved in all decisions of fundamental importance for BMW AG. The Supervisory Board appoints the members of the Board of Management and decides upon the level of remuneration they receive. The Supervisory Board can revoke appointments for important reasons.

Members of the Supervisory Board of BMW AG are obliged to act in the best interest of the enterprise as a whole. They may not pursue personal interests in their decisions or take advantage of business opportunities intended for the benefit of the BMW Group.

Members of the Supervisory Board are obliged to inform the full Supervisory Board of any conflicts of interest so that the latter can report to the shareholders at the Annual General Meeting on its treatment of the issue. Conflicts of interest requiring to be disclosed include, in particular, conflicts of interest that may arise as a result of a consultant or board function with clients, suppliers, lenders or other business partners. Significant and non-temporary conflicts of interest of a Supervisory Board member result in the termination of mandate.

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

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, namely the Personnel Committee, the Audit Committee, the Nomination Committee and the Media- tion Committee. These serve to raise the efficiency of the Supervisory Board's work and facilitate the handling of complex issues.

Composition of the Presiding Board and the various 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 the members concerned.

BMW AG 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.

Further information on the composition and working procedures of the Supervisory Board and its committees is provided in the Corporate Governance Statement at www.bmwgroup.com/ezu (Corporate Governance).

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of BMW AG exercise their rights at the Annual General Meeting. The Annual General Meeting decides in particular on the utilisation of unappropriated profit, the ratification of the acts of the members of the Board of Management and of the Supervisory Board, the appointment of the external auditor, changes to the Articles of Incorporation and specified capital measures and elects the shareholders' representatives to the Supervisory Board.

Moreover, the systems for the remuneration of Board of Management members and Supervisory Board members are presented to the Annual General Meeting for approval in the case of significant changes, but at least every four years. This is scheduled to take place at the Annual General Meeting in 2021.

Shareholders may exercise their voting rights at the Annual General Meeting either in person, by proxy or via a representative designated by BMW AG. Voting rights may also be exercised via postal vote.

Due to the Covid-19 pandemic, the 2020 Annual Meeting was held for the first time as a virtual meeting, i.e., without the physical presence of shareholders and proxies, except for the Company representatives bound by instructions issued by shareholders. In this case, the Company enabled shareholders to exercise their voting rights by issuing instructions to Company representatives or by postal vote (in both cases in paper form and online).

DECLARATION OF COMPLIANCE

Once a year, the Board of Management and the Supervisory Board of BMW AG issue an annual Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (AktG) with regard to recommendations of the Government Commission on the German Corporate Governance Code as officially published and valid at the date of the declaration. BMW AG's current and previous Declarations of Compliance are available online at ↗www.bmwgroup.com/compliancedeclaration (Corporate Governance). In the Declaration of Compliance issued in December 2020, the Board of Management and the Supervisory Board declared that all recommendations of the German Corporate Governance Code (version dated 16 December 2019) will be complied with going forward.

CORPORATE GOVERNANCE STATEMENT

Further information on corporate management and governance, including the declaration of compliance pursuant to § 161 of the German Stock Corporation Act, can be found in the Corporate Governance Statement (§ 289 f and § 315 HGB) at ↗www.bmwgroup.com/ezu (Corporate Governance).

MEMBERS OF THE BOARD OF MANAGEMENT

OLIVER ZIPSE (b.1964)

Chairman

KLAUS FRÖHLICH (b.1960)

Development (until 30 June 2020)

Mandates

— E.ON SE

ILKA HORSTMEIER (b.1969)

Human Resources, Labour Relations Director

DR. MILAN NEDELJKOVIĆ (b.1969)

Production

Mandates

— BMW (South Africa) (Pty) Ltd.[♦], Chairman

— BMW Motoren GmbH[♦], Chairman

PIETER NOTA (b.1964)

Customer, Brands, Sales

Mandates

— Rolls-Royce Motor Cars Limited[♦], Chairman

DR. NICOLAS PETER (b.1962)

Finance

Mandates

— BMW Brilliance Automotive Ltd.[♦],

Deputy Chairmann

FRANK WEBER (b.1966)

Development (since 1 July 2020)

DR.-ING. ANDREAS WENDT (b.1958)

Purchasing and Supplier Network

General Counsel:

DR. ANDREAS LIEPE

[♦] Not listed on the stock exchange.

— Membership of other statutory supervisory boards.

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

MEMBERS OF THE SUPERVISORY BOARD

DR.-ING. DR.-ING. E.H. NORBERT REITHOFER (b.1956)

Member since 2015, elected until the Annual General Meeting (AGM) 2025

Chairman of the Supervisory Board

Former Chairman of the Board of Management of BMW AG

Mandates

- Siemens Aktiengesellschaft
- Henkel Management AG (since 22 June 2020)
- Henkel AG & Co. KGaA (Shareholders' Committee)

MANFRED SCHOCH¹ (b.1955)

Member since 1988, elected until the AGM 2024

Deputy Chairman of the Supervisory Board

Chairman of the European and General Works Council

Industrial Engineer

STEFAN QUANDT (b.1966)

Member since 1997, elected until the AGM 2024

Deputy Chairman of the Supervisory Board

Entrepreneur

Mandates

- DELTON Health AG[♦], Chairman
- DELTON Technology SE[♦], Chairman
- Frankfurter Allgemeine Zeitung GmbH[♦]
- AQTON SE[♦], Chairman
- Entrust Corp.[♦]

STEFAN SCHMID¹ (b.1965)

Member since 2007, elected until the AGM 2024

Deputy Chairman of the Supervisory Board

Chairman of the Works Council, Dingolfing

DR. JUR. KARL-LUDWIG KLEY (b.1951)

Member since 2008, elected until the AGM 2021

Deputy Chairman of the Supervisory Board

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

Mandates

- E.ON SE, Chairman
- Deutsche Lufthansa Aktiengesellschaft, Chairman

CHRISTIANE BENNER² (b.1968)

Member since 2014, elected until the AGM 2024

Second Chairwoman of IG Metall

Mandates

- Continental AG, Deputy Chairwoman

DR. RER. POL. KURT BOCK (b.1958)

Member since 2018, elected until the AGM 2023

Chairman of the Supervisory Board of BASF SE (since 18 June 2020)

Mandates

- BASF SE, Chairman
- FUCHS PETROLUB SE, Chairman
- Fresenius Management SE[♦] (until 30 June 2020)
- Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (until 29 April 2020)

VERENA ZU DOHNA-JAEGER² (b.1975)

Member since 2019, elected until the AGM 2024

Department head for Industrial Relations and Co-determination Policy with the Executive Board of IG Metall/(In-house) counsel

Mandates

- ABB AG

¹ Employee representatives (Company employees).

² Employee representatives (union representatives).

³ Employee representatives (members of senior management).

♦ Not listed on the stock exchange.

— Membership of other statutory supervisory boards.

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

DR.-ING. HEINRICH HIESINGER (b.1960)

Member since 2017, elected until the AGM 2022

Member of supervisory boards

Mandates

- Deutsche Post AG
- Fresenius Management SE[♦] (since 1 July 2020)
- ZF Friedrichshafen AG[♦] (since 1 January 2021)

PROF. DR. RER. NAT. DR. H.C.**REINHARD HÜTTL** (b.1957)

Member since 2008, elected until the AGM 2023

Scientific Director and Managing Director of EUREF Energy Innovation GmbH

University Professor

SUSANNE KLATTEN (b.1962)

Member since 1997, elected until the AGM 2024

Entrepreneur

Mandates

- SGL Carbon SE, Chairwoman
- ALTANA AG[♦], Deputy Chairwoman
- UnternehmerTUM GmbH[♦],Chairwoman

PROF. DR. RER. POL. RENATE KÖCHER (b.1952)

Member until 14 May 2020

Director of Institut für Demoskopie

Allensbach Gesellschaft zum Studium der öffentlichen Meinung mbH

Mandates

- Infineon Technologies AG (until 20 February 2020)
- Nestlé Deutschland AG[♦]
- Robert Bosch GmbH[♦]

HORST LISCHKA² (b.1963)

Member since 2009, elected until the AGM 2021

Secretary with the Executive Board of IG Metall

Mandates

- KraussMaffei Group GmbH[♦]
- MAN Truck & Bus SE[♦]
- München Klinik gGmbH (until 15 May 2020)

WILLIBALD LÖW¹ (b.1956)

Member since 1999, elected until the AGM 2024

Chairman of the Works Council, Landshut

SIMONE MENNE (b.1960)

Member since 2015, elected until the AGM 2021

Member of supervisory boards

Mandates

- Deutsche Post AG
- Henkel AG & Co. KGaA (since 17 June 2020)
- Springer Nature AG & Co. KGaA[♦]
(until 3 March 2020)
- Johnson Controls International plc
- Russell Reynolds Associates Inc.[♦]

DR. DOMINIQUE MOHABEER¹ (b.1963)

Member since 2012, elected until the AGM 2024

Member of the Works Council, Munich

BRIGITTE RÖDIG¹ (b.1963)

Member since 2013, elected until the AGM 2024

Member of the Works Council, Dingolfing

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

♦ Not listed on the stock exchange.

— Membership of other statutory supervisory boards.

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

ANKE SCHÄFERKORDT (b.1962)

Member since 14 May 2020, elected until the AGM 2025

Member of supervisory boards

Mandates

- BASF SE
- Serviceplan Group Management SE*
- Wayfair Inc.

WERNER ZIERER¹ (b.1959)

Member since 2001, elected until the AGM 2024

Chairman of the Works Council, Regensburg

DR. VISHAL SIKKA (b.1967)

Member since 2019, elected until the AGM 2024

CEO & Founder, Vianai Systems, Inc.

Mandates

- Oracle Corporation

DR. THOMAS WITTIG³ (b.1960)

Member since 2019, elected until the AGM 2024

Senior Vice President Financial Services

Mandates

- BMW Bank GmbH*, Chairman
- BMW Automotive Finance (China) Co., Ltd.*,
Chairman

¹ Employee representatives (Company employees).

² Employee representatives (union representatives).

³ Employee representatives (members of senior management).

* Not listed on the stock exchange.

— Membership of other statutory supervisory boards.

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

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 procedure	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 remuneration and the regular review of the Board of Management's remuneration system— conclusion, amendment and revocation of employment contracts (in conjunction with the resolutions taken by the Supervisory Board regarding the remuneration 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)— established in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of procedure	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, 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 (recommendation) of external auditor, 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— supervision of internal audit system and compliance as well as the audit and supervision of any needs for action related to possible violations of duties by members of the Board of Management in preparation of a resolution in the Supervisory Board— decision on approval for utilisation of Authorised Capital 2019— amendments to Articles of Incorporation only affecting wording— established in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of procedure	Kurt Bock ^{1,2} , Norbert Reithofer, Manfred Schoch, Stefan Quandt, Stefan Schmid

Principal duties, basis for activities	Members
NOMINATION COMMITTEE <ul style="list-style-type: none">— identification of suitable candidates 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— established in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of procedure	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— established as 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, C.10, D.4 DCGK.

REMUNERATION REPORT (PART OF THE COMBINED MANAGEMENT REPORT)

The following section describes the principles governing the remuneration of the Board of Management and the stipulations set out in the statutes relating to the remuneration of the Supervisory Board. In addition to explaining the system of remuneration for the financial years 2018 to 2020, details of components of remuneration are also provided with figures. Furthermore, the remuneration of each member of the Board of Management and the Supervisory Board for the financial year 2020 is disclosed by individual member and analysed with its component parts.

The Supervisory Board has resolved a new remuneration system for the Board of Management for financial year from 2021 onwards. In accordance with the statutory requirements, the new remuneration system will be submitted to the 2021 Annual General Meeting for resolution.

1. Board of Management remuneration

Responsibilities

The determination and regular review of the system and structure of Board of Management remuneration is a task of the full Supervisory Board, as is the determination of the individual level of remuneration of Board of Management members. The Supervisory Board's Personnel Committee assumes a preparatory function in determining and reviewing the system and level of Board of Management remuneration.

The Supervisory Board reviews the remuneration system annually for appropriateness in terms of structure, target and maximum remuneration as well as and actual remuneration. In preparation, the Personnel Committee also consults remuneration studies. In order to check that the remuneration system is in line with peers, the Supervisory Board compares remuneration paid by other DAX companies in horizontal terms. For a vertical view, it compares Board remuneration 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.

The Supervisory Board is required to submit the remuneration system to the Annual General Meeting for approval in the event of significant changes, but at least every four years. The remuneration system valid for the 2020 financial year was approved by the Annual General Meeting in 2018.

Principles of remuneration

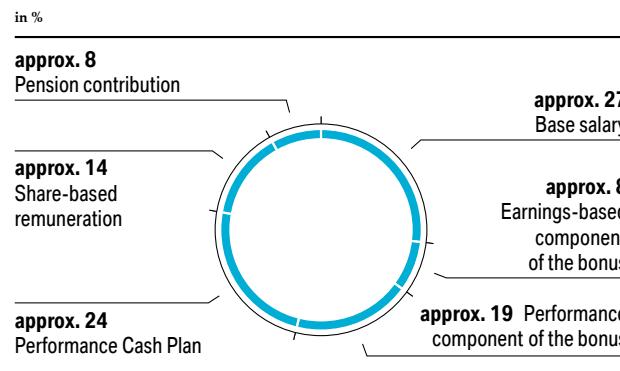
The remuneration system for the Board of Management at BMW AG is designed to encourage a management approach focused on the sustainable and long-term development of the BMW Group. One further principle applied when designing remuneration systems at BMW is that of consistency at different levels. This means that remuneration 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 remuneration 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 remuneration model used for the Board of Management needs to be attractive for highly qualified executives in a competitive environment.

The remuneration 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 Board member, the economic situation as well as the performance and future prospects of the BMW Group. The Supervisory Board sets ambitious and relevant parameters as the basis for variable remuneration. 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.

Remuneration system, remuneration components

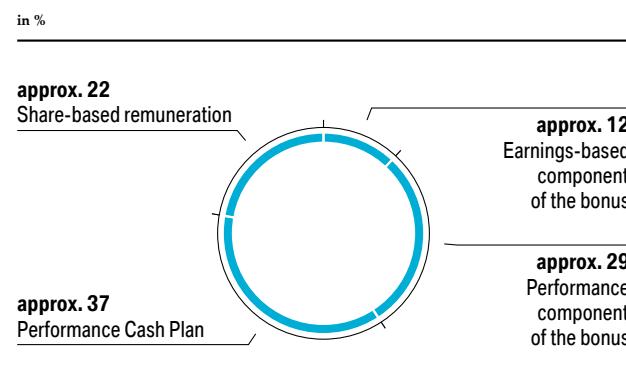
Board of Management remuneration comprises fixed and variable cash elements as well as a share-based component. Retirement and surviving dependants' benefit entitlements are also in place. The remuneration components are described in more detail below.

OVERVIEW OF REMUNERATION SYSTEM FOR FINANCIAL YEARS 2018 – 2020: DEPICTION OF ALLOCATION TO CASH BENEFITS (TARGET REMUNERATION) AND PENSION CONTRIBUTION¹



¹ Simplified depiction of target amounts for the variable cash remuneration of the Chairman of the Board of Management and pension contribution. Excludes other remuneration. Based on the assumption that the share price remains unchanged for the calculation of the matching component.

OVERVIEW OF REMUNERATION SYSTEM FOR FINANCIAL YEARS 2018 – 2020: DEPICTION OF VARIABLE REMUNERATION (TARGET REMUNERATION)²



² Simplified depiction of target amounts for the variable cash remuneration of the Chairman of the Board of Management. Excludes basic salary, other remuneration and pension contribution. Based on the assumption that the share price remains unchanged for the calculation of the matching component.

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). The basic remuneration of Board of Management members for the financial year 2020 is €0.8 million p.a. for a Board member during the first period of office, €0.95 million p.a. for a Board member with effect 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. For all Board members, the upper limit of the bonus is set at 180 % of the relevant target bonus.

Variable remuneration

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

- Bonus
- Performance Cash Plan
- Share-based remuneration

Payment of a discretionary additional bonus is not provided for. An upper limit has been set for each component of variable remuneration (see Overview of remuneration system and remuneration components).

Bonus

Assuming 100 % target achievement, the bonus for the 2020 financial year comprises an earnings-related component of 30 % and performance-related component of 70 %. The target bonus (100 %) is €0.85 million p.a. for a Board member during the first period of office, €1.0 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. For all Board members, the upper limit of the bonus is set at 180 % of the relevant target bonus.

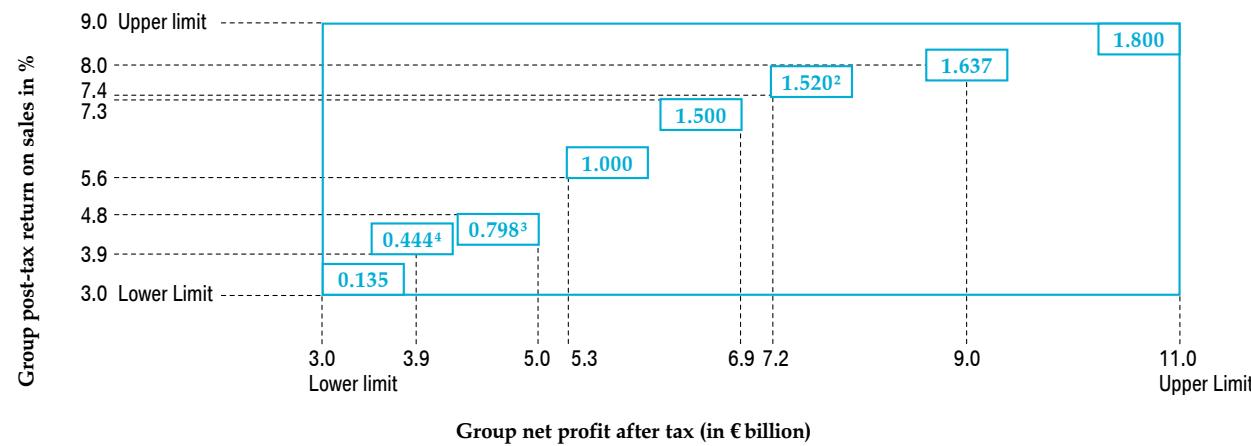
In order to calculate the earnings-related component, an earnings factor is determined on the basis of the target parameters and multiplied by 30 % of the target bonus amount. The level of the earnings-related component depends on the degree to which the targets set by the Supervisory Board for Group net profit and Group post-tax return on sales are achieved. The degree of achievement is expressed in an earnings factor. The underlying measurement values for the bonus payable for the financial year 2020 were determined three financial years ago (i.e. back in 2017) and may not be changed retrospectively. The earnings factor is capped at a maximum value of 1.8. The bonus is paid out after the end of the Annual General Meeting, at which the separate financial statements of BMW AG for the relevant financial year are presented.

For the financial year 2020, an earnings factor of 1.000 would give rise to an earnings-related component of €0.255 million for a Board member 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. For instance, in the event of a Group net profit of €5.3 billion and a post-tax return on sales of 5.6 %, the earnings factor is 1.000. Similarly, a Group net profit of €6.9 billion and a post-tax return on sales of 7.3 % gives rise to an earnings factor of 1.500 and a Group net profit of €9.0 billion and a post-tax return on sales of 8.0 % to one of 1.637. A minimum earnings factor of 0.135 arises in the event of a Group net profit of €3 billion and a post-tax return on sales of 3 %. 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 earnings factor of 1.800 is reached in the event of a Group net profit of €11 billion and a post-tax return on sales of 9 %. In exceptional circumstances, for instance major acquisitions or disposals, the Supervisory Board may adjust the earnings factor.

The performance-related component for the financial year 2020 bonus is calculated using a performance factor which the Supervisory Board has set 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 and stakeholders as well as social responsibility.

EARNINGS COMPONENTS: ALLOCATION TABLE FOR CALCULATING EARNINGS FACTOR¹



The criteria include in particular innovation (economic and ecological, for example in the reduction of carbon 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 Supervisory Board also draws comparisons with competitors. The individual performance factor lies between zero and a maximum 1.8.

BONUS OVERVIEW

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

Performance Cash Plan

Up to and including the grant year 2020, variable cash remuneration includes 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). 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. from the second period of office or the fourth year of mandate and €1.6 million p.a. for the Chairman of the Board of Management. 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. PCP entitlements are paid in cash. The bonus is paid out after the end of the Annual General Meeting, at which the separate financial statements of BMW AG for the third year of the evaluation period are presented.

In order to determine the PCP factor, a multi-year profit 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. The underlying measurement values are determined in advance for a period of three financial years and may not be changed retrospectively.

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.

Members of the Board of Management who were Board members on 1 January 2018 received and will receive an advance payment out of the 2018–2020 Performance Cash Plan in 2019 and from the 2019–2021 Performance Cash Plan in 2020. At the end of each relevant assessment period, the advance payment is set off or repaid, depending on the amount then determined. The advance payment for each relevant year is €0.5 million for a Board member 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.

PERFORMANCE CASH PLAN OVERVIEW

TARGET AMOUNT	× PCP FACTOR	= CASH PAYMENT
		— Cash payment at end of evaluation period
		— Capped at 180 % of target amount

PCP FACTOR OVERVIEW

MULTI-YEAR EARNINGS FACTOR	×	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 and 1.8 	×	<ul style="list-style-type: none"> Measurement based on multi-year performance factor: — 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 and 1.1 	=	

Share-based remuneration

At the end of the Annual General Meeting at which the separate financial statements of BMW AG for the relevant financial year are presented, members of the Board of Management receive for financial years up to and including the financial year 2020 a cash remuneration (investment component) for the specific purpose of investment – after tax and deductions – in shares of common stock of BMW AG. The investment component corresponds to 45 % of the gross bonus. The shares of common stock are purchased immediately after the investment component has been paid out. As a general rule, the acquired shares are required to be held by

Board members for four years. This period also applies if a Board member leaves the Board of Management, including in the case of retirement.

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 Overview of remuneration system and remuneration components).

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 the Board members under specified circumstances against payment of a remuneration amount. Service agreements taking effect after 1 January 2021 provide for the payment of a monthly amount corresponding to the respective monthly base salary during the period of the post-contractual non-competition clause. In accordance with the recommendation of the German Corporate Governance Code dated 16 December 2019, any severance payment is offset against the non-competition clause remuneration amount. The same applies to other income, unless it relates to remuneration for supervisory board mandates approved during the term of office. The Company may unilaterally waive the requirement to comply with the post-contractual non-competition clause.

Overview for Financial Years 2018 – 2020 of remuneration system and remuneration components

Component	Parameter / measurement base
BASE SALARY	
	<p>Member of the Board of Management:</p> <ul style="list-style-type: none"> — € 0.80 million p.a. (first period of office) — € 0.95 million p.a. (from second period of office or fourth year of mandate) <p>Chairman of the Board of Management:</p> <ul style="list-style-type: none"> — € 1.80 million p.a.
VARIABLE REMUNERATION	
Bonus (sum of earnings-related bonus and performance-related bonus)	<p>Target amount p.a. (at 100 % target achievement):</p> <ul style="list-style-type: none"> — € 0.85 million (first period of office) — € 1.0 million (from second period of office or fourth year of mandate) — € 1.8 million (Chairman of the Board of Management) — Capped at 180 % of target amount, see section Remuneration caps — Payment at the end of the Annual General Meeting at which the separate financial statements of BMW AG are presented <p>a) Earnings-related bonus (at 100 % target achievement corresponds to 30 % of target amount)</p> <ul style="list-style-type: none"> — Formula: 30 % target amount x earnings factor — Base amount p.a. (30 % target amount per bonus): <ul style="list-style-type: none"> — € 0.255 million (first period of office) — € 0.30 million (from second period of office or fourth year of mandate) — € 0.54 million (Chairman of the Board of Management) — Earnings factor is derived from Group net profit and Group post-tax return on sales — Allocation table fixed in advance for a period of three financial years — 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 — Maximum amount of earnings-related bonus p.a.: <ul style="list-style-type: none"> — € 0.459 million (first period of office) — € 0.54 million (from second period of office or fourth year of mandate) — € 0.972 million (Chairman of the Board of Management)

Component

b) Performance-related bonus
(at 100 % target achievement corresponds to 70 % of target amount)

Parameter / measurement base

- Formula: 70 % target amount x performance factor
- Base amount p.a. (70 % target amount per bonus):
 - € 0.595 million (first period of office)
 - € 0.70 million (from second period of office or fourth year of mandate)
 - € 1.26 million (Chairman of the Board of Management)
- 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, reputation
- Performance factor may not exceed 1.8
- Maximum amount of performance-related bonus p.a.:
 - € 1.071 million (first period of office)
 - € 1.26 million (from second period of office or fourth year of mandate)
 - € 2.268 million (Chairman of the Board of Management)

Performance Cash Plan

a) Multi-year earnings factor

Target amount p.a. (at 100 % target achievement):

- € 0.85 million (first period of office)
- € 0.95 million (from second period of office or fourth year of mandate)
- € 1.6 million (Chairman of the Board of Management)
- Three-year evaluation period
- Capped at 180 % of target amount, see section Remuneration caps
- Formula: PCP factor x target amount
- PCP factor: multi-year earnings factor x multi-year performance factor
- PCP factor may not exceed 1.8
- Payment at the end of the Annual General Meeting at which the separate financial statements of BMW AG for the third year of the evaluation period are presented

b) Multi-year performance 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
- 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

Component	Parameter / measurement base
Share-based remuneration programme	<ul style="list-style-type: none">— 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— Requirement for Board of Management members to hold the acquired shares of common stock for four years
a) Cash remuneration component (investment component)	<ul style="list-style-type: none">— Earmarked cash remuneration amounting to 45 % of the gross bonus— Cash remuneration p.a. at 100 % target achievement of the bonus:<ul style="list-style-type: none">— € 0.3825 million (first period of office)— € 0.45 million (from second period of office or fourth year of mandate)— € 0.81 million (Chairman of the Board of Management)— Maximum remuneration, see section Remuneration caps— Payment at the end of the Annual General Meeting at which the separate financial statements of BMW AG for the relevant financial year are presented— Share acquisition immediately after payment of earmarked cash remuneration
b) Share-based remuneration component (matching component)	<ul style="list-style-type: none">— 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— Maximum remuneration, see section Remuneration caps
OTHER REMUNERATION	Contractual agreement, main points: non-cash benefits from use of Company car, use of corporate cars or the BMW chauffeur service, insurance premiums, contributions towards security systems

Overview for Financial Years 2018 – 2020 of remuneration system and remuneration components onwards

RETIREMENT BENEFITS

Model	Principal features
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 Chairman of the Board of Management: € 500,000

REMUNERATION CAPS (MAXIMUM REMUNERATION)

in € p.a.	Bonus	Performance Cash Plan	Share-based remuneration programme		Total*
			Cash remuneration 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. For the purposes of the overall cap, German accounting rules (HGB) require the relevant grant year to be taken in the calculation for the PCP; in the case of the matching component, the actual amount deemed to have been received is required to be added retrospectively to the total remuneration of the grant year concerned. The overall cap in absolute terms is lower than the sum of the maximum amounts for the individual components.

Retirement benefits

With effect from 1 January 2010, the provision of retirement benefits for members of the Board of Management was changed to a defined contribution system with a guaranteed minimum return.

If a mandate is terminated, the 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. For

entitlements arising before 2016, there is an option to receive payment as a lifelong pension or in a combined form. Former Board members are entitled to receive the retirement benefit at the earliest upon reaching the age of 60, or in the case of entitlements awarded for the first time 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 contributions possible up to the age of 60 (subject to maximum of ten contributions).

The annual contribution paid by the Company for the financial year 2020 is €350,000 for a Board member 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.

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 instalment payments. 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 not provided.

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

Members of the Board of Management who retire immediately after their service on the Board, or who are deemed to be in an equivalent position, 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 departments. 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 departments, and depending on availability and against payment, use BMW chauffeur services.

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

Klaus Fröhlich left the Board of Management on 30 June 2020. In accordance with the provisions of his service contract, a one-year post-contractual non-competition clause applies. The proportionate amount of remuneration relating to the financial year 2020 is €0.3 million. The corresponding figure for the remaining period from 1 January 2021 to 30 June 2021 is €0.3 million, for which a provision has been recognised.

In line with the recommendation of the German Corporate Governance Code dated 16 December 2019, 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' remuneration (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 remuneration is based on the sum of base remuneration and the target amount of variable remuneration components for the last full financial year before termination. If the relevant target amount for variable remuneration was not reached, the amounts granted are used instead.

No commitments or agreements exist for payment of remuneration 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 2020 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. The total upper limit amounts are lower than the sum of the maximum amounts applicable for the individual components. The upper limits are shown in the table Overview of remuneration system and remuneration components for the financial years 2018–2020.

Total remuneration of the Board of Management for the financial year 2020 (2019)

The total remuneration of the current members of the Board of Management of BMW AG for the financial year 2020 amounted to €17.5 million (2019: €21.4 million), of which €7.3 million (2019: €8.1 million) relates to fixed components (including other remuneration). Variable components amounted to €9.7 million (2019: €12.6 million) and the share-based remuneration component to €0.5 million (2019: €0.7 million).

For the financial year 2020, the BMW Group achieved a net profit of €3,857 million (2019: €5,022 million) and a post-tax return on sales of 3.9% (2019: 4.8%). According to the defined allocation table, these results yield an earnings factor of 0.444 (2019: 0.798) for the earnings component relevant for the bonus for the financial year 2020.

In determining the performance factor, the Supervisory Board uses agreed-upon criteria to evaluate the contribution of Board members to the sustainable and long-term development and future viability of the BMW Group.

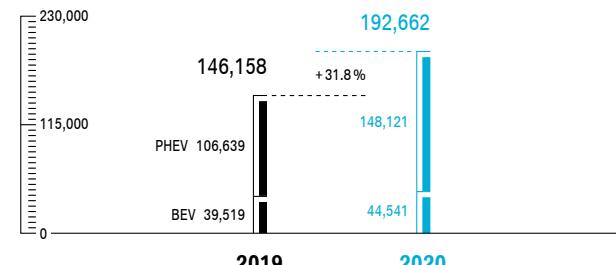
The Supervisory Board's decision-making process is based on a detailed, documented analysis of performance based on all agreed-upon criteria, as well as in-depth discussions at Personnel Committee and full Supervisory Board level.

In particular, the members of the Board of Management jointly exceeded the targets for the following criteria deemed particularly relevant by the Supervisory Board:

- Market position compared to competitors: Despite the restrictions due to the pandemic, the BMW Group remained the world's leading manufacturer of premium automobiles for the 17th year in succession. Sales of electrified vehicles saw a sharp rise compared to the previous year.

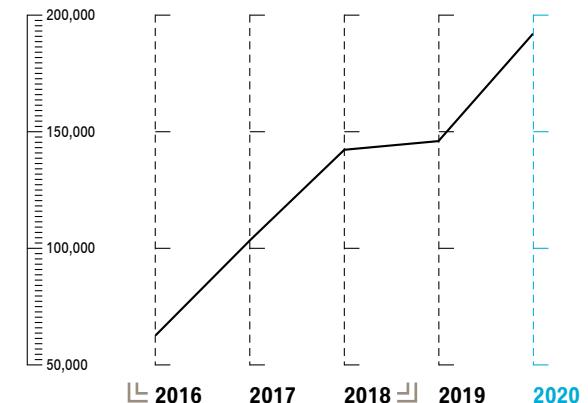
DELIVERIES OF ELECTRIFIED VEHICLES

Units / Year



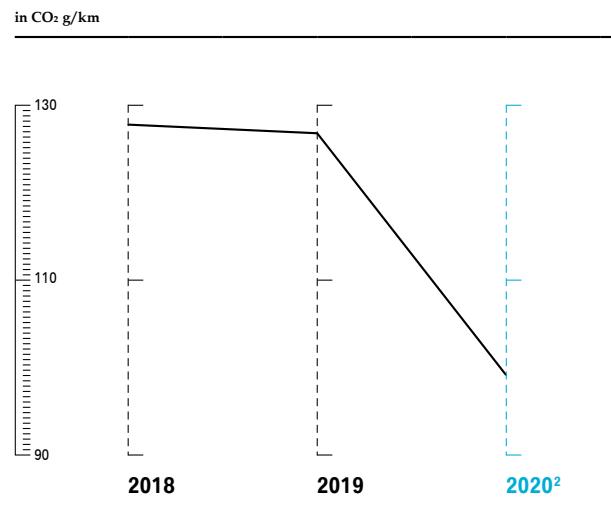
DELIVERIES OF ELECTRIFIED VEHICLES

Units / Year



- Ecological benefits from innovation: At 99 g/km^{1,2} the figure for the BMW Group's fleet carbon emissions was 5 g/km below the EU legal limit, as in previous years. Further progress is likely to be made in the foreseeable future on the back of measures already adopted.

FLEET EMISSIONS IN THE EU¹



- Customer orientation: As in previous years, the BMW Group won several industry awards for concept studies on various vehicles and plants, assessed on the basis of the concept of quality.
- Customer orientation and innovative solutions: New software was installed in approximately 624,000 vehicles via remote upgrades, without the need for a visit to a service partner. The proportion of new vehicles sold with the new software has risen sharply over the past few years, and a further increase in the number of such vehicles is foreseeable as a result of product decisions already taken.
- Reputation: Capital market rating agencies once again ranked the BMW Group as the best European automobile manufacturer. The BMW Group again performed excellently in sustainability indices such as the Dow Jones Sustainability Index, taking first place in the "Automobiles" segment as the most sustainable manufacturer. It is also in the top CDP grouping (Climate A List).
- Adaptability: Prudent management limited the impact of the pandemic on the Group, particularly in terms of keeping global supply chains running.

On the basis of these criteria, the Supervisory Board's first calculated and then set a performance factor of 1.15 for all members of the Board of Management for the financial year 2020 (2019: 1.20).

The performance cash plan (PCP) included in the remuneration system for the financial years 2018 to 2020 serves as a long-term incentive. The PCP is paid out in cash after the end of the relevant three-year assessment period.

In the case of the 2020 grant year, the PCP assessment period covers the financial years 2020 to 2022. The target amount for the PCP 2020 – 2022 is €1.6 million for Mr Zipse, €0.85 million each for Ms Horstmeier, Mr Nedeljković, Mr Nota and Dr Wendt, €0.95 million for Dr Peter and €0.425 million for Mr Weber. The target amount for Mr Fröhlich is €0.475 million. Due to the fact that the criteria established for the PCP 2020 – 2022 have not yet been fully met, this component is not included in variable remuneration for the financial year 2020.

In the 2020 financial year, in line with contractually agreed arrangements, advances were paid out of the PCP 2019 – 2021 to the Board members in office at 31 December 2020 (Mr Zipse, Mr Nota and Dr Peter) with a total amount of €1.7 million, and an advance of €0.6 million paid to Mr Fröhlich.

At the end of assessment period, the advance payments will be set off or refunded, depending on the actual entitlement arising. The expense of the PCP for the financial year 2020 recognised in accordance with IAS 19 amounted to €1.3 million (2019: €8.3 million).

Remuneration awarded for the financial year 2020 (2019) is presented in the table below on an individualised basis.

¹ Based on the New European Driving Cycle (NEDC) test procedure. With effect from September 2018, all vehicles in the EU are required to be approved in accordance with the new WLTP testing cycle. However, the EU Commission will not start using WLTP to calculate fleet CO₂ emissions until 2021. For this reason, WLTP fleet emissions must be retroactively calculated as NEDC values for the purposes of reporting up to and including 2020.

² Taking into account the offset of certain flexibilities that are defined in the regulatory requirements (phase-in with 5 g/km supercredits BEV/PHEV with 7.5 g/km and eco-innovations with 2.4 g/km). This is a preliminary internal calculation with a potential variation of ± 0.5 g CO₂/km, as official registration figures from the authorities are not available from all EU states. Officially published values by the EU Commission are not expected to be available until November 2021.

**Remuneration of the individual members of the
Board of Management for the financial year 2020 (2019)¹**

in € or number of matching shares	Fixed remuneration			Variable cash remuneration			Share-based remuneration component (matching component) ⁵		Sub-total
	Base salary	Other remuneration	Total	Bonus	Share-based remuneration component (investment component)	Total	Number	Monetary value	
Oliver Zipse	1,800,000	66,256	1,866,256	1,688,760	759,942	2,448,702	1,669	123,873	4,438,831
	(1,269,892)	(50,947)	(1,320,839)	(1,404,380)	(631,971)	(2,036,351)	(1,725)	(103,037)	(3,460,227)
Klaus Fröhlich²	475,000	56,546	531,546	469,100	211,095	680,195	463	34,364	1,246,105
	(950,000)	(71,822)	(1,021,822)	(1,079,400)	(485,730)	(1,565,130)	(1,135)	(79,155)	(2,666,107)
Ilka Horstmeier	800,000	87,374	887,374	797,470	358,862	1,156,332	846	62,790	2,106,496
	(133,333)	(29,375)	(162,708)	(152,915)	(68,812)	(221,727)	(173)	(12,013)	(396,448)
Milan Nedeljković	800,000	101,973	901,973	797,470	358,862	1,156,332	846	62,790	2,121,095
	(200,000)	(5,105)	(205,105)	(229,373)	(103,218)	(332,591)	(280)	(18,026)	(555,722)
Pieter Nota	800,000	18,408	818,408	797,470	358,862	1,156,332	846	62,790	2,037,530
	(800,000)	(20,782)	(820,782)	(917,490)	(412,871)	(1,330,361)	(1,036)	(72,251)	(2,223,394)
Nicolas Peter	950,000	24,231	974,231	938,200	422,190	1,360,390	927	68,802	2,403,423
	(800,000)	(29,988)	(829,988)	(917,490)	(412,871)	(1,330,361)	(965)	(67,299)	(2,227,648)
Frank Weber³	400,000	28,593	428,593	398,735	179,431	578,166	558	31,360	1,038,119
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Andreas Wendt	800,000	56,319	856,319	797,470	358,862	1,156,332	846	62,790	2,075,441
	(800,000)	(102,701)	(902,701)	(917,490)	(412,871)	(1,330,361)	(1,036)	(72,251)	(2,305,313)
Total⁴	6,825,000	439,700	7,264,700	6,684,675	3,008,106	9,692,781	7,001	509,559	17,467,040
	(7,659,140)	(496,271)	(8,155,411)	(8,697,280)	(3,913,778)	(12,611,058)	(9,728)	(659,614)	(21,426,083)

¹ Contains disclosures in accordance with HGB and the requirements of German Accounting Standard No. 17.

² Member of the Board of Management until 30 June 2020.

³ Member of the Board of Management from 1 July 2020.

⁴ Disclosures for the previous year include amounts relating to members of the Board of Management who left office during the financial year 2019.

⁵ Preliminary number or preliminary monetary value calculated in accordance with German Financial Reporting Standard 17 (DRS 17).

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 41 to the Group Financial Statements for a description of the accounting treatment of the share-based remuneration component.

Remuneration in accordance with HGB and the requirements of German Accounting Standard No. 17

The PCP 2018 – 2020 was awarded for the performance of Board of Management members in the financial year 2018. The three-year assessment period for this remuneration component, which was subject to specified forfeiture provisions, expired on 31 December 2020. The earnings factors determined for each year of the assessment period (financial year 2018: 1.520; financial year 2019: 0.798, financial year 2020: 0.444), give rise to a multi-year earnings factor of 0.921. The Supervisory Board set the multi-year performance factor at 1.0 for members of the Board of Management in office in financial year 2018, so that the PCP factor for the PCP 2018 – 2020 is 0.921. For the purposes of determining the multi-year performance factor, the Supervisory Board took account in particular of business development during the assessment period, the outlook for business development going forward, the Board member's individual contribution to profitability and the status of compliance within the Board member's area of responsibility. When considering actual and forecasted business development for the

relevant periods, the Supervisory Board paid particular attention to the development of certain key performance figures such as the number of deliveries, the EBIT margin and the return on capital employed. For the financial year 2020, the Supervisory Board took account of the impact of the coronavirus pandemic of these figures. It was not necessary to change the assessments relating to individual contributions to profitability or the status of compliance within Board members' area of responsibility.

In accordance with the requirements of HGB and German Accounting Standard No. 17, PCP-related remuneration is required to be included in the total remuneration figure for the financial year in which the plan's conditions are fulfilled. The amount arising for the PCP 2018 – 2020 is therefore required to be included in the financial year 2020. The following tables show the remuneration of the members of the Board of Management in accordance with the requirements of HGB and applicable accounting standards for the financial year 2020 (2019) and in the financial year 2020 (2019) respectively.

in € million	2020		2019	
	Amount	Proportion in %	Amount	Proportion in %
Fixed remuneration	7.3	34.9	8.1	37.8
Variable cash remuneration ¹	13.0	62.6	12.6	58.9
Share-based remuneration component ²	0.5	2.5	0.7	3.3
Total remuneration	20.8	100.00	21.4	100.0

¹ Variable cash payments for the financial year 2020 also include a payment out of the PCP 2018 – 2020 for the 2018 grant year amounting to €3.3 million. PCP 2018 – 2020 accounts for 16.0 % of total remuneration in accordance with HGB and the requirements of German Accounting Standard No. 17.

² Matching component; provisional number/provisional monetary value calculated in accordance with DRS 17. The final number of matching shares is determined in each case when the requirement to invest in BMW AG common stock has been fulfilled.

Remuneration in accordance with HGB and the requirements of German Accounting Standard No. 17

in €	Sub-total as shown in the table Remuneration of the individual members of the Board of Management for the financial year 2020 (2019) ¹	Variable cash remuneration			Total remuneration in accordance with HGB and the requirements of German Accounting Standard No. 17 in € million
		Performance Cash Plan 2018 – 2020 ²	Performance Cash Plan 2019 – 2021 ³	Performance Cash Plan 2020 – 2022 ⁴	
Oliver Zipse	4,438,831	844,250	(–)	(–)	5,283,081
	(3,460,227)	(–)	(–)	(–)	(3,460,227)
Klaus Fröhlich⁵	1,246,105	729,125	(–)	(–)	1,975,230
	(2,666,107)	(–)	(–)	(–)	(2,666,107)
Ilka Horstmeier	2,106,496	(–)	(–)	(–)	2,106,496
	(396,448)	(–)	(–)	(–)	(396,448)
Milan Nedeljković	2,121,095	(–)	(–)	(–)	2,121,095
	(555,722)	(–)	(–)	(–)	(555,722)
Pieter Nota	2,037,530	782,850	(–)	(–)	2,820,380
	(2,223,394)	(–)	(–)	(–)	(2,223,394)
Nicolas Peter	2,403,423	782,850	(–)	(–)	3,186,273
	(2,227,648)	(–)	(–)	(–)	(2,227,648)
Frank Weber⁶	1,038,119	(–)	(–)	(–)	1,038,119
	(–)	(–)	(–)	(–)	(–)
Andreas Wendt	2,075,441	195,713	(–)	(–)	2,271,154
	(2,305,313)	(–)	(–)	(–)	(2,305,313)
Gesamt⁷	17,467,040	3,334,788	(–)	(–)	20,801,828
	(21,426,083)	(–)	(–)	(–)	(21,426,083)

¹ Breakdown of remuneration for the financial year 2020 (2019) in the table Remuneration of the individual members of the Board of Management for the financial year 2020 (2019).

² Amounts include an advance payment made in 2019 in line with contractually agreed arrangements.

³ PCP 2019 – 2021 will not be reported until the end of the three-year assessment period.

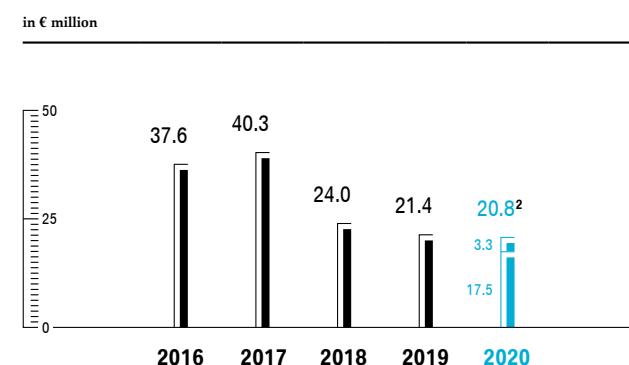
⁴ PCP 2020 – 2022 will not be reported until the end of the three-year assessment period.

⁵ Member of the Board of Management until 30 June 2020. In accordance with the requirements of the HGB, only the proportionate amount of the PCP 2018 – 2020 corresponding to the length of service of the Board member is reported.

⁶ Member of the Board of Management since 1 July 2020.

⁷ Disclosures for the previous year include amounts relating to members of the Board of Management who left office during the financial year 2019.

DEVELOPMENT OF BOARD OF MANAGEMENT REMUNERATION FOR THE FINANCIAL YEARS 2016 TO 2020 IN ACCORDANCE WITH HGB¹



¹ Total remuneration in accordance with HGB.

² Total remuneration in accordance with HGB and the requirements of German Accounting Standard No. 17 for the financial year 2020 include the PCP 2018–2020, amounting to approximately €3.3 million. Total remuneration for the financial year 2020 excluding the PCP 2018–2020 amounted to approximately €17.5 million.

In addition to the disclosures required by HGB and applicable accounting standards, the following tables – based on the model tables contained in the German Corporate Governance Code (GCC) dated 7 February 2017 – show figures for amounts awarded as well as amounts paid to the individual members of the Board of Management.

OLIVER ZIPSE

Chairman of the Board of Management
since 16 August 2019

Member of the Board of Management
since 13 May 2015

in €	Grants				Payout	
	FJ 2020	FJ 2020 (Min)	FJ 2020 (Max)	FJ 2019	FJ 2020	FJ 2019
BASE SALARY						
Fixed remuneration	1,800,000	1,800,000	1,800,000	1,269,892	1,800,000	1,269,892
Fringe benefits (other remuneration)	66,256	66,256	66,256	50,947	66,256	50,947
Total	1,866,256	1,866,256	1,866,256	1,320,839	1,866,256	1,320,839
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus ¹	540,000	0	972,000	390,323	239,760	311,477
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2019 (three-year plan term) ¹	–	–	–	910,753	–	1,092,903
Performance component of the bonus 2020 (three-year plan term) ¹	1,260,000	0	2,268,000	–	1,449,000	–
Performance Cash Plan						
PCP 2018–2020 ²	–	–	–	–	277,584	–
PCP 2019–2021 ³	–	–	–	1,194,624	–	712,900
PCP 2020–2022	1,600,000	0	2,880,000	–	–	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024 ¹	–	–	–	585,484	–	631,971
Cash remuneration component (investment component) 2020 for holding obligation 2021–2025 ¹	810,000	0	1,458,000	–	759,942	–
Share-based remuneration component (matching component) 2015 for holding obligation 2016–2020	–	–	–	–	33,423	–
Share-based remuneration component (matching component) 2016 for holding obligation 2017–2021	–	–	–	–	–	–
Share-based remuneration component (matching component) 2017 for holding obligation 2018–2022	–	–	–	–	–	–
Share-based remuneration component (matching component) 2018 for holding obligation 2019–2023	–	–	–	–	–	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	–	–	–	103,037	–	–
Share-based remuneration component (matching component) 2020 for holding obligation 2020–2025	123,873	0	729,000	–	–	–
Other	–	–	–	–	–	–
Total	6,200,129	1,866,256	10,173,256	4,505,060	4,625,965	4,070,090
Pension expense ⁴	502,626	502,626	502,626	406,452	502,626	406,452
Total remuneration	6,702,755	2,368,882	9,850,000⁵	4,911,512	5,128,591	4,476,542

¹ The bonus components and cash remuneration component reported in accordance with the GCCC for the financial years 2020 and 2019 will be, or were, paid out in 2021 and 2020 respectively.

² An advance payment was made out of PCP 2018–2020. This was reported as an amount deemed received (Zufluss) for the financial year 2018 and paid out in 2019.

³ The advance payment out of PCP 2019–2021, which is reported deemed received (Zufluss) for the financial year 2019, was paid out in 2020.

⁴ The pension expense in accordance with IAS 19 reflects the expense recognised by the BMW Group; this amount was not paid out in the financial year.

⁵ Agreed maximum amount. The overall cap in absolute terms is lower than the sum of the maximum amounts for the individual components.

KLAUS FRÖHLICH

Development

Member of the Board of Management
since 9 December 2014
until 30 June 2020

in €	Grants				Payout	
	FJ 2020	FJ 2020 (Min)	FJ 2020 (Max)	FJ 2019	FJ 2020	FJ 2019
BASE SALARY						
Fixed remuneration	475,000	475,000	475,000	950,000	475,000	950,000
Fringe benefits (other remuneration)	56,546	56,546	56,546	71,822	56,546	71,822
Total	531,546	531,546	531,546	1,021,822	531,546	1,021,822
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus ¹	150,000	0	270,000	300,000	66,600	239,400
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus	—	—	—	700,000	—	840,000
Performance component of the bonus 2019 (three-year plan term) ¹	—	—	—	700,000	—	840,000
Performance component of the bonus 2020 (three-year plan term) ¹	350,000	0	630,000	—	402,500	—
Performance Cash Plan						
PCP 2018–2020 ²	—	—	—	—	129,125	—
PCP 2019–2021 ³	—	—	—	950,000	—	600,000
PCP 2020–2022	475,000	0	855,000	—	—	—
Share-based remuneration programme						
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024 ¹	—	—	—	450,000	—	485,730
Cash remuneration component (investment component) 2020 for holding obligation 2021–2025 ¹	225,000	0	405,000	—	211,095	—
Share-based remuneration component (matching component) 2014 for holding obligation 2015–2019	—	—	—	—	—	2,966
Share-based remuneration component (matching component) 2015 for holding obligation 2016–2020	—	—	—	—	52,723	—
Share-based remuneration component (matching component) 2016 for holding obligation 2017–2021	—	—	—	—	—	—
Share-based remuneration component (matching component) 2017 for holding obligation 2018–2022	—	—	—	—	—	—
Share-based remuneration component (matching component) 2018 for holding obligation 2019–2023	—	—	—	—	—	—
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	—	—	—	79,155	—	—
Share-based remuneration component (matching component) 2020 for holding obligation 2020–2024	34,364	0	202,500	—	—	—
Other	—	—	—	—	—	—
Total	1,765,910	531,546	2,894,046	3,500,977	1,393,589	3,189,918
Pension expense ⁴	175,000	175,000	175,000	353,327	175,000	353,327
Total remuneration	1,940,910	706,546	2,750,000⁵	3,854,304	1,568,589	3,543,245

¹ The bonus components and cash remuneration component reported in accordance with the GCCC for the financial years 2020 and 2019 will be, or were, paid in 2021 and 2020 respectively.

² An advance payment was made out of PCP 2018–2020. This was reported as an amount deemed received (Zufuss) for the financial year 2018 and paid out in 2019. The amount paid out of PCP 2018–2020 is allocated proportionately over the assessment period on the basis of period of time in office and as a former member of the Board of Management.

³ The advance payment out of PCP 2019–2021, which is reported deemed received (Zufuss) for the financial year 2019, was paid out in 2020.

⁴ The pension expense in accordance with IAS 19 reflects the expense recognised by the BMW Group; this amount was not paid out in the financial year.

⁵ Agreed maximum amount. The overall cap in absolute terms is lower than the sum of the maximum amounts for the individual components.

ILKA HORSTMEIER

Human Resources, Industrial Relations Director
Member of the Board of Management
since 1 November 2019

in €	Grants				Payout	
	FJ 2020	FJ 2020 (Min)	FJ 2020 (Max)	FJ 2019	FJ 2020	FJ 2019
BASE SALARY						
Fixed remuneration	800,000	800,000	800,000	133,333	800,000	133,333
Fringe benefits (other remuneration)	87,374	87,374	87,374	29,375	87,374	29,375
Total	887,374	887,374	887,374	162,708	887,374	162,708
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus ¹	255,000	0	459,000	42,500	113,220	33,915
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus	—	—	—	—	—	—
Performance component of the bonus 2019 (three-year plan term) ¹	—	—	—	99,167	—	119,000
Performance component of the bonus 2020 (three-year plan term) ¹	595,000	0	1,071,000	—	684,250	—
Performance Cash Plan						
PCP 2018–2020	—	—	—	—	—	—
PCP 2019–2021	—	—	—	141,667	—	0
PCP 2020–2022	850,000	0	1,530,000	—	—	—
Share-based remuneration programme						
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024 ¹	—	—	—	63,750	—	68,812
Cash remuneration component (investment component) 2020 for holding obligation 2021–2025 ¹	382,500	0	688,500	—	358,862	—
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	—	—	—	12,013	—	—
Share-based remuneration component (matching component) 2020 for holding obligation 2020–2025	62,790	0	344,500	—	—	—
Other	—	—	—	—	—	—
Total	3,032,664	887,374	4,980,374	521,805	2,043,706	384,435
Pension expense ²	352,433	352,433	352,433	58,333	352,433	58,333
Total remuneration	3,385,097	1,239,807	4,925,000³	580,138	2,396,139	442,768

¹ The bonus components and cash remuneration component reported in accordance with the GCCC for the financial years 2020 and 2019 will be, or were, paid out in 2021 and 2020 respectively.

² The pension expense in accordance with IAS 19 reflects the expense recognised by the BMW Group; this amount was not paid out in the financial year.

³ Agreed maximum amount. The overall cap in absolute terms is lower than the sum of the maximum amounts for the individual components.

MILAN NEDELJKOVIĆ

Production

Member of the Board of Management
since 1 October 2019

in €	Grants				Payout	
	FJ 2020	FJ 2020 (Min)	FJ 2020 (Max)	FJ 2019	FJ 2020	FJ 2019
BASE SALARY						
Fixed remuneration	800,000	800,000	800,000	200,000	800,000	200,000
Fringe benefits (other remuneration)	101,973	101,973	101,973	5,105	101,973	5,105
Total	901,973	901,973	901,973	205,105	901,973	205,105
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus ¹	255,000	0	459,000	63,750	113,220	50,873
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus	—	—	—	—	—	—
Performance component of the bonus 2019 (three-year plan term) ¹	—	—	—	—	—	—
Performance component of the bonus 2020 (three-year plan term) ¹	595,000	0	1,071,000	148,750	684,250	178,500
Performance Cash Plan						
PCP 2018–2020	—	—	—	—	—	—
PCP 2019–2021	—	—	—	212,500	—	0
PCP 2020–2022	850,000	0	1,530,000	—	—	—
Share-based remuneration programme						
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024 ¹	—	—	—	95,625	—	103,218
Cash remuneration component (investment component) 2020 for holding obligation 2021–2025 ¹	382,500	0	688,500	—	358,862	—
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	—	—	—	18,026	—	—
Share-based remuneration component (matching component) 2020 for holding obligation 2020–2025	62,790	0	344,500	—	—	—
Other	—	—	—	—	—	—
Total	3,047,263	901,973	4,994,973	743,756	2,058,305	537,696
Pension expense ²	352,121	352,121	352,121	87,500	352,121	87,500
Total remuneration	3,339,384	1,254,094	4,925,000³	831,256	2,410,426	625,196

¹ The bonus components and cash remuneration component reported in accordance with the GCCC for the financial years 2020 and 2019 will be, or were, paid out in 2021 and 2020 respectively.

² The pension expense in accordance with IAS 19 reflects the expense recognised by the BMW Group; this amount was not paid out in the financial year.

³ Agreed maximum amount. The overall cap in absolute terms is lower than the sum of the maximum amounts for the individual components.

PIETER NOTA

Customer, Brands, Sales
Member of the Board of Management
since 1 January 2018

in €	Grants				Payout	
	FJ 2020	FJ 2020 (Min)	FJ 2020 (Max)	FJ 2019	FJ 2020	FJ 2019
BASE SALARY						
Fixed remuneration	800,000	800,000	800,000	800,000	800,000	800,000
Fringe benefits (other remuneration)	18,408	18,408	18,408	20,782	18,408	20,782
Total	818,408	818,408	818,408	820,782	818,408	820,782
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus ¹	255,000	0	459,000	255,000	113,220	203,490
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2019 (three-year plan term) ¹	–	–	–	595,000	–	714,000
Performance component of the bonus 2020 (three-year plan term) ¹	595,000	0	1,071,000	–	684,250	–
Performance Cash Plan						
PCP 2018 – 2020 ²	–	–	–	–	282,850	–
PCP 2019 – 2021 ³	–	–	–	850,000	–	500,000
PCP 2020 – 2022	850,000	0	1,530,000	–	–	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2019 for holding obligation 2020 – 2024 ¹	–	–	–	382,500	–	412,871
Cash remuneration component (investment component) 2020 for holding obligation 2021 – 2025 ¹	382,500	0	688,500	–	358,862	–
Share-based remuneration component (matching component) 2018 for holding obligation 2019 – 2023	–	–	–	–	–	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020 – 2024	–	–	–	72,251	–	–
Share-based remuneration component (matching component) 2020 for holding obligation 2020 – 2025	62,790	0	344,500	–	–	–
Other	–	–	–	–	–	–
Total	2,963,698	818,408	4,911,408	2,975,533	2,257,590	2,651,143
Pension expense ⁴	354,680	354,680	354,680	359,979	354,680	359,979
Total remuneration	3,318,378	1,173,088	4,925,000⁵	3,335,512	2,612,270	3,011,122

¹ The bonus components and cash remuneration component reported in accordance with the GCCC for the financial years 2020 and 2019 will be, or were, paid out in 2021 and 2020 respectively.

² An advance payment was made out of PCP 2018 – 2020. This was reported as an amount deemed received (Zufloss) for the financial year 2018 and paid out in 2019.

³ The advance payment out of PCP 2019 – 2021, which is reported deemed received (Zufloss) for the financial year 2019, was paid out in 2020.

⁴ The pension expense in accordance with IAS 19 reflects the expense recognised by the BMW Group; this amount was not paid out in the financial year.

⁵ Agreed maximum amount. The overall cap in absolute terms is lower than the sum of the maximum amounts for the individual components.

NICOLAS PETER

Finance

Member of the Board of Management
since 1 January 2017

in €	Grants				Payout	
	FJ 2020	FJ 2020 (Min)	FJ 2020 (Max)	FJ 2019	FJ 2020	FJ 2019
BASE SALARY						
Fixed remuneration	950,000	950,000	950,000	800,000	950,000	800,000
Fringe benefits (other remuneration)	24,231	24,231	24,231	29,988	24,231	29,988
Total	974,231	974,231	974,231	829,988	974,231	829,988
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus ¹	300,000	0	540,000	255,000	133,200	203,490
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus	—	—	—	—	—	—
Performance component of the bonus 2019 (three-year plan term) ¹	—	—	—	595,000	—	714,000
Performance component of the bonus 2020 (three-year plan term) ¹	700,000	0	1,260,000	—	805,000	—
Performance Cash Plan						
PCP 2018–2020 ²	—	—	—	—	282,850	—
PCP 2019–2021 ³	—	—	—	850,000	—	500,000
PCP 2020–2022	950,000	0	1,710,000	—	—	—
Share-based remuneration programme						
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024 ¹	—	—	—	382,500	—	412,871
Cash remuneration component (investment component) 2020 for holding obligation 2021–2025 ¹	450,000	0	810,000	—	422,190	—
Share-based remuneration component (matching component) 2017 for holding obligation 2018–2022	—	—	—	—	—	—
Share-based remuneration component (matching component) 2018 for holding obligation 2019–2023	—	—	—	—	—	—
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	—	—	—	67,299	—	—
Share-based remuneration component (matching component) 2020 for holding obligation 2020–2025	68,802	0	405,000	—	—	—
Other	—	—	—	—	—	—
Total	3,443,033	974,231	5,699,231	2,979,787	2,617,471	2,660,349
Pension expense ⁴	351,746	351,746	351,746	353,327	351,746	353,327
Total remuneration	3,794,779	1,325,977	5,500,000⁵	3,333,114	2,969,217	3,013,676

¹ The bonus components and cash remuneration component reported in accordance with the GCCC for the financial years 2020 and 2019 will be, or were, paid out in 2021 and 2020 respectively.

² An advance payment was made out of PCP 2018–2020. This was reported as an amount deemed received (Zufloss) for the financial year 2018 and paid out in 2019.

³ The advance payment out of PCP 2019–2021, which is reported deemed received (Zufloss) for the financial year 2019, was paid out in 2020.

⁴ The pension expense in accordance with IAS 19 reflects the expense recognised by the BMW Group; this amount was not paid out in the financial year.

⁵ Agreed maximum amount. The overall cap in absolute terms is lower than the sum of the maximum amounts for the individual components.

FRANK WEBER

Development

Member of the Board of Management
since 1 July 2020

in €	Grants				Payout	
	FJ 2020	FJ 2020 (Min)	FJ 2020 (Max)	FJ 2019	FJ 2020	FJ 2019
BASE SALARY						
Fixed remuneration	400,000	400,000	400,000	-	400,000	-
Fringe benefits (other remuneration)	28,593	28,593	28,593	-	28,593	-
Total	428,593	428,593	428,593	-	428,593	-
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus ¹	127,500	0	229,500	-	56,610	-
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus	-	-	-	-	-	-
Performance component of the bonus 2019 (three-year plan term)	-	-	-	-	-	-
Performance component of the bonus 2020 (three-year plan term) ¹	297,500	0	535,500	-	342,125	-
Performance Cash Plan						
PCP 2018–2020	-	-	-	-	-	-
PCP 2019–2021	-	-	-	-	-	-
PCP 2020–2022	425,000	0	765,000	-	-	-
Aktienbasiertes Vergütungsprogramm						
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024	-	-	-	-	-	-
Cash remuneration component (investment component) 2020 for holding obligation 2021–2025 ¹	191,250	0	344,250	-	179,431	-
Share-based remuneration component (matching component) 2020 for holding obligation 2021–2025	31,360	0	172,125	-	-	-
Other	-	-	-	-	-	-
Total	1,501,203	428,593	2,474,968	-	1,006,759	-
Pension expense ²	175,000	175,000	175,000	-	175,000	-
Total remuneration	1,676,203	603,593	2,462,500³	-	1,181,759	-

¹ The bonus components and cash remuneration component reported in accordance with the GCCC for the financial 2020 will be paid out in 2021.

² The pension expense in accordance with IAS 19 reflects the expense recognised by the BMW Group; this amount was not paid out in the financial year.

³ Agreed maximum amount. The overall cap in absolute terms is lower than the sum of the maximum amounts for the individual components.

ANDREAS WENDT

Purchasing and Supplier Network
Member of the Board of Management
since 1 October 2018

in €	Grants				Payout	
	FJ 2020	FJ 2020 (Min)	FJ 2020 (Max)	FJ 2019	FJ 2020	FJ 2019
BASE SALARY						
Fixed remuneration	800,000	800,000	800,000	800,000	800,000	800,000
Fringe benefits (other remuneration)	56,319	56,319	56,319	102,701	56,319	102,701
Total	856,319	856,319	856,319	902,701	856,319	902,701
ONE-YEAR VARIABLE REMUNERATION						
Earnings-based component of the bonus ¹	255,000	0	459,000	255,000	113,220	203,490
MULTI-YEAR VARIABLE REMUNERATION						
Performance component of the bonus						
Performance component of the bonus 2019 (three-year plan term) ¹	–	–	–	595,000	–	714,000
Performance component of the bonus 2020 (three-year plan term) ¹	595,000	0	1,071,000	–	684,250	–
Performance Cash Plan						
PCP 2018–2020	–	–	–	–	195,713	–
PCP 2019–2021	–	–	–	850,000	–	–
PCP 2020–2022	850,000	0	1,530,000	–	–	–
Share-based remuneration programme						
Cash remuneration component (investment component) 2019 for holding obligation 2020–2024 ¹	–	–	–	382,500	–	412,871
Cash remuneration component (investment component) 2020 for holding obligation 2021–2025 ¹	382,500	0	688,500	–	358,862	–
Share-based remuneration component (matching component) 2018 for holding obligation 2019–2023	–	–	–	–	–	–
Share-based remuneration component (matching component) 2019 for holding obligation 2020–2024	–	–	–	72,251	–	–
Share-based remuneration component (matching component) 2020 for holding obligation 2020–2025	62,790	0	344,500	–	–	–
Other	–	–	–	–	–	–
Total	3,001,609	856,319	4,949,319	3,057,452	2,208,364	2,233,062
Pension expense ²	351,746	351,746	351,746	353,327	351,746	353,327
Gesamtvergütung	3,353,355	1,208,065	4,925,000³	3,410,779	2,560,110	2,586,389

¹ The bonus components and cash remuneration component reported in accordance with the GCCC for the financial years 2020 and 2019 will be, or were, paid out in 2021 and 2020 respectively.

² The pension expense in accordance with IAS 19 reflects the expense recognised by the BMW Group; this amount was not paid out in the financial year.

³ Agreed maximum amount. The overall cap in absolute terms is lower than the sum of the maximum amounts for the individual components.

Share ownership

The members of the Board of Management hold a total of 59,341 shares of BMW common stock (2019: 92,519) which they are required to hold in accordance with the terms of the share-based remuneration programme for the financial years 2016 – 2019. The cash component of the share-based remuneration programme for the financial year 2020 will be paid out after the end of the Annual General Meeting 2021, triggering the requirement to purchase additional shares of BMW common stock.

Shares of BMW common stock held by individual members of the Board of Management subject to holding requirements in connection with share-based remuneration for the financial years 2016 – 2019¹

Shares of stock	Total ¹
Oliver Zipse	16,637
	(11,938)
Klaus Fröhlich²	15,304
	(13,305)
Ilka Horstmeier	782
	(–)
Milan Nedeljković	1,174
	(–)
Pieter Nota	8,650
	(3,954)
Nicolas Peter	11,110
	(6,736)
Frank Weber³	–
	(–)
Andreas Wendt	5,684
	(988)
Total	59,341
	(92,519) ⁴

¹ Includes only shares of BMW common stock acquired using the cash remuneration component of the share-based remuneration programme for members of the Board of Management, for which the four-year holding period has not yet expired.

² Member of the Board of Management until 30 June 2020.

³ Member of the Board of Management from 1 July 2020.

⁴ Disclosures for the previous year include shares held by members of the Board of Management who left office during the financial year 2019.

Share-based remuneration component (matching component) for individual members of the Board of Management for the financial year 2020 (2019)¹

in €	Expense in 2020 in accordance with HGB and IFRS	Provision at 31.12.2020 in accordance with HGB and IFRS ¹
Oliver Zipse	73,882	398,503
	(135,272)	(358,043)
Klaus Fröhlich²	98,458	401,743
	(104,384)	(356,008)
Ilka Horstmeier	28,258	28,925
	(668)	(668)
Milan Nedeljković	32,561	34,078
	(1,516)	(1,516)
Pieter Nota	168,949	269,346
	(76,736)	(100,397)
Nicolas Peter	63,765	295,180
	(150,428)	(231,415)
Frank Weber³	6,773	398,503
	(-)	(-)
Andreas Wendt	98,843	135,147
	(34,672)	(36,304)
Total⁴	571,489	1,961,425
	(957,504)	(2,456,758)

¹ Value at the end of the reporting period calculated on the basis of the closing price of BMW common stock in Xetra trading on 30 December 2020 (€72.23).

² Member of the Board of Management until 30 June 2020.

³ Member of the Board of Management from 1 July 2020.

⁴ Disclosures for the previous year include amounts relating to members of the Board of Management who left office during the financial year 2019.

In addition, an expense of €2.6 million (2019: €2.9 million) was recognised in the financial year 2020 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 in accordance with IAS 19.

Total benefits paid to former members of the Board of Management and their surviving dependants for the financial year 2020 amounted to €13.1 million (2019: €16.0 million). The total remuneration of former members of the Board of Management also includes the amounts described above amounting to €0.6 million arising in connection with the departure of Mr. Fröhlich. Some of these amounts have not yet been paid out.

Pension obligations to former members of the Board of Management and their surviving dependants are fully covered by pension provisions amounting to €118.8 million (2019: €113.1 million), computed in accordance with IAS 19.

Pension entitlements

in €	Service cost in accordance with IFRS for the financial year 2020 ¹	Service cost in accordance with HGB for the financial year 2020 ¹	Defined benefit obligation IFRS ¹	Defined benefit obligation HGB ¹
Oliver Zipse	502,626	506,861	3,701,016	3,700,982
	(406,452)	(406,452)	(3,054,273)	(3,054,125)
Klaus Fröhlich²	175,000	175,000	3,556,660	3,556,660
	(353,327)	(355,573)	(3,256,267)	(3,256,267)
Iika Horstmeier	352,433	355,375	1,391,936	1,391,331
	(58,333)	(58,333)	(993,548)	(992,662)
Milan Nedeljković	352,121	355,076	1,830,168	1,829,906
	(87,500)	(87,500)	(1,421,605)	(1,421,152)
Pieter Nota	354,680	357,593	1,157,145	1,156,993
	(359,979)	(362,125)	(760,562)	(760,306)
Nicolas Peter	351,746	354,711	3,134,163	3,134,163
	(353,327)	(355,573)	(2,656,550)	(2,656,550)
Frank Weber³	175,000	175,000	655,460	655,172
	(-)	(-)	(-)	(-)
Andreas Wendt	351,746	354,711	2,863,441	2,863,441
	(353,327)	(355,573)	(2,414,082)	(2,414,082)
Total⁴	2,615,352	2,634,327	18,289,989	18,288,648
	(2,876,116)	(2,890,450)	(27,962,636)	(27,960,893)

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

² Member of the Board of Management until 30 June 2020.

³ Member of the Board of Management since 1 July 2020.

⁴ Disclosures for the previous year include amounts relating to members of the Board of Management who left office during the financial year 2019.

Revision of Board of Management remuneration for financial years from 2021 onwards

During the financial year 2020, the Supervisory Board considered in detail the new requirements for Board of Management remuneration resulting from the Act Implementing the Second EU Shareholder Rights Directive (ARUG II) as well as the recommendations and suggestions contained in the German Corporate Governance Code (GCC) dated December 16, 2019. At its meeting in December 2020, the Supervisory Board, acting on the recommendation of the Personnel Committee, resolved to revise the existing system of Board of Management remuneration for financial years from 2021 onwards. In its deliberations, the Supervisory Board also took into account the recommendations of an independent remuneration expert as well as suggestions from investor representatives and analysts. In agreement with the members of the Board of Management in office at that time, the relevant service contracts were amended with effect from 1 January 2021, in order to implement changes to the remuneration system for financial years from 2021 onwards for all Board members at the same time.

The Supervisory Board will submit the new system for Board of Management remuneration to the 2021 Annual General Meeting for approval. The new remuneration system will be explained in detail in the notice document inviting shareholders to the Annual General Meeting.

Key features of the new remuneration system include in particular:

- The new remuneration system for members of the Board of Management is designed to be simple, clear and easy to understand. It complies with the requirements of the German Stock Corporation Act (AktG) and the recommendations and suggestions of the GCCC for executive board remuneration.
- Under the new remuneration system, variable, earnings-related remuneration will be oriented even more closely towards the company's sustainable development. Non-financial targets, particularly in the areas of the environment (e.g. reduction of carbon emissions), social issues and governance are taken into account appropriately.
- The Performance Cash Plan will no longer apply in the future, resulting in a simplification of the remuneration system.
- In future, most of the variable remuneration of the Board of Management will be determined using a share-based approach, in compliance with the recommendation of the GCCC in the version dated 16 December 2019. In order to simplify the remuneration system, the matching component that was previously paid out in cash or shares at the end of the four-year holding period no longer applies. As in the past, the company awards a so-called "personal cash investment amount", which is required to be used – after tax and deductions – to acquire shares of BMW common stock. Compared to the previous arrangements, the personal cash investment amount will have a significantly higher weighting within the target structure, given that it replaces the PCP as a long-term incentive. Within the target structure, one half of the personal cash investment amount will be linked to the attainment of an RoCE target for the Automotive segment and one half to the attainment of strategic focus targets set by the Supervisory Board in accordance with corporate planning.
- The members of the Board of Management are required to hold the BMW common stock acquired with the personal cash investment amount on a long-term basis, i.e. at least for a period of four years.
- In the new remuneration system, the payment of variable remuneration components is subject to special malus and clawback clauses.

Outlook: Remuneration elements, parameters, target remuneration levels and caps for financial years from financial year 2021 onwards

Component	Parameters / measurement base, applicable amounts
BASE SALARY	<p>Member of the Board of Management:</p> <ul style="list-style-type: none"> — € 0.90 million p.a. (first period of office) — € 1.05 million p.a. (from second period of office or fourth year of mandate) <p>Chairman of the Board of Management:</p> <ul style="list-style-type: none"> — € 1.95 million p.a. — Monthly payment on time-apportioned basis
VARIABLE REMUNERATION	<p>Bonus (sum of earnings component and performance component)</p> <p>a) Earnings component (at 100 % target achievement corresponds to 50 % of target amount)</p> <ul style="list-style-type: none"> — Target amount p.a. (at 100 % target achievement): <ul style="list-style-type: none"> — € 0.95 million (first period of office) — € 1.15 million (from second period of office or fourth year of mandate) — € 2.1 million (Chairman of the Board of Management) — Capped at 180 % of target amount — Payment after the Annual General Meeting at which the Company Financial Statements are presented for the relevant financial year — Assessment period one year — Base amount p.a. (50 % of target bonus amount): <ul style="list-style-type: none"> — € 0.475 million (first period of office) — € 0.575 million (from second period of office or fourth year of mandate) — € 1.050 million (Chairman of the Board of Management) — Formula: 50 % of target amount x performance factor — Earnings factor is derived from an allocation table based on the parameters profit attributable to shareholders of BMW AG and Group post-tax return on sales in grant year — Allocation table is determined in advance <ul style="list-style-type: none"> — The earnings factor is 1.0 in case of a profit attributable to shareholders of BMW AG amounting to € 5.3 billion and a post-tax return on sales of 5.6 % — The earnings factor is 1.5 in case of a profit attributable to shareholders of BMW AG amounting to € 6.9 billion and a post-tax return on sales of 7.3 % — The earnings factor is 0 in case of a profit attributable to shareholders of BMW AG below € 3.0 billion or a post-tax return on sales of below 3.0 % — Earnings factor may not exceed 1.8 — Maximum amount of earnings component p.a.: <ul style="list-style-type: none"> — € 0.855 million (first period of office) — € 1.035 million (from second period of office or fourth year of mandate) — € 1.890 million (Chairman of the Board of Management)

Component	Parameters / measurement base, applicable amounts
b) Performance component (at 100 % target achievement corresponds to 50 % of target amount)	<ul style="list-style-type: none"> — Assessment period one year — Base amount p.a. (50 % of target bonus amount): <ul style="list-style-type: none"> — € 0.475 million (first period of office) — € 0.575 million (from second period of office or fourth year of mandate) — € 1.050 million (Chairman of the Board of Management) — Formula: 50 % of target amount x performance factor — Primarily qualitative, non-financial criteria, expressed in terms of a performance factor, aimed at measuring the Board member's contribution to sustainable and long-term performance and corporate orientation — Additional trend analysis over at least three financial years to assess the impact of past decisions and actions in the grant year as well as the impact of decisions and actions in the grant year on future financial years — Composition of the performance factor within target structure <ul style="list-style-type: none"> — 10 % individual targets — 50 % cross-divisional targets with ESG criteria — 40 % other cross-divisional targets — Criteria for the cross-divisional targets with ESG criteria include in particular: innovation performance (environmental, e.g. reduction of carbon emissions), development of the BMW Group's reputation based on ESG aspects (e.g. corporate culture, promotion of integrity and compliance), adaptability, attractiveness as an employer, leadership performance — Criteria for the other cross-divisional targets include in particular: market position compared to competitors, innovation performance (economic), development of the BMW Group's reputation based on non-ESG-related aspects (e.g. perception on capital markets, brand strength), customer orientation — Measurement parameters and target values are determined before the start of the financial year — Performance factor may not exceed 1.8 — Maximum amount of performance component p.a.: <ul style="list-style-type: none"> — € 0.855 million (first period of office) — € 1.035 million (from second period of office or fourth year of mandate) — € 1.890 million (Chairman of the Board of Management)
Performance Cash Plan	Not applicable



Component	Parameters / measurement base, applicable amounts
Share-based remuneration programme with holding requirements	<ul style="list-style-type: none"> — Requirement for Board of Management members to invest an earmarked cash amount (personal cash investment amount), net of tax and deductions, in shares of BMW common stock — Requirement for Board of Management members to hold the acquired shares of BMW common stock for at least four years (share ownership) — Assessment period of five years in total (one year for determining the personal cash investment amount, four years holding requirement)
a) Personal cash investment amount	<ul style="list-style-type: none"> — Target amount p.a. (at 100 % target achievement): <ul style="list-style-type: none"> — € 1.10 million (first period of office) — € 1.28 million (from second period of office or fourth year of mandate) — € 2.35 million (Chairman of the Board of Management) — 50 % of target amount depends on RoCE achieved in the Automotive segment (RoCE component) — 50 % of the target amount depends on the achievement of predefined strategic focus targets (strategic focus target component) — Capped at 180 % of target amount — Payment after the Annual General Meeting at which the Company Financial Statements are presented for the relevant financial year
aa) RoCE component (at 100 % target achievement corresponds to 50 % of target amount)	<ul style="list-style-type: none"> — Target amount of RoCE component p.a. (50 % of target amount for personal cash investment amount): <ul style="list-style-type: none"> — € 0.55 million (first period of office) — € 0.64 million (from second period of office or fourth year of mandate) — € 1.175 million (Chairman of the Board of Management) — Formula: 50 % of target amount x RoCE factor — RoCE factor is derived from the RoCE achieved in the Automotive segment for the grant year — Minimum, target and maximum values for RoCE are defined before the start of the financial year — RoCE factor may not exceed 1.8
bb) Strategic focus target component (at 100 % target achievement corresponds to 50 % of target amounts)	<ul style="list-style-type: none"> — Strategic focus target component p.a. (50 % of target amount for personal cash investment amount): <ul style="list-style-type: none"> — € 0.55 million (first period of office) — € 0.64 million (from second period of office or fourth year of mandate) — € 1.175 million (Chairman of the Board of Management) — At least two strategic focus targets of a non-financial nature derived from strategic plan and business forecast — Weighting of the strategic focus targets is decided upon before the start of the financial year — Formula in the case of two strategic focus targets with equal weighting p.a.: 25 % of target amount for personal cash investment amount x factor for strategic focus target 1 + 25 % of target amount for personal cash investment amount x factor for strategic focus target 2 — Minimum, target and maximum values for each focus target are defined before the start of the financial year — Factor for each strategic focus target may not exceed 1.8
b) Share-based remuneration component (matching component)	Not applicable

Component	Parameters / measurement base, applicable amounts		
RULES FOR WITHHOLDING AND CLAWING BACK REMUNERATION			
a) Malus	<ul style="list-style-type: none"> — Agreement to withhold variable remuneration in the event of specified serious compliance violations or (withholding amounts provisionally) in the event of reasonable suspicions of such — Amounts may also be withheld in principle after a member has left the Board — Applies from financial year 2021 onwards 		
a) Clawback	<ul style="list-style-type: none"> — Agreement entitling the BMW Group to reclaim variable remuneration already paid out in the event of specified serious incidences of non-compliance, incorrect calculation bases for remuneration or incorrect financial statements — Amounts may also be clawed back in principle after a member has left the Board — Applies from financial year 2021 onwards 		
OTHER FIXED REMUNERATION (FRINGE BENEFITS)	Contractual agreement, main points: non-cash benefits from the use of company cars and the BMW chauffeur service, insurance premiums, contributions towards security systems, employee discounts		
REIMBURSEMENT OF LOSSES AND EXPENSES	The Supervisory Board may award payments to compensate for loss of salary from a previous employment relationship and to cover relocation costs in the case of new entrants. These payments are to be included for the purposes of determining the maximum remuneration		
RETIREMENT BENEFITS			
Model	Principal features		
Defined contribution system with a guaranteed minimum return	<p>Benefits based on amounts credited to individual savings accounts for contributions paid and interest earned, various forms of disbursement</p> <p>Pension contribution p.a.:</p> <p>Member of the Board of Management: € 400,000 Chairman of the Board of Management: € 700,000</p>		
CAPS			
p. a. in €	Bonus	Share-based remuneration (personal investment cash amount)	Maximum remuneration*
Member of the Board of Management in the first period of office	1,710,000	1,980,000	4,925,000
Member of the Board of Management from second period of office or fourth year of mandate	2,070,000	2,304,000	5,500,000
Chairman of the Board of Management	3,780,000	4,230,000	9,850,000

* Maximum remuneration as defined in section 87a (1) sentence 2 no. 1 AktG. The overall cap is lower than the sum of the maximum amounts for the individual components.

2. Supervisory Board remuneration

Provisions of Articles of Incorporation, procedures

The remuneration regulation valid for the financial year under report was resolved by shareholders at the Annual General Meeting on 14 May 2020 and is set out in Article 15 of BMW AG's Articles of Incorporation. With effect from the financial year 2020, members of the Supervisory Board are remunerated exclusively on the basis of a fixed remuneration structure. In accordance with the Act Implementing the Second EU Shareholder Rights Directive (ARUG II), a resolution on the remuneration of the members of the Supervisory Board is required to be adopted by the Annual General Meeting of a listed stock corporation at least every four years. A proposal will be submitted to the Annual General Meeting on 12 May 2021 to confirm the existing remuneration arrangements.

Remuneration principles, remuneration components

The exclusively fixed remuneration structure for Supervisory Board remuneration is intended to strengthen the independent exercise of its control and advisory functions and complies with Suggestion G.18 of the German Corporate Governance Code (GCC) dated 16 December 2019. In accordance with the Articles of Incorporation, each member of the Supervisory Board of BMW AG who does not perform any additional remuneration-relevant functions receives – in addition to reimbursement of reasonable expenses – a fixed remuneration of €200,000, payable after the end of the financial year.

The latest version of the GCCC dated 16 December 2019 recommends 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 when determining the level of remuneration (Recommendation G.17) due to the higher time consumption. 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 twice the amount of remuneration paid to a Supervisory Board member, excluding amounts relating to additional remuneration-relevant functions. The chair of the Audit Committee receives two-and-a-quarter times the amount, the chair of other Supervisory Board committees twice the amount and each member of a committee one-and-a-half times the amount of the remuneration paid to a Supervisory Board member, provided the relevant committee convened 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, their remuneration is measured only on the basis of the function receiving the highest amount.

In the event of changes in the composition of the Supervisory Board during the year or in the performance of additional remuneration-relevant functions, remuneration is determined on a proportionate basis.

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.

Furthermore, the Company reimburses each member of the Supervisory Board for their reasonable expenses.

In order to be able to perform his duties, the Chairman of the Supervisory Board is provided with secretariat and chauffeur services.

Overview of remuneration¹

	Factor	Amount in € p.a. ³
Member of the Supervisory Board	1.00	200,000
Chairman of the Supervisory Board	3.00	600,000
Deputy Chairman of the Supervisory Board	2.00	400,000
Chairman of the Audit Committee ²	2.25	450,000
Chairman of another committee ²	2.00	400,000
Member of the Audit Committee ²	2.00	400,000
Member of another committee ²	1.50	300,000

¹ If a Supervisory Board member performs several additional remuneration-relevant functions, their remuneration is measured only on the basis of the function that is remunerated with the highest amount.

² Provided the relevant committee convened for meetings on at least three days during the financial year.

³ Plus attendance fee of € 2,000 per plenary session.

Remuneration of the Supervisory Board for the financial year 2020 (total)

In accordance with Article 15 of the Articles of Incorporation, the remuneration of the Supervisory Board for activities during the financial year 2020 totalled €5.6 million (2019: €5.6 million).

in € million	2020		2019	
	Amount	Proportion in %	Amount	Proportion in %
Fixed remuneration	5.6	100.0	2.0	35.7
Variable remuneration	–	–	3.6	64.3
Total remuneration	5.6	100.0	5.6	100.0

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

**Remuneration of the individual members of the
Supervisory Board for the financial year 2020 (2019)**

in €	Fixed remuneration	Attendance fee	Variable remuneration ^s	Total
Norbert Reithofer (Chairman)	600,000	10,000	–	610,000
	(210,000)	(10,000)	(420,000)	(640,000)
Manfred Schoch (Deputy Chairman)¹	400,000	10,000	–	410,000
	(140,000)	(10,000)	(280,000)	(430,000)
Stefan Quandt (Deputy Chairman)	400,000	10,000	–	410,000
	(140,000)	(10,000)	(280,000)	(430,000)
Stefan Schmid (Deputy Chairman)¹	400,000	10,000	–	410,000
	(140,000)	(10,000)	(280,000)	(430,000)
Karl-Ludwig Kley (Deputy Chairman)²	418,548	10,000	–	428,548
	(140,000)	(8,000)	(280,000)	(428,000)
Kurt Bock (Chairman of the Audit Committee)³	357,930	10,000	–	367,930
	(70,000)	(10,000)	(140,000)	(220,000)
Christiane Benner¹	200,000	10,000	–	210,000
	(70,000)	(10,000)	(140,000)	(220,000)
Verena zu Dohna-Jaeger¹	200,000	10,000	–	210,000
	(43,844)	(8,000)	(87,688)	(139,532)
Heinrich Hiesinger	200,000	10,000	–	210,000
	(70,000)	(10,000)	(140,000)	(220,000)
Reinhard Hüttl⁴	190,000	10,000	–	200,000
	(70,000)	(8,000)	(122,000)	(200,000)
Susanne Klatten	200,000	10,000	–	210,000
	(70,000)	(10,000)	(140,000)	(220,000)
Renate Köcher⁵	74,194	2,000	–	76,194
	(70,000)	(10,000)	(140,000)	(220,000)

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Remuneration of the individual members of the Supervisory Board for the financial year 2020 (2019)

in €	Fixed remuneration	Attendance fee	Variable remuneration ⁸	Total
Horst Lischka¹	200,000	10,000	—	210,000
	(70,000)	(10,000)	(140,000)	(220,000)
Willibald Löw¹	200,000	10,000	—	210,000
	(70,000)	(10,000)	(140,000)	(220,000)
Simone Menne	200,000	10,000	—	210,000
	(70,000)	(10,000)	(140,000)	(220,000)
Dominique Mohabeer¹	200,000	10,000	—	210,000
	(70,000)	(10,000)	(140,000)	(220,000)
Brigitte Rödig¹	200,000	10,000	—	210,000
	(70,000)	(10,000)	(140,000)	(220,000)
Anke Schäferkordt⁶	126,344	8,000	—	134,344
	(—)	(—)	(—)	(—)
Vishal Sikka	200,000	8,000	—	208,000
	(43,844)	(8,000)	(87,688)	(139,532)
Thomas Wittig	200,000	10,000	—	210,000
	(43,844)	(8,000)	(87,688)	(139,532)
Werner Zierer¹	200,000	10,000	—	210,000
	(70,000)	(10,000)	(140,000)	(220,000)
Total⁷	5,367,016	198,000	—	5,565,016
	(1,820,564)	(196,000)	(3,623,128)	(5,639,692)

¹ In line with the guidelines of the Deutscher Gewerkschaftsbund, these employee representatives have requested that their remuneration be paid into the Hans Böckler-Stiftung.

² Chairman of the Audit Committee until 14 May 2020.

³ Chairman of the Audit Committee since 14 May 2020.

⁴ Due to the requirements of his employer, Prof. Dr. Hüttl has waived his Supervisory Board remuneration until further notice, to the extent that this would exceed the amount of €200,000 p.a.

⁵ Member of the Supervisory Board until 14 May 2020.

⁶ Member of the Supervisory Board since 14 May 2020.

⁷ Figures for the previous year include the remuneration of members of the Supervisory Board who left office during the financial year 2019.

⁸ Earnings-related remuneration for the financial year 2019 was capped at the maximum amount.

3. Other

With exception of the advance payments relating to the PCP 2019–2021 described above, neither BMW AG nor any of its subsidiaries granted loans or advances to members of the Board of Management or the Supervisory Board during the financial year 2020, nor were any contingent liabilities entered into in their favour. During the year under report, members of the Board of Management and the Supervisory Board concluded vehicle purchase, service, rental, leasing and financing contracts for vehicles on customary market terms and conditions.

GLOSSARY AND EXPLANATION OF KEY FIGURES

ASSET-BACKED FINANCING TRANSACTIONS

A form of corporate financing involving the sale of receivables to a financing company.

BOND

A securitised debt instrument in which the issuer certifies its obligation to repay the nominal amount at the end of a fixed term and to pay a fixed or variable rate of interest.

BUSINESS VOLUME IN BALANCE SHEET TERMS

The sum of the balance sheet line items "Leased products" and "Receivables from sales financing" (current and non-current), as reported in the balance sheet for the Financial Services segment.

CAPITAL EXPENDITURE RATIO

Investments in property, plant and equipment and other intangible assets (excluding capitalised development costs) as a percentage of Group revenues.

CAPITALISATION RATE

Capitalised development costs as a percentage of research and development expenditure.

CASH FLOW

Liquid funds generated (cash inflows) or used (cash outflows) during a reporting period.

CASH FLOW AT RISK

Similar to "value at risk" (see definition below).

CASH FLOW HEDGE

A hedge against exposures to the variability in forecasted cash flows, particularly in connection with exchange rate fluctuations.

CARBON EMISSIONS OF THE NEW VEHICLE FLEET

The average carbon emissions of a manufacturer's fleet are calculated on the basis of the weighted average of carbon emissions across all vehicles newly registered during the reporting period. New registrations for these purposes comprise all newly registered vehicles of a given manufacturer in the EU, including Norway and Iceland, during the calendar year, plus any individual vehicle-specific carbon emissions determined in accordance with the WLTP type test procedure and converted back to the New European Driving Cycle (NEDC). The BMW Group's fleet carbon emissions figure for 2020, as measured internally, includes legally permitted offsetting factors (i.e. phase-in, supercredits and eco-innovations).

In accordance with legal requirements, the forecast of fleet carbon emissions for 2021 is based on WLTP and includes lower offsetting factors, as phase-in is no longer permitted for 2021 and the BMW Group fully utilised the maximum amount of supercredits in 2020. For better comparability of the fleet carbon emissions forecast for 2021 and the actual figure for the fleet in 2020, the latter has been converted internally from NEDC (including offsetting factors) to a WLTP basis (excluding offsetting factors). The figure derived for 2020 serves only to reconcile it with the 2021 figure; it is not official in nature and does not correspond to legislation that was in place in 2020.

COMMERCIAL PAPER

Short-term debt instruments with a term of less than one year which are usually issued at a discount to their face value.

CONSOLIDATION

The process of combining separate financial statements of Group entities into Group Financial Statements, depicting the financial position, net assets and results of operations of the Group as a single economic entity.

CREDIT DEFAULT SWAP (CDS)

Financial swap agreements, under which creditors of securities (usually bonds) pay premiums to the seller of the CDS to hedge against the risk that the issuer of the bond will default. As with credit default insurance agreements, the party receiving the premiums gives a commitment to compensate the bond creditor in the event of default.

DELIVERIES

A new or used vehicle will be recorded as a delivery once handed over to the end user. End users also include leaseholders under lease contracts with BMW Financial

Services and – in the US and Canada – dealers when they designate a vehicle as a service loaner or demonstrator vehicle. In the case of used vehicles, end users may include dealers and other third parties when they purchase a vehicle at auction or directly from BMW Group. Vehicles designated for the end user and suffering total loss in transit will also be recorded as deliveries. Deliveries may be made by BMW AG, one of its international subsidiaries, a BMW Group retail outlet, or independent dealers. The vast majority of deliveries – and hence the reporting to BMW Group of deliveries – is made by independent dealers.

EARNINGS PER SHARE (EPS)

Basic earnings per share are calculated for common and preferred stock by dividing the net profit after minority interests, as attributable to each category of stock, by the average number of shares in circulation. Earnings per share of preferred stock are computed on the basis of the number of preferred stock shares entitled to receive a dividend in each of the relevant financial years.

EBIT

Abbreviation for "Earnings Before Interest and Taxes", equivalent in the BMW Group income statement to "Profit/loss before financial result". This is comprised of revenues less cost of sales, selling and administrative expenses and the net amount of other operating income and expenses.

EBIT MARGIN

Profit/loss before financial result as a percentage of revenues.

EBT

EBIT plus financial result.

EFFECTIVE TAX RATE

The effective tax rate is calculated by dividing the income tax expense by the Group profit before tax.

ELECTRIFIED VEHICLES

The BMW Group uses the terms Battery Electric Vehicle (BEV) to denote fully electric vehicles and Plug-in Hybrid Vehicle (PHEV) to denote vehicles that can be charged and also driven on a fully electric basis.

EMPLOYEES

The number of employees includes BMW AG and all companies in which it holds a majority interest, irrespective of whether they are consolidated in the Group Financial Statements. The figure does not include employees in dormant employment relationships, those in the non-work phase of partial retirement working arrangements and low-wage earners. With effect from the financial year 2020, the definition also includes employees with permanent and fixed-term contracts. Up to 2019, it also included temporary staff, postgraduate students, interns, apprentices, those on extended sick leave and sabbaticals.

EQUITY RATIO

Equity capital as a percentage of the balance sheet total.

FAIR VALUE

The amount at the measurement date for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FAIR VALUE HEDGE

A hedge against exposures to fluctuations in the fair value of a balance sheet item.

FREE CASH FLOW

Free cash flow is derived from cash flows from operating and investing activities. The cash flows from investing activities from the purchase and sale of marketable securities and investment funds is not included. Cash flows from the purchase and sale of shares and the dividend payout from investments accounted for using the equity method are included in the cash flows from investing activities.

GOODWILL

Goodwill corresponds to the consideration paid to acquire an entity, less the fair value of the separate assets acquired and liabilities assumed. The buyer is willing to pay the additional amount in return for future expected earnings.

GROSS PROFIT MARGIN

Gross profit as a percentage of Group revenues.

LIQUIDITY

Cash and cash equivalents as well as marketable securities and investment funds.

OUTLOOK

The BMW Group uses the following terminology and ranges when forecasting key performance indicators:

At previous year's level	$[-0.9\% / +0.9\%]$
Slight increase	$[+1.0\% / +4.9\%]$
Slight decrease	$[-1.0\% / -4.9\%]$
Solid increase	$[+5.0\% / +9.9\%]$
Moderate decrease	$[-5.0\% / -9.9\%]$
Significant increase	$>+10.0\%$
Significant decrease	$>-10.0\%$

Unlike the other key performance indicators, the RoCE forecast for the Automotive and Motorcycles segments is based on the change in percentage points:

At previous year's level	$[-0.9\%-pts. / +0.9\%-pts.]$
Slight increase	$[+1.0\%-pts. / +4.9\%-pts.]$
Slight decrease	$[-1.0\%-pts. / -4.9\%-pts.]$
Solid increase	$[+5.0\%-pts. / +9.9\%-pts.]$
Moderate decrease	$[-5.0\%-pts. / -9.9\%-pts.]$
Significant increase	$>+10.0\%-pts.$
Significant decrease	$>-10.0\%-pts.$

POST-TAX RETURN ON SALES

Group net profit as a percentage of Group revenues.

PRE-TAX RETURN ON SALES

Group profit/loss before tax as a percentage of Group revenues.

RESEARCH AND DEVELOPMENT EXPENDITURE

The sum of research and non-capitalised development cost and capitalised development cost (not including the associated scheduled amortisation).

RESEARCH AND DEVELOPMENT EXPENDITURE RATIO

Research and development expenditure as a percentage of Group revenues.

RESEARCH AND DEVELOPMENT LOCATIONS

The engineering, IT and process expertise required for the (pre-)development of hardware and software for all BMW Group products and services is combined at the Group's international research and development locations.

RETURN ON CAPITAL EMPLOYED (ROCE)

RoCE in the Automotive and Motorcycles segments is measured on the basis of relevant segment profit before financial result and the average amount of capital employed – at the end of the last five quarters – in the segment concerned. Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that generally do not incur interest.

RETURN ON EQUITY (ROE)

RoE in the Financial Services segment is calculated as segment profit before taxes, divided by the average amount of equity capital – at the end of the last five quarters – attributable to the Financial Services segment.

TRAINING AND FURTHER EDUCATION

Expenditure for training comprises all costs incurred in the year under report for vocational training within the BMW Group in a total of seven countries, including personnel costs for trainers and apprentices as well as other costs and investments related to vocational training.

The number of apprentices undergoing training within the BMW Group includes those employed at domestic and international plants in a total of seven countries as well as those working in corporate functions, at Group plants in Germany and international sales companies as well as in the Financial Services segment.

Expenditure for further education includes all costs incurred by the BMW Group's consolidated companies in connection with ongoing and advanced training. This includes preparation and implementation costs, opportunity costs and investments made in order to provide such training. Costs also include notional depreciation, measured on the basis of asset inventory lists.

VALUE AT RISK

A measure of the potential maximum loss in value of an item during a set time period, based on a specified probability.

RESPONSIBILITY STATEMENT BY THE COMPANY'S LEGAL REPRESENTATIVES

STATEMENT PURSUANT TO § 117 NO.1 OF THE SECURITIES TRADING ACT (WPHG) IN CONJUNCTION WITH § 297 (2) SENTENCE 4 AND § 315 (1) SENTENCE 5 OF THE GERMAN COMMERCIAL CODE (HGB)

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

Munich, 9 March 2021

Bayerische Motoren Werke
Aktiengesellschaft

THE BOARD OF MANAGEMENT

OLIVER ZIPSE

ILKA HORSTMEIER

DR. MILAN NEDELJKOVIĆ

PIETER NOTA

DR. NICOLAS PETER

FRANK WEBER

DR.-ING. ANDREAS WENDT

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

INDEPENDENT AUDITOR'S REPORT

TO BAYERISCHE MOTOREN WERKE AKTIENGESELLSCHAFT, MUNICH

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft, Munich, and its subsidiaries (the Group), which comprise the BMW Group Income Statement for Group, Statement of Comprehensive Income for Group, BMW Group Balance Sheet at 31 December 2020, BMW Group Cash Flow Statement for BMW Group and BMW Group Statement of Changes in Equity for the financial year from January 1 to December 31, 2020, and Notes to the Group Financial Statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Bayerische Motoren Werke Aktiengesellschaft, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's 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 § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, 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 audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [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 Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- 1 Measurement of leased products**
- 2 Valuation of receivables from sales financing**
- 3 Valuation of provisions for statutory and non-statutory warranty obligations and product guarantees**
- 4 Measurement of YOUR NOW equity investment**
- 5 Measurement of provision for risks relating to an EU antitrust proceeding**

Our presentation of these key audit matters has been structured in each case as follows:

- 1 Matter and issue**
- 2 Audit approach and findings**
- 3 Reference to further information**

Hereinafter we present the key audit matters:

- 1 Measurement of leased products**
 - The BMW Group leases vehicles to end customers under operating leases (leased products). At the balance sheet date, the figure reported under the "leased products" line item for operating leases was EUR 41,995 million (approximately 19.4 % of total assets). Leased products are measured at cost, which is depreciated on a straight-line basis over the lease term to the expected residual value (recoverable amount). A key estimated value for subsequent measurement of leased products is the expected residual value at the end of the lease term. The BMW Group uses internally available data on historical empirical values, current market data and market estimates as well as forecasts by external market research institutes. The estimation of future residual values is subject to judgment due to the large number of assumptions to be made by the executive directors and the amount of data included in the determination.

Against this background and due to the resulting significant uncertainties with regard to estimates in the context of measuring the residual values of the leased products, this matter was of particular significance in the context of our audit.

- 2 As part of our audit we obtained an understanding of the development of operating leases, the underlying residual value risks as well as the business processes for the identification, management, monitoring and measurement of residual value risks, among other things by inquiries and inspection of documents related to the internal calculation methods. Furthermore, we evaluated the appropriateness and effectiveness of the internal control system, particularly regarding the determination of expected residual values. This included the evaluation of the propriety 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 measurement of the residual values based on the validations carried out by the BMW Group. For this purpose, we inquired with the 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. We examined the mathematically correctness of the forecast values using the key calculation steps.**

Based on our audit procedures, we were able to satisfy ourselves that the methods and processes for determining the expected residual values of leased products underlying the valuation are appropriate and the assumptions and parameters included in the forecast model for the residual value are appropriate as a whole.

- 3 The Company's disclosures on the applied "Accounting policies, assumptions, judgments and estimations" are contained in the notes to the consolidated financial statements under note 5 and on leased products are contained under note 23.

2 Valuation of receivables from sales financing

- 1 The BMW Group offers end customers, dealerships and importers various financing models for vehicles. In this context, current and non-current receivables from sales financing totaling EUR 84,277 million are reported in the consolidated statement of financial position as at the balance sheet date (approximately EUR 38.9 % of total assets). Impairment losses amounting to EUR 1,639 million were recognized on these receivables as at the balance sheet date. In order to determine the amount of the necessary valuation allowances to be recognized with respect to receivables from sales financing, the BMW Group, among others, evaluates the creditworthiness of the dealers, importers and end customers, as well as any loss ratios, and risk provisioning parameters are derived based on historical default probabilities and loss ratios.

The determination of the valuation allowances by the executive directors is subject to a significant degree of judgment due to several value-influencing factors such as the estimation of creditworthiness, the determination of probabilities of default and loss ratios and was therefore of particular significance in the context of our audit.

2 As part of our audit we obtained a comprehensive understanding of the development of receivables from sales financing, the associated default-related risks as well as the business processes for the identification, management, monitoring and measurement of default risks , among other things by inquiries and inspection of documents on the internal calculation methods. Furthermore, we evaluated the appropriateness and effectiveness of the internal control system regarding the determination of the impairment loss to recognize. In this context, we also evaluated the relevant IT systems and internal processes. The evaluation included an assessment 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. As part of our audit we assessed in particular the appropriateness of the risk classification procedures as well as the risk provisioning parameters used. For this purpose, we analyzed in particular the validations of parameters that are regularly conducted by the Company. To assess the default risk, we also used targeted sampling of individual cases to examine whether 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.

In our view, the assumptions and parameters used in the measurement of receivables from sales financing were appropriate overall.

- 3 The Company's disclosures on the applied "Accounting policies, assumptions, judgments and estimations" are contained in the notes to the consolidated financial statements under note 5 and on "receivables from sales financing" are contained under note 25.

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

- 1 Provisions for statutory and non-statutory warranty obligations as well as product guarantees are included in the consolidated financial statements of BMW Group as a material amount in other provisions. The obligations amounted to EUR 6,131 million (approximately 2.8 % of total assets) as at December 31, 2020. BMW Group is responsible for the legally required warranty and product guarantees in the respective sales market. In order to estimate the liabilities arising from statutory and non-statutory warranty obligations and product guarantees for vehicles sold, information on the type and volume of damages arising and on remedial measures is recorded and analyzed at vehicle model level. The expected amount of obligations is extrapolated from costs of the past and recognized as a provision in the corresponding amount, if the criteria of IAS 37 have been met. For specific or anticipated individual circumstances, for example recalls, additional provisions are recognized provided they have not already been taken into account.

The determination of provisions is associated with unavoidable estimation uncertainties and is subject to a high risk of change, depending on factors such as notification of detected defects as well as claims made by vehicle owners. Against this background, this matter was of particular significance during our audit.

- 2 In order to assess the appropriateness of the valuation method used for the determination of the provisions for statutory and non-statutory warranty obligations as well as product guarantees including the assumptions and parameters, we primarily obtained an understanding of the process for determining the assumptions and parameters through discussions with the responsible employees of the BMW Group. We also evaluated the appropriateness as well as effectiveness of controls for determining the assumptions and parameters. With the involvement of our IT specialists, we checked the IT systems used regarding their compliance. We compared the expenses for claims and technical actions with actual costs incurred in order to draw conclusions on the forecast accuracy. Based on a targeted sample of vehicle models, the mathematically correctness of the valuation model used across the Group was examined. We examined and evaluated the assumptions used by the BMW Group concerning the extent to which the past values were representative of the expected susceptibility of damage, the expected value of damage per vehicle (comprising parts and labor input) as well as the expected assertion of claims from statutory and non-statutory warranties.

In our view, the method for the valuation of provisions for statutory and non-statutory warranty obligations as well as product guarantees is overall appropriate. Taking into consideration the information

available, we believe that, overall, the measurement parameters and assumptions used by the executive directors are appropriate.

- 3 The Company's disclosures on the applied "Accounting policies, assumptions, judgments and estimations" are contained in the notes to the consolidated financial statements under note 5 and on "Other provisions" are contained under note 33.

4 Measurement of YOUR NOW equity investment

- 1 In the BMW Group's consolidated financial statements as at December 31, 2020, the YOUR NOW equity investment is reported under the balance sheet item "Investments accounted for using the equity method" with a carrying amount of EUR 591 million (approximately 0.3 % of total assets). The BMW Group and a competitor have bundled mobility services within YOUR NOW. In the financial year 2020 YOUR NOW generated negative operating earnings amounting to EUR 349 million, which were recognized in the consolidated financial statements. Furthermore, there was a triggering event at the level of the BMW Group. The Company has identified as a triggering event in particular a significant deviation from target figures and the impacts of the coronavirus crisis regarding the YOUR NOW equity investment. As a result of the impairment test performed, no further write-downs were necessary as at balance sheet date.

The measurement of the YOUR NOW equity investment, including the performance of the impairment test, depends to a significant degree on the estimates made by the executive directors and their exercise of judgment, which are subject to significant estimation

uncertainties. Against this background, this matter was of particular significance during our audit.

- 2 As part of our audit, we examined and evaluated the methodological procedure adopted for the purposes of measuring the YOUR NOW equity investment as well as for performing the impairment test, among other things. We also assessed the appropriateness of the valuation parameters and assumptions on which the measurement was based. We examined the impairment test conducted by the BMW Group based on the occurrence of a triggering event. After comparing the future cash inflows used in the calculation against the underlying budget, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sectorspecific market expectations. Moreover, we evaluated the estimates made by the executive directors with respect to the impacts of the coronavirus crisis on the YOUR NOW equity investment and examined its consideration in the calculation of future cash inflows. We also assessed the parameters used to determine the discount rate applied and examined the measurement model.

The valuation parameters and assumptions used by the executive directors are overall in line with our expectations and are also within the ranges considered by us to be acceptable.

- 3 The Company's disclosures on the applied "Accounting policies, assumptions, judgments and estimations" are contained in the notes to the consolidated financial statements under note 5 and on the YOUR NOW equity investment are contained under note 24.

5 Measurement of provision for risks relating to an EU antitrust proceeding

1 In April 2019, the BMW Group was notified by the European Commission of complaints in a pending antitrust proceeding. The European Commission accuses various manufacturers of colluding to restrict competition in the field of innovation. In this connection, as in the previous year, a EUR 1.4 billion provision for litigation and risk provisioning was recognized at the balance sheet date in the consolidated financial statements under the balance sheet item "Other provisions". The risk assessment to be made on developments in the EU antitrust proceeding and the estimation of whether or not a provision must be recognized to cover the risks, and if so, in what amount the current obligation must be measured, is subject to a high degree of uncertainties and characterized by the estimates and assumptions made by the executive directors.

In our view, this matter was of particular significance for our audit due to the significant uncertainties concerning the outcome of the EU antitrust proceeding and the potential effects on BMW AG's assets, liabilities, financial position and financial performance.

2 With the knowledge that estimated values result in an increased risk of accounting misstatements and that the executive directors' recognition and measurement decisions have a direct effect on consolidated result, we evaluated the retention of the carrying amounts, with the involvement of an internal PwC antitrust law expert. Furthermore, we also held regular meetings with the Company's legal department in order to receive updates on current developments and the reasons for the corresponding estimates. The

development of the aforementioned risks arising from the EU antitrust proceeding, including the executive directors' estimates concerning the potential proceeding outcomes, was provided to us by the Company in writing. In addition, we obtained and evaluated an external legal confirmation as at the balance sheet date.

In our view, the estimates made by the executive directors regarding the recognition and measurement of the provision for the risks from the EU antitrust proceeding described above and the associated risk provision in the consolidated financial statements are sufficiently documented and substantiated.

3 The Company's disclosures on the applied "Accounting policies, assumptions, judgments and estimations" are contained in the notes to the consolidated financial statements under note 5 and on "Other operating expenses" are contained under note 10.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289 f HGB and § 315 d HGB included in section "Corporate Governance" of the group management report
- the subsections "Information on the Company's Governing Constitution", "Board of Management", "Supervisory Board", "Shareholders and Annual General Meeting" and "Declaration of Compliance" listed in the "Corporate Governance" section of the group management report

— the disclosures marked with "„ „" of the non-financial statement pursuant to § 289 b Abs. 1 HGB and § 315 d Abs. 1 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit 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 audit 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 the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are 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 § 315 e Abs. 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 the executive directors are responsible for such internal control 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, the executive directors are 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, the executive directors are 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, the executive directors are 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 audit 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 § 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 audit 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 controls.
- 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 audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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 audit 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 § 315 e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit 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 audit 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 the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 audit 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

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file BMW_AG+KLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion

on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have

considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on May 14, 2020. We were engaged by the supervisory board on June 17, 2020. We have been the group auditor of the Bayerische Motoren Werke Aktiengesellschaft, Munich, without interruption since the financial year 2019.

We declare that the audit 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).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Andreas Fell.

Munich, 10 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

PETRA JUSTENHOVEN Wirtschaftsprüferin [German public auditor]	ANDREAS FELL Wirtschaftsprüfer [German public auditor]
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INDEPENDENT PRACTITIONER'S REPORT

INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON DISCLOSURES ON NON-FINANCIAL REPORTING AND SUSTAINABILITY DISCLOSURES¹

To BMW AG, Munich

We have performed a limited assurance engagement on the disclosures in the „BMW Group Report 2020“ for the period from 1 January to 31 December 2020 (hereinafter the “Integrated Group Report”) of BMW AG, Munich, (hereinafter the “Company”) denoted with “„...“” of the combined non-financial statement pursuant to §§ (Articles) 289b (paragraph) Abs. 1 and 315b Abs. 1 HGB (“Handelsgesetzbuch”: “German Commercial Code”), which is integrated into the combined management report (hereinafter the “Disclosures on Non-financial Reporting”) contained in the Integrated Group Report, as well as the sustainability disclosures contained in the sections “Dialog with Stakeholders” and “Further GRI Information” of the Integrated Group Report (hereinafter referred to as “Sustainability Disclosures”). Our engagement in this context relates solely to the disclosures denoted with the symbol “„...“” and the disclosures in the sections “Dialog with Stakeholders” and “Further GRI Information”.

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the combined non-financial statement in accordance with §§ 315 c in conjunction with 289c to 289e HGB and the Sustainability Disclosures in accordance with the principles stated in the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter the “GRI-Criteria”).

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting and sustainability reporting as well as making assumptions and estimates related to individual non-financial disclosures and sustainability disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of an Integrated Group Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors (“Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer”: “BS WP/vBP”) as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the „BMW Group Report 2020“ and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Disclosures on Non-financial Reporting denoted with the symbol “ ... 

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Integrated Group Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that

— the Disclosures on Non-financial Reporting denoted with the symbol “ ... 

- the Sustainability Disclosures in the sections “Dialog with Stakeholders” and “Further GRI Information” of the Company's Integrated Group Report for the period from 1 January to 31 December 2020 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of personnel involved in the preparation of the Integrated Group Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Integrated Group Report
- Identification of the likely risks of material misstatement of the Integrated Group Report
- Testing of processes for the collection, control, analysis and aggregation of selected data from various Group sites on a sample basis
- Analytical evaluation of selected disclosures in the Integrated Group Report

- Inquiries of the employees responsible for the information on fleet emissions and fuel consumption contained in the Integrated Group Report and reconciliation of individual data on fleet emissions and fuel consumption with the technical vehicle data
- Evaluation of the presentation of the disclosures

Assurance Conclusion

Based on the assurance procedures performed and the assurance evidence obtained, nothing has come to our attention that causes us to believe that

- the Disclosures on Non-financial Reporting denoted with the symbol “” of the Company’s combined non-financial statement pursuant to §§ 289b Abs. 1 and 315b Abs. 1 HGB for the period from 1 January to 31 December 2020, which is integrated into the combined management report contained in the Integrated Group Report, have not been prepared, in all material aspects, in accordance with the requirements of §§ 315c in conjunction with 289c to 289e HGB relevant to these disclosures, or
 - the Sustainability Disclosures in the sections “Dialog with Stakeholders” and “Further GRI Information” of the Company’s Integrated Group Report for the period from 1 January to 31 December 2020 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement.

The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Munich, 10 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

ANDREAS FELL

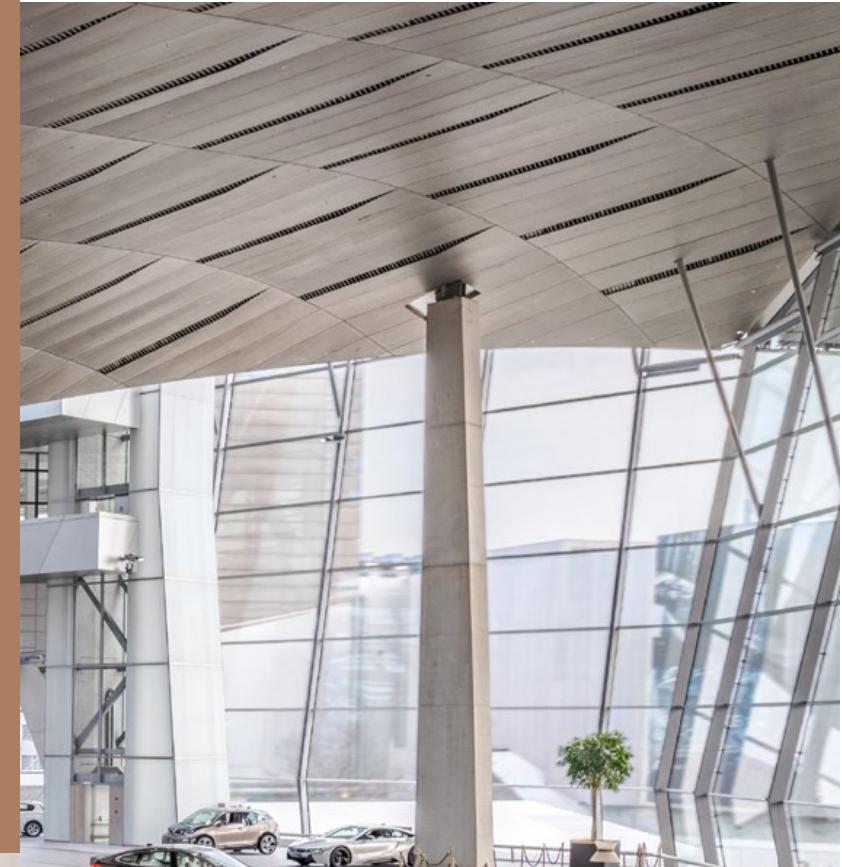
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Wirtschaftsprüferin
[German public auditor]

OTHER INFORMATION

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FURTHER GRI INFORMATION

PRODUCTION, PURCHASING AND SUPPLIER NETWORK

BMW GROUP CO₂ FOOTPRINT

in t CO ₂ /CO _{2e}	2016	2017	2018	2019	2020
Total emissions ¹	70,818,970	72,850,724 ²	74,213,402 ³	75,987,119	65,828,005
SCOPE 1: DIRECT GREENHOUSE GAS EMISSIONS					
Total emissions	562,146	625,072	581,703	642,259	642,885
Emissions of BMW Group locations ⁴	472,021	529,728	487,249	550,494	568,538
Emissions of company vehicles ⁵	85,008	88,782	88,272	85,667	72,554
Emissions of company-owned planes	5,117	6,562	6,182	6,098	1,793 ⁶
SCOPE 2: INDIRECT GREENHOUSE GAS EMISSIONS					
Total emissions	868,089	510,911	538,622	302,574	84,257
Electricity/heat purchased by BMW Group locations ^{4,7}	868,089	510,911	538,622	302,574	84,257
SCOPE 3: INDIRECT GREENHOUSE GAS EMISSIONS					
Total emissions	69,388,735	71,714,741 ²	73,093,077 ³	75,042,286	65,100,863
Emissions of logistics	1,427,399	1,497,075 ²	1,563,919	1,570,397	1,322,859 ⁸
Emissions of business trips ⁹	142,250	169,233	159,039	129,646	25,217 ⁶
Emissions of employees' commuter traffic ¹⁰	139,797	140,187	136,608	146,298	166,586
Emissions of upstream chain ¹¹	15,391,154	16,786,192	17,221,109	18,505,921	16,234,959
Emissions of utilisation phase ¹²	51,079,073	51,887,708	52,759,567 ³	53,421,006	46,200,385
Emissions of disposal ¹¹	1,185,148	1,234,346	1,252,835	1,269,018	1,150,857

¹ The emissions listed account for approximately 90 % of the BMW Group's total Scope 1 to Scope 3 emissions. Scope 1 and Scope 2 emissions exclude climate-changing gases other than carbon dioxide.

² Due to new input data from an external service provider, the figures for 2017 were adjusted.

³ Figure not directly comparable to previous years' figures. Calculated using EU fleet emissions according to NEDC correlated. Using NEDC correlated values in 2017 would result in a value of 52,933,132 t of CO₂. This is equivalent to a reduction of absolute emissions by 0.3 % in 2018.

⁴ Emissions from BMW Group-owned production sites including BMW Motorrad Berlin as well as administration, development and central distribution centres. VDA factors (updated in June 2019) used since the reporting year 2020.

⁵ Includes refuelling of service and function-related vehicles in Germany and at individual international locations (USA, Sweden, France). Private refuelling is not recorded.

⁶ Decrease is due to the pandemic-related reduction in travel activities.

⁷ Market-based emissions according to GHG Protocol Scope 2 guidance. VDA factors (updated in June 2019) used since the reporting year 2020. Scope 2 emissions calculated using the location-based method (total bought-in electricity and heat calculated using VDA factors): 1,250,572 t CO₂.

⁸ The volume of carbon emissions in 2020 is not directly comparable with the figures reported for previous years, as the scope of analysis has been expanded to include local data from suppliers involved in supplying specified production plants as well as data from service providers involved in distributing vehicles to dealerships in specified markets and spare parts deliveries.

⁹ Includes air travel, train travel and rental cars.

¹⁰ The figures from 2020 onwards are not directly comparable with previous years due to the improved data basis. In some cases, figures are extrapolated based on surveys conducted at major national and international BMW Group locations.

¹¹ Emissions from the upstream value chain and from disposal are calculated from the life cycle assessments in accordance with ISO 14040/44 of representative vehicles of the product lines using the LCA tool GaBi from the company Thinkstep (including the climate-changing gases CO₂, CH₄, N₂O, SF₆, NF₃). Corresponding to the CO_{2e} emissions, the life cycle assessments show the energy consumption (lower calorific value): around 75,640,609 MWh in the upstream chain and around 502,243 MWh at disposal companies.

¹² The fleet emissions are extrapolated from the average fleet emissions of the main sales markets of the BMW Group. The calculation was based on an average mileage of 150,000 km.

↗ GRI 302-2, 305-1, 305-2, 305-3

ENERGY CONSUMPTION IN DETAIL^{1,2}

in MWh	2016	2017	2018	2019	2020
TOTAL ENERGY CONSUMPTION					
Total energy consumption	5,783,841	5,852,666	5,788,965	5,974,625	5,714,610
of which vehicle production	5,328,856	5,362,618	5,169,266	5,226,227	4,946,865
of which motorcycle production	85,559	95,493	89,300	120,583	114,072
of which non-manufacturing areas	369,426	394,555	530,399 ³	627,815	653,673
TOTAL ENERGY CONSUMPTION IN DETAIL					
Electricity (external source)	2,584,570	2,588,409	2,513,308	2,439,675	2,154,899 ⁴
Community heating	381,340	408,735	395,609	358,992	266,112
Community cooling in Mwh	1,084	1,095	1,072	1,123	1,113
FOSSIL FUELS					
Heating oil	3,698	4,450	2,888	2,205	3,660
Natural gas	2,575,089	2,624,557	2,669,457	3,005,902	3,093,543
of which CHP losses	245,899	258,380	294,724	412,451	498,299
NON-FOSSIL FUELS					
Biogas (landfill gas)	237,446	224,819	205,320	164,957	192,911
of which CHP losses	108,536	84,166	86,787	68,560	65,065
Wood pellets	220	220	220	68	56
RENEWABLES					
Solar (photovoltaics)	394	381	1,091	1,703	2,316

¹ Energy consumption at BMW Group-owned production sites including BMW Motorrad Berlin (Germany) as well as administration, development and central distribution centres.² Upper calorific value for fossil fuels.³ Figures since 2018 not directly comparable to previous years' figures, mainly due to a more refined distinction between production and non-manufacturing areas (e.g. administration, development, central distribution centres).⁴ The decrease was mainly due to the pandemic-related interruption of production at most BMW Group plants. For further explanations, see ¹ Resource Consumption and Resource Efficiency.

LOGISTICS: CARRIERS AND CO₂ EMISSIONS¹

	2016	2017	2018	2019	2020
INBOUND (MATERIAL PROVISION OF THE PLANTS AND SPARE PARTS DELIVERY)					
Transport volume in million tkm	15,202	14,545 ³	14,491	15,634	13,623 ⁴
CO ₂ emissions in t	506,604	537,928 ³	589,730	577,077	472,290
OUTBOUND (DISTRIBUTION OF VEHICLES AND SPARE PARTS)					
Transport volume in million tkm	25,006	25,881	25,777	26,489	23,622 ⁴
CO ₂ emissions in t	920,795	959,147	974,189	993,320	850,569
TOTAL (INBOUND AND OUTBOUND)					
Transport volume in million tkm	40,208	40,426 ³	40,268	42,123	37,245 ⁴
CO ₂ emissions in t	1,427,399	1,497,075 ³	1,563,919	1,570,397	1,322,859 ²
PERCENTAGE SHARE OF CARRIERS IN TOTAL (INBOUND AND OUTBOUND) IN TERMS OF TRANSPORT VOLUME AND CO₂ EMISSIONS					
Sea	77.7	55.0	75.8	50.3	73.0
Road	14.9	30.8	17.2	31.1	20.1
Rail	6.9	3.1	6.3 ²	2.3	6.3
Air	0.5	11.1	0.7 ²	16.3	12.2
	tkm	g CO ₂	tkm	g CO ₂	tkm
	tkm	g CO ₂	tkm	g CO ₂	tkm

¹ Figures refer to BMW and MINI (i.e. without Rolls-Royce) including BMW Brilliance Automotive Ltd., Shenyang, excluding contract manufacturing. CO₂ emissions calculated in accordance with DIN EN 16258 and TREMOD 5.2 (air cargo belly/freighter). Scope: Inbound volumes (supply of materials to plants and spare parts delivery) for BMW and MINI vehicle plants worldwide as well as for the delivery of spare parts to central parts distribution. Outbound volumes (distribution of vehicles and spare parts) to distribution centres in markets worldwide and for certain markets to the trade, including contract manufacturing.

² The volume of carbon emissions in 2020 is not directly comparable with the figures reported for previous years, as the scope of analysis has been expanded to include local data from suppliers involved in supplying specified production plants as well as from service providers involved in distributing vehicles to dealerships in specified markets and spare parts deliveries.

³ Due to new input data from an external service provider, the 2017 values were adjusted.

⁴ Decrease mainly due to lower production volumes.

☒ GRI 305-3

**INPUT/OUTPUT ASSESSMENT
OF BMW GROUP PRODUCTION^{1,2}**

INPUT		
Water ³	m ³	4,722,310
Energy	MWh	4,946,865
OUTPUT		
Total waste ³	t	775,459
of which recyclable	t	768,292
of which waste for disposal	t	7,168
Total wastewater ³	m ³	3,378,877
CO ₂ emissions	t	566,804
Volatile org. compounds (VOC) ³	t	1,697
NOx ⁴	t	670
CO ⁴	t	393
SO ₂ ⁴	t	11
Particulates, dust ⁴	t	41

¹ Incl. BMW Brilliance Automotive Ltd., Shenyang, not including contract production.

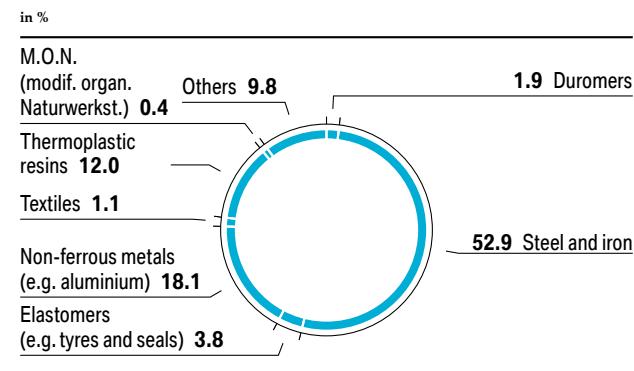
² The number of vehicles produced in 2020 decreased to around 2.25 million units (2019: around 2.56 million units). Based on an average weight of BMW Group vehicles of around 1.6t, the total weight of input materials is around 3.6 million t. To calculate the individual material flows, the total weight is multiplied by the average distribution of the materials in BMW Group vehicles.

³ The figure includes only automobile production (i.e. excluding motorcycles).

⁴ BMW Group measurements/capture as well as calculations based on energy consumption (primarily heating oil and gas) with the aid of the VDA emission factors.

☒ GRI 301-1, 302-1, 305-1, 305-7

**AVERAGE DISTRIBUTION OF MATERIALS IN BMW GROUP
VEHICLES¹**



¹ Calculation based on aggregated mean values of vehicles of the BMW 1, 2, 3, 4, 5, 6, 7, X1, X2, X3, X4, X5 and X6 series, MINI and MINI Countryman as well as the i3 and i8 BMW i models and the PHEV versions of BMW 3, 5, 7, X1 and X5 series and MINI Countryman.

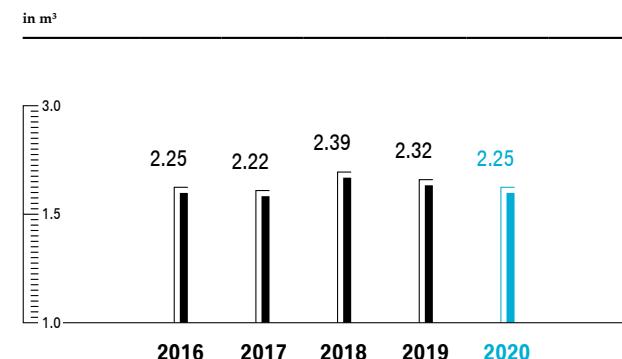
☒ GRI 301-1

WATER CONSUMPTION¹

in m ³	2016	2017	2018	2019	2020
Water consumption	5,017,816	5,073,220	5,425,073	5,417,428	4,722,310 ²
of which drinking water in %	87.1	88.0	90.4	87.4	86.3
of which groundwater in %	12.5	11.7	9.6	12.6	13.6
of which surface water in %	0.5	0.3	0.0	0.0	0.0
of which rainwater in %	0.0	0.0	0.0	0.0	0.1

¹ These figures refer to the production sites of the BMW Group incl. the BMW Brilliance Automotive Ltd. joint venture in Shenyang. BMW Motorrad is not included.

² Decrease mainly due to lower production volumes and reduced cooling requirements at BMW Group locations worldwide.

WATER CONSUMPTION PER VEHICLE PRODUCED¹

¹ Efficiency indicator = water consumption from vehicle production divided by the total number of vehicles produced, incl. BMW Brilliance Ltd. joint venture in Shenyang, not including vehicles from the Magna Steyr and Nedcar contract production plants. BMW Motorrad is not included either.

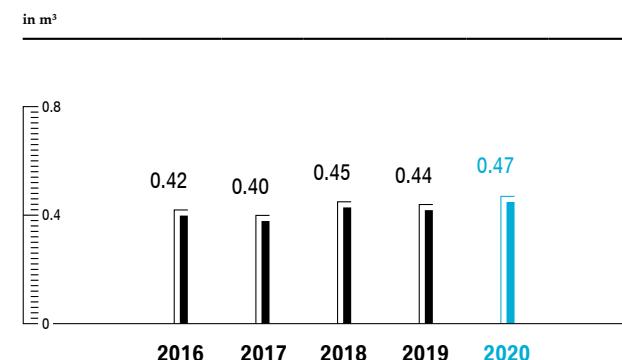
WASTEWATER¹

in m ³	2016	2017	2018	2019	2020
Total wastewater	3,312,562	3,633,306	3,432,982	3,578,497	3,378,877
of which process wastewater	944,008	914,016	1,015,736	1,036,179	988,392
of which wastewater from sanitary facilities	2,368,554	2,719,290	2,417,246	2,542,318	2,390,485
Total heavy metals and heavy metal compounds in kg	742	406	461	402	313
COD ² in kg	2,085,398	2,273,678	1,902,577	1,960,211	1,491,848
AOX ³ in kg	131	101	64	63	54

¹ The key performance indicator "Process wastewater" is measured after wastewater treatment in BMW Group plants (incl. the BMW Brilliance Automotive Ltd. joint venture in Shenyang) has taken place. BMW Motorrad is not included. Together with the wastewater from sanitary facilities at the plants, this is the figure for total wastewater. Due to factors such as evaporation, water input does not correspond to total wastewater.

² COD = chemical oxygen demand.

³ AOX = absorbable organic halides in water.

PROCESS WASTEWATER PER VEHICLE PRODUCED¹

¹ Efficiency indicator = process wastewater from vehicle production divided by the total number of vehicles produced, incl. BMW Brilliance Automotive Ltd. joint venture in Shenyang, not including vehicles from the Magna Steyr and Nedcar contract production plants. BMW Motorrad is not included either.

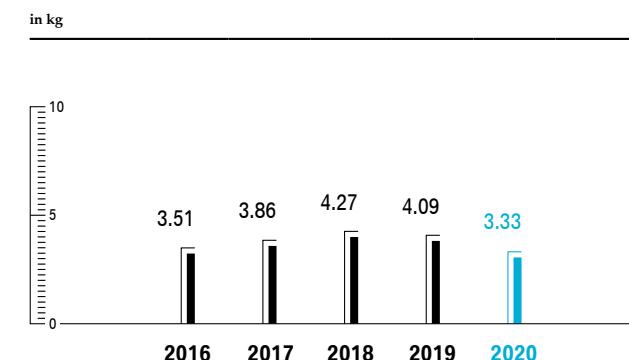
WASTE¹

in t	2016	2017	2018	2019	2020
Total waste	762,924	785,209	789,817	780,911	775,459
Hazardous waste for recovery	30,855	36,379	37,259	44,572	44,267
Hazardous waste for disposal	4,219	4,992	4,717	4,894	3,882 ²
Non-hazardous waste for recovery	723,632	739,799	742,652	726,590	724,025
Non-hazardous waste for disposal	3,732	4,039	5,189	4,855	3,286 ²
Materials for recycling ³	754,486	776,179	779,911	771,162	768,292
Metals for recycling (scrap)	569,841	571,685	560,164	503,928	453,106
Waste for disposal	7,951	9,031	9,906	9,749	7,168

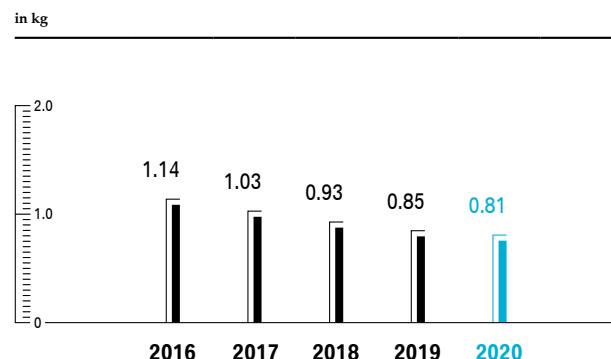
¹ These figures refer to the production sites of the BMW Group incl. the BMW Brilliance Automotive Ltd. joint venture in Shenyang. BMW Motorrad is not included.

² Decrease mainly due to changes in the structure of the existing recovery and recycling firms at the individual locations. For further explanations, see [Resource Consumption and Resource Efficiency](#).

³ Includes both recycling and thermal utilisation.

WASTE FOR DISPOSAL PER VEHICLE PRODUCED¹

¹ Efficiency indicator = waste for disposal from vehicle production divided by the total number of vehicles produced, incl. BMW Brilliance Automotive Ltd. joint venture, Shenyang, not including vehicles from the Magna Steyr and Nedcar contract production plants. BMW Motorrad is not included either.

SOLVENT EMISSIONS PER VEHICLE PRODUCED¹

¹ Efficiency indicator = VOC emissions from vehicle production divided by the total number of vehicles produced, without motorcycles, incl. BMW Brilliance Automotive Ltd. joint venture Shenyang, not including the vehicles from the Magna Steyr and Nedcar contract production plants.

ENVIRONMENTAL MANAGEMENT SYSTEMS AT PRODUCTION LOCATIONS

Production plant	Environmental management system	Date of most recent ISO 14001 certification
BMW GROUP PLANTS		
Araquari/BR	ISO 14001	January 2018 ¹
Berlin/DE	ISO 14001/EMAS	January 2018 ¹
Chennai/IN	ISO 14001	January 2018 ¹
Dingolfing/DE	ISO 14001/EMAS	January 2018 ¹
Eisenach/DE	ISO 14001/EMAS	January 2018 ¹
Goodwood/UK	ISO 14001	January 2018 ¹
Hams Hall/UK	ISO 14001	January 2018 ¹
Landshut/DE	ISO 14001/EMAS	January 2018 ¹
Leipzig/DE	ISO 14001/EMAS	January 2018 ¹
Manaus/BR	National Standard ² /ISO 14001	Certification planned in 2021
Munich/DE	ISO 14001/EMAS	January 2018 ¹
Oxford/UK	ISO 14001	January 2018 ¹
Rayong/TH	ISO 14001	January 2018 ¹
Regensburg/DE	ISO 14001/EMAS	January 2018 ¹
Rosslyn/ZA	ISO 14001	January 2018 ¹
San Luis Potosí/MX	ISO 14001	March 2019
Spartanburg/US	ISO 14001	January 2018 ¹
Steyr/AT	ISO 14001/EMAS	January 2018 ¹
Swindon/UK	ISO 14001	January 2018 ¹
Wackersdorf/DE	ISO 14001/EMAS	January 2018 ¹
ASSEMBLY PLANTS		
Jakarta/ID	ISO 14001	May 2019
Cairo/EG	ISO 14001	November 2018
Kaliningrad/RU	ISO 14001	August 2020
Kulim/MY	ISO 14001	December 2018
BMW BRILLIANCE AUTOMOTIVE HOLDINGS LTD. JOINT VENTURE		
BMW Brilliance Automotive, Shenyang/CN (joint venture) ³	ISO 14001	December 2018
CONTRACT PRODUCTION		
Loncin Motor Co., Chongqing/CN	ISO 14001	August 2018
Magna Steyr Fahrzeugtechnik, Graz/AT	ISO 14001/EMAS	July 2018
TVS Motor Company, Hosur/IN	ISO 14001	January 2020
VDL Nedcar, Born/NL	ISO 14001	October 2020

¹ Three-year validity period extended by a further six months due to the coronavirus pandemic..

² Compliance with legal requirements.

³ The joint venture comprises three locations.

SUSTAINABILITY ASSESSMENT OF RELEVANT SUPPLIER LOCATIONS

	2018	2019	2020
Number of supplier locations assessed ¹	4,168	3,921	3,220
Proportion of audited suppliers of production-related material with a contract volume greater than € 2 million ¹	97 %	95 %	98 %
Proportion of audited suppliers of non-production-related material with a contract volume greater than € 10 million ¹	80 %	72 %	56 %
Number of identified sustainability deficits at potential and existing supplier locations from an ESG perspective ¹	2,320	2,131	1,902
Number of agreed corrective measures aimed at addressing those sustainability deficits ¹	1,123	1,317	1,225
Number of audits and assessments conducted by or on behalf of the BMW Group ²	89	105	313
Number of supplier locations not awarded contracts because they fail to meet the BMW Group's sustainability or other requirements ¹	193	153	108
Number of existing supplier relationships that had to be terminated prematurely due to serious sustainability violations	0	0	0
Number of notifications of potential violations of our sustainability principles received through our supply chain reporting channels	9	2	3
of which number of notifications that were clarified during the reporting year	9	2	2

¹ Basis: Industry-specific sustainability questionnaire.

² Includes on-site visits and remote audits.

GRI 308-1, 308-2, 414-1, 414-2

BMW GROUP SUPPLIERS PARTICIPATING IN THE CDP SUPPLY CHAIN PROGRAMME

	2018	2019	2020
Number of reporting suppliers	190	199	218
Number of suppliers newly admitted to the programme the year under report	20	24	25
Proportion of reporting suppliers in the BMW Group's production-relevant purchasing volume	75 %	78 %	79 %
Average score of participating suppliers evaluated	C	C	C
Proportion of suppliers with a score of B or higher	30 %	34 %	35 % ¹

¹ The target of at least 60 % of BMW Group suppliers participating in the CDP Supply Chain Programme achieving a score of at least B by 2020 was not achieved. The target period was therefore extended to 2025.

EMPLOYEES AND SOCIETY

EMPLOYEES AT END OF YEAR¹

	2016	2017	2018	old 2019	new 2019	2020
BMW Group	124,729	129,932	134,682	133,778	126,016	120,726
Automotive	112,869	117,664	121,994	121,208	113,719	108,676
Motorcycles	3,351	3,506	3,709	3,658	3,503	3,474
Financial Services	8,394	8,645	8,860	8,798	8,684	8,473
Other	115	117	119	114	110	103
Share of employees with fixed-term contracts ²	4,270	4,685	4,638	3,803	3,489	2,892
Employees in part-time employment ³	4,753	5,553	6,299	6,318	6,318 ⁴	6,433

¹ The term "employee" has been redefined with effect from the reporting year 2020 (for definition, see [Glossary](#)). For the period 2018 and earlier, the percentage of employees no longer covered by the new definition is between 7.5 % and 8.0 %.

² Within BMW AG (which employs around two-thirds of the entire workforce of BMW Group), 0.8 % of employees are on fixed-term contracts. Approximately 27 % of employees are on fixed-term contract are women. Under the current system, this data is only collated for BMW AG.

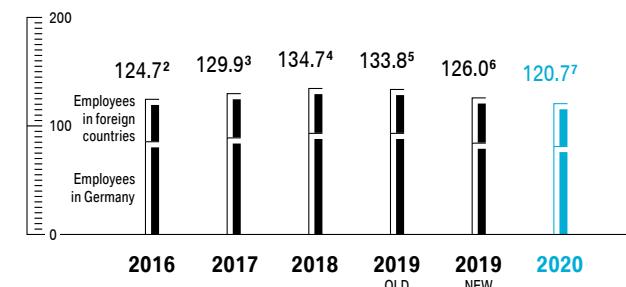
³ Permanent and fixed-term employees.

⁴ Corresponds to the new definition of an employee with effect from 2020, therefore no change in the figure.

[GRI 102-8](#)

EMPLOYEES IN GERMANY AND ABROAD¹

Number of employees in thousands



¹ The term "employee" has been redefined with effect from the reporting year 2020 (for definition, see [Glossary](#)). For the period 2018 and earlier, the percentage of employees no longer covered by the new definition is between 7.5 % and 8.0 %.

² Of whom 35.4 % are tariff-bound production employees of the BMW Group.

³ Of whom 35.7 % are tariff-bound production employees of the BMW Group.

⁴ Of whom 35.3 % are tariff-bound production employees of the BMW Group.

⁵ Of whom 36.7 % are tariff-bound production employees of the BMW Group.

⁶ Of whom 38.2 % are tariff-bound production employees of the BMW Group.

⁷ Of whom 37.9 % are tariff-bound production employees of the BMW Group.

[GRI 102-7](#)

SHARE OF EMPLOYEES PER COUNTRY WITH PRODUCTION LOCATION(S)

Number of employees	
China 2,110 of which fixed-term 809	866 Brazil of which fixed-term 24
Thailand 566 of which fixed-term 45	2,911 Mexico of which fixed-term 1
India 591 of which fixed-term 20	7,301 Other countries of which fixed-term 370
South Africa 2,878 of which fixed-term 652	81,367 Germany of which fixed-term 799
Austria 3,618 of which fixed-term 67	
USA 11,924 of which fixed-term 0	
UK 6,594 of which fixed-term 105	

A good two-thirds the BMW Group workforce are employed in Germany, followed by the USA with 9.9 % and the UK with 5.5 %.

↗ GRI 102-8

SHARE OF EMPLOYEES REPRESENTED BY A TRADE UNION OR FALLING UNDER COLLECTIVE AGREEMENTS

in %	2016	2017	2018	2019	2020
Germany ¹	100	100	100	100	100
UK	85	86	85	85	84
China (plant)	100	100	100	100	100
Austria ¹	100	100	100	100	100
South Africa	58	53	62	59	63
USA (no collective agreements exist)	0	0	0	0	0
Mexico ¹	—	—	—	100	100

¹ Excluding executives and contractors.

↗ GRI 102-41

ALTERNATIVE WAYS OF WORKING AT BMW AG¹

Number of employees	2016	2017	2018	old 2019	new 2019	2020
Part-time workers ²	4,294	4,572	5,000	5,630	5,440	5,568
in % of total number of employees	5.0	5.2	5.6	6.4	6.6	7.0
Teleworking positions ³	28,088	31,754	34,339	36,066	36,208	43,309
in % of total number of employees	59.4	63.3	66.1	69.4	70.8	87.2
Number of employees who use "Vollzeit Select"	3,998	4,690	5,508	5,500	5,474	4,747
in % of total number of employees ⁴	5.1	5.3	6.1	6.2	6.6	6.0
Sabbaticals	598	567	648	764	764	653
in % of total number of employees	0.7	0.6	0.7	0.9	0.9	0.8
Parental leave	3,028	3,389	3,675	4,096	4,082	4,158
in % of total number of employees	3.5	3.9	4.1	4.6	4.9	5.2

¹ The term "employee" has been redefined with effect from the reporting year 2020 (for definition, see ↗ Glossary). For the period 2018 and earlier, the percentage of employees no longer covered by the new definition is between 7.5 % and 8.0 %.

² Of which 3,608 were female (65 %). For systemic reasons, this number is only calculated for BMW AG.

³ Only workers in administrative positions who engaged in teleworking.

⁴ Statistical population not including apprentices, interns, thesis students working at the company and doctoral candidates.

↗ GRI 102-8, 401-3

AVERAGE TRAINING HOURS AT THE BMW AG ACADEMY,
BY EMPLOYEE CATEGORY

Employee category	2018	2019	2020
Non-tariff employees	22.7	16.7	14.1
"Meister" (master craftsmen)	17.7	14.1	21.1
Tariff	11.9	10.6	7.1

GRI 404-1

TOTAL NUMBER OF EMPLOYEES LEAVING BMW AG,
BY REASON FOR LEAVING¹

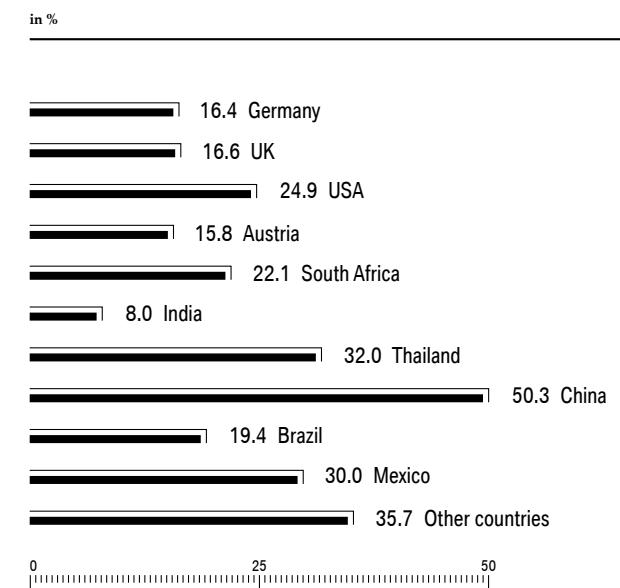
Number	2016	2017	2018	2019	2020
Total	2,067	2,077	2,247	2,794	4,535
Part-time retirement, retirement, death	1,199	1,207	1,314	1,700	1,884
Voluntarily left company (termination or suspension of employment contract by employee)	809	809	873	1,029	2,601 ²
Dismissed by employer	59	61	60	65	50

¹ Figures refer to employees with permanent contracts.

² Increase mainly due to a set of personnel measures. For further explanations, see Long-term Employee Development and Employer Attractiveness.

GRI 401-1

SHARE OF WOMEN IN THE WORKFORCE BY COUNTRY
WITH PRODUCTION SITE(S)¹



¹ For the purposes of calculating the total number of employees in the BMW Group, the term "employee" has been redefined with effect from the reporting year 2020 (for definition, see Glossary).

GRI 405-1

SHARE OF LOCAL EMPLOYEES IN MANAGEMENT POSITIONS AT MAJOR COMPANY LOCATIONS¹

in %	2016	2017	2018	2019	2020
Germany	99.3	99.4	99.5	99.7	99.7
UK	87.5	86.3	86.9	87.5	89.8
USA	89.4	87.7	88.3	87.4	89.1
Austria	84.8	82.8	85.6	82.3	78.7
South Africa	85.4	83.0	82.8	82.7	85.9
India	66.7	70.0	74.4	82.1	68.4
Brazil	67.6	76.1	77.6	78.2	84.9
China ²	65.8	76.5	76.7	73.7	78.8
Thailand	65.6	56.8	56.8	57.1	57.8
Mexico ³	—	—	—	48.4	62.9

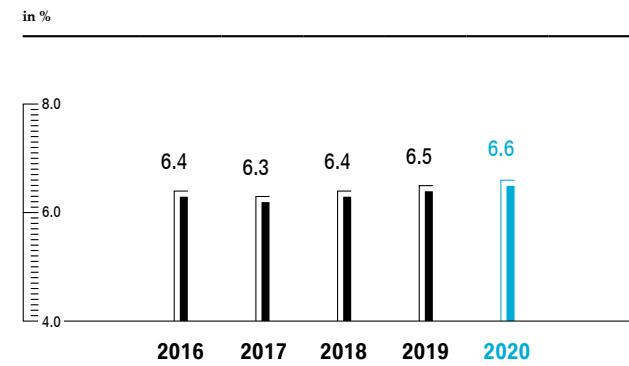
¹ "Local" refers to managers with local contracts. People deployed to work at the location who do not have a local employment contract are not included. These are reflected in the difference to 100 in each case.

² Including employees of the joint venture BMW Brilliance Automotive Ltd., Shenyang, which is not consolidated in the BMW Group.

³ Start of production 06/2019.

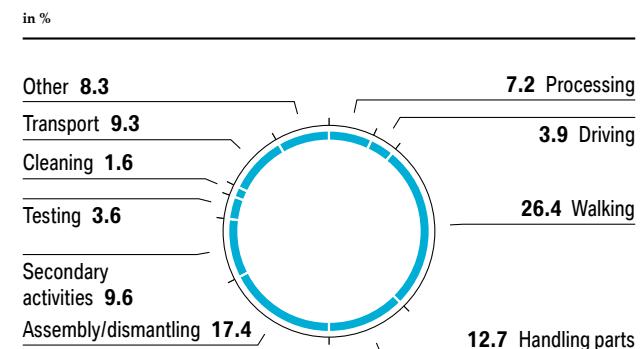
↗ GRI 405-1

SHARE OF EMPLOYEES WITH SEVERE DISABILITIES AT BMW AG¹



¹ The share of employees with severe disabilities is based on the statutory requirements in accordance with the German Social Code (SGB IX). In addition, the BMW Group awarded contracts amounting to around €25 million (2019: €35.5 million) to workshops for the severely disabled in Germany in 2020, of which around €7 million (2019: €8.5 million) can be written off in accordance with the compensatory levy act. The significant year-on-year decline in orders placed with workshops for the severely disabled was mainly due to coronavirus-related restrictions imposed on workshops, which also results in a reduction of the offsettable portion of the disabled persons levy.

MAIN ACCIDENT FACTORS¹



¹ The accident severity rate in the reporting year was 53.4 lost days (due to occupational accidents) per 1 million hours worked (2019: 78.3).

↗ GRI 403-9

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS AT PRODUCTION LOCATIONS

Production plant	Management system	Most recent year of certification
BMW GROUP PLANTS		
Araquari/BR	ISO 45001	December 2019
Berlin/DE	OHSAS 18001	December 2017 ¹
Chennai/IN	ISO 45001	November 2020
Dingolfing/DE	OHRIS	May 2018
Eisenach/DE	OHSAS 18001	September 2018
Goodwood/UK	ISO 45001	August 2020
Hams Hall/UK	ISO 45001	November 2020
Landshut/DE	OHRIS	October 2018
Leipzig/DE	OHRIS	March 2019
Manaus/BR	National standard ²	Implemented
Munich/DE	OHRIS	March 2018
Oxford/UK	ISO 45001	November 2020
Rayong/TH	OHSAS 18001	January 2019
Regensburg/DE	OHRIS	August 2018
Rosslyn/ZA	ISO 45001	December 2020
San Luis Potosí/MX	ISO 45001	June 2020
Spartanburg/US	ISO 45001	April 2019
Steyr/AT	ISO 45001	April 2019
Swindon/UK	ISO 45001	October 2020
Wackersdorf/DE	OHRIS	August 2018
ASSEMBLY PLANTS		
Jakarta/ID	OHSAS 18001	May 2017 ¹
Cairo/EG	OHSAS 18001	October 2020
Kaliningrad/RU	National standard ²	Implemented
Kulim/MY	OHSAS 18001	December 2018
BMW BRILLIANCE AUTOMOTIVE HOLDINGS LTD. JOINT VENTURE		
BMW Brilliance Automotive Ltd., Shenyang/CN (joint venture) ³	ISO 45001	December 2020
CONTRACT PRODUCTION		
Loncin Motor Co., Chongqing/CN	ISO 45001	January 2021
Magna Steyr Fahrzeugtechnik, Graz/AT	OHSAS 18001	August 2018
TVS Motor Company, Hosur/IN	ISO 45001	January 2020
VDL Nedcar, Born/NL	National standard ²	Implemented

¹ Three-year validity period extended until March 2021 due to coronavirus pandemic.

² Compliance with legal requirements.

³ The joint venture comprises three locations.

REPORTING CONCEPT

The BMW Group Report 2020 is based on the following reporting and accounting standards:

MANAGEMENT REPORT

German Commercial Code (HGB); German Accounting Standards (DRS); Guidelines on Alternative Performance Measures of the European Securities and Markets Authority (ESMA)

Combined Non-Financial Statement (NFS) at Group and Company level in accordance with § 289 b and § 315 b HGB

GROUP FINANCIAL STATEMENTS OF BMW AG

The Group Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of § 315 e of the German Commercial Code (HGB).

SUSTAINABILITY DISCLOSURES

The NFS contained in the Combined Management Report, the chapter "Dialogue with Stakeholders", the supplementary sustainability-related disclosures in the chapter Additional GRI Information and the GRI Content Index have been prepared in accordance with the standards of the Global Reporting Initiative (GRI) (comprehensive option).

UN GLOBAL COMPACT – REPORT ON PROGRESS

In 2001, the BMW Group committed to implementing the principles of the United Nations Global Compact and provides information in this report on the progress made towards achieving that aim. References to the Global Compact principles have been integrated in the [GRI Content Index](#).

TCFD DISCLOSURES

The BMW Group follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) with a view to providing information on climate-related risks and opportunities as transparently as possible within the framework of corporate financial reporting. The BMW Group reports on these issues both in its own integrated report as well as through its CDP scoring disclosures. The [2020 CDP questionnaire](#) is available on the BMW Group website. The [TCFD Index](#) in the

appendix to this report provides a compact overview of the key statements in the four TCFD core elements and their location in the BMW Group Report and the CDP questionnaire.

MAIN TOPICS ADDRESSED IN THE NFS

The main topics addressed in the NFS to ensure compliance with § 289 c and § 315 c HGB were determined partly on the basis of the results of the materiality analysis updated in 2018 and in line with the requirements of the Global Reporting Initiative (GRI) and partly on the basis of the BMW Group's own long-term sustainability goals. For these purposes, consideration was given to the BMW Group's own business operations, products and services on the one hand and its business relationships (e.g. along the supply chain) on the other. Topics of particular relevance are presented in the combined, separate non-financial statement.

The order of topics covered is aligned with the long-term sustainability goals of the BMW Group and does not represent any particular weighting of the topics. In accordance with the statutory materiality requirements, information has been in each case with a view to providing an understanding of the BMW Group's business performance, results of operations and financial position, while also showing the impact of business activities on the non-financial aspects specified in the legislation.

EXTERNAL AUDIT

The entire report of BMW AG, comprising the Combined Management Report, the Group Financial Statements, the disclosures on corporate governance and the additional GRI information, has been subject to an annual independent audit by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PwC" or "Auditor"). The external audit serves to underpin the reliability and trustworthiness of the information for the public.

PwC has audited the Group Financial Statements and the Combined Management Report for the year ended 31 December 2020 and issued an unqualified audit opinion thereon.

Those parts of the Combined Management Report, which relate primarily to the NFS pursuant to §§ 289 b and 315b HGB as well as the chapter "Dialogue with Stakeholders" and the section "Additional GRI Information" were subjected to a limited assurance engagement and are marked with the symbol In addition, individual parts of the NFS were subjected to a reasonable assurance engagement. The external audit supports the Supervisory Board of BMW AG in the fulfilment of its auditing duties.

PUBLICATION AND SCOPE

The report is published annually in German and English on the BMW Group website. The [GRI Content Index](#) is also available on the website as a separate PDF document. The reporting period covers the financial year from 1 January to 31 December 2020. The statements made in the report relate to the BMW Group reporting entity. Any deviations from this are marked accordingly. Nothing significant has changed in the reporting period with regard to the organisation of the BMW Group. The global supplier network is subject to continuous change. The 2021 report will be published in spring 2022. [GRI 102-10, 102-45, 102-50, 102-51, 102-52, 102-55](#)

FORWARD-LOOKING STATEMENTS

The report contains various forward-looking statements about future developments which are based on the current status of the BMW Group's assumptions and forecasts. They are therefore subject to a variety of predictable and unpredictable risks, uncertainties and other factors, so that the actual outcome, including the BMW Group's net assets, financial position and results of operations, its development or performance could differ considerably. The BMW Group makes no commitment to update such forward-looking statements or to adapt them to future events or developments.

TCFD-INDEX

TCFD Key elements	Key elements of summarised disclosures/Key messages	Reference to chapters in the BMW Group Report 2020 and the CDP questionnaire for 2020
GOVERNANCE	<p>A. Responsibility of the Board of Management for climate-related risks and opportunities</p> <p>The highest level of direct responsibility for climate change issues is the Board of Management, which determines the Group's strategic course with regard to sustainability issues, including addressing climate change. Every proposal considered by the Board of Management must be assessed from a sustainability perspective.</p> <p>The new substance targets for 2030 developed and adopted in 2020 that focus on decarbonisation have been incorporated into the BMW Group's target controlling system and will be taken into account in the compensation of the Board of Management and top management going forward.</p> <p>B. The role of management in assessing and managing climate-related risks and opportunities</p> <p>All Board of Management members bear responsibility for climate change-related issues and ensure that the Group's strategy with regard to sustainability and climate change is implemented as a systematic driver in all Board areas of responsibility. One focus of the Group's strategy in the 2020 reporting year was the topic of addressing climate-related risks and opportunities. The impacts of this topic were assessed, internal structures for decision-making and controlling were established with the participation of top management, and project organisations were set up in the relevant Board areas of responsibility.</p>	BMW Group Report 2020: ☒ Strategy, Goals and Management System ☒ Corporate Governance
STRATEGY	<p>Sustainability is the basic pattern that shapes the BMW Group's strategy. From beginning to end, activities and plans should comprehensively be examined with regard to their economic, ecological and social impacts and the corresponding decisions taken based on an integrated approach. The BMW Group is firmly convinced that the fight against climate change and the responsible use of resources will determine the future of our society – and thus also that of the BMW Group. Particularly as a premium manufacturer, the BMW Group aspires to lead the way in promoting sustainability. In addition to the Group's activities to reduce greenhouse gas emissions (mitigation), addressing the consequences of climate change (adaptation) is also being dealt with and assessed within the framework of the "Adaptation to Climate Change" strategy project.</p> <p>A. Climate-related risks and opportunities</p> <p>As a globally leading provider of premium automobiles, motorcycles, mobility services and financial services, the BMW Group is exposed to an array of uncertainties and changes. In order to ensure growth, profitability, efficiency and continued sustainability going forward, the BMW Group needs to take well calculated risks and make full use of any opportunities that present themselves.</p> <p>In the context of its "Adaptation to Climate Change" strategy project, the BMW Group is preparing for a broad range of possible consequences and plans to systematically integrate reporting on the opportunities and risks associated with climate change in its Group Report.</p>	CDP questionnaire 2020: ☒ Strategy, Goals and Management System ☒ Risks and Opportunities ☒ Products and Services ☒ Production, Purchasing and Supplier Network

TCFD Key elements	Key elements of summarised disclosures/Key messages	Reference to chapters in the BMW Group Report 2020 and the CDP questionnaire for 2020
STRATEGY		
	<p>Significant opportunities</p> <ul style="list-style-type: none"> — The BMW Group intends to press ahead with the systematic electrification of all its brands and model series. By 2023, it plans to have 25 electrified vehicles on the road. Achieving this aim will provide the Group with an attractive portfolio to respond to the growing customer demand for battery-electric and plug-in hybrid vehicles. — Smart, scalable vehicle architectures that can be equipped with all available types of drivetrain systems are intended to give the Group the flexibility to successfully implement the shift towards climate neutrality that is both called for politically and aspired to socially. — The BMW Group's production system is capable of manufacturing both conventional internal combustion and electrically powered vehicles on a single line, enabling it to respond flexibly to changing customer requirements for various drivetrain systems. — (The BMW Group is convinced that the ability to produce electric drivetrains, batteries and prototypes for battery cells in-house creates a decisive competitive advantage that enables it...) The BMW Group is convinced that the ability to produce electric drivetrains, batteries and prototypes for battery cells in-house gives it a decisive competitive edge that enables it to safeguard its know-how in new technologies, gain crucial system expertise and leverage cost advantages. — Contracts have been concluded with various battery cell suppliers in order to safeguard the Group's electrification strategy. Volume flexibility has been written into the contracts to ensure additional latitude in the supply of battery cells. — The BMW Group has already contractually agreed with its cell manufacturers that only green electricity will be used to produce the fifth generation of battery cells. From the BMW Group's point of view, establishing the carbon footprint as an award criterion in the supply chain is a key competitive advantage in efficiently reducing carbon emissions in upstream processes. — The BMW Group is boosting efficiency and cutting costs by switching to lower-carbon processes and technologies in its own production facilities. — By generating its own electricity from renewable sources, the BMW Group is reducing not only its carbon footprint, but also its dependence on external sources. — The BMW Group is adapting to the expected consequences of climate change by conducting an assessment and deriving measures required to mitigate the physical risks for BMW-relevant assets (e.g. properties, suppliers, logistics). <p>Significant risks</p> <ul style="list-style-type: none"> — As climate change progresses, natural disasters are likely to occur on an increasing scale and impact the BMW Group in a variety of ways, with a negative influence on economic growth in the affected regions, among other factors. Any ensuing drop in consumer purchasing power due to a loss of income and the threat of unemployment would, in turn, have a negative earnings impact for the BMW Group. — The short-term introduction of more stringent legislation and regulations in the BMW Group's main markets (EU, USA, China), particularly regarding carbon emissions regulations, could have an effect on the Group's range of products and services. — The scale of acute and chronic physical risks (e.g. floods, storms, droughts) to BMW-relevant assets (e.g. properties, suppliers, logistics) could rise. — There could a greater risk of interruptions in the supply chain or the inability of individual suppliers to deliver, particularly due to breaches of sustainability or quality standards and the danger of natural disasters. — The risk of bottlenecks in the availability of raw materials, particularly those required to manufacture battery cells could increase. Moreover, if commodity price risks materialise, they could have an impact on earnings. — The rising price required to be paid for CO₂ emissions in energy-intensive supply chains could result in higher purchasing prices. — More stringent regulatory requirements for issuers could make the BMW Group less attractive as a sustainable investment. 	

TCFD Key elements	Key elements of summarised disclosures/Key messages	Reference to chapters in the BMW Group Report 2020 and the CDP questionnaire for 2020
STRATEGY	<p>B. The impact of climate-related risks and opportunities on the Group's business activities and its strategic and financial corporate planning</p> <p>The necessity to contain climate change has a major impact on both short- and long-term decision-making at the BMW Group. In the year under report, the BMW Group assessed its carbon emissions over the entire life cycle of its vehicles, using the internationally recognised method devised by the Science Based Targets Initiative (SBTI). Decarbonisation targets for the supply chain, production and use phase of its vehicles were developed for the period up to 2030, approved by the Board of Management and registered with the SBTi. From the BMW Group's perspective, these science-based decarbonisation targets are intended to provide a clearly defined pathway to sustainable growth.</p> <p>C. Resilience of the BMW Group's strategy</p> <p>The BMW Group conducts stress tests using qualitative and quantitative sensitivity analyses. Product planning, sales volumes and R&D investments all take the goals of the Paris Climate Agreement into account.</p>	CDP questionnaire 2020: B: C2.3, C2.3a, C2.4a, C3.1, C3.1b, C3.1d as well as examples of strategic decisions C: C3.1a, C3.1d well as assessment of strategy resilience
RISK MANAGEMENT	<p>A. Group processes for identifying and assessing climate-related risks</p> <p>Risk management is organised as a decentralised, Group-wide network and controlled via a centralised risk management function. Every BMW Group divisional area of responsibility is represented by Network Representatives. Any significant risks reported from within the network, including sustainability- and climate-related risks, are presented for review to the Risk Management Steering Committee, which is chaired by Group Controlling. After review, any risks regarded as significant are reported to the Board of Management and the Supervisory Board's Audit Committee. In addition, topics that represent opportunities or risks for the BMW Group's business in the long term are identified by means of an environmental radar that continuously monitors external changes.</p> <p>Apart from reducing greenhouse gas emissions (mitigation), the topic of adaptation (adjustment to the consequences of climate change) was also addressed in line with Group strategy. As part of the strategy project set up for this purpose, key links in the BMW Group's value chain were singled out (e.g. properties, suppliers, logistics, products) for which the consequences of climate change are likely to be particularly relevant and for which adaptation measures will need to be taken in order to mitigate medium-term climatic changes.</p> <p>Various annual time slices as well as climate scenarios are used to determine the risks. Based on the IPCC (Intergovernmental Panel on Climate Change), three scenarios were defined in order to present and assess climate change-related risks. A low-emission scenario takes a < 2°C pathway into account. Accordingly, all countries worldwide agree to combat climate change and implement rigorous climate protection policies. On the one hand, this scenario means greater transition-related risks for the BMW Group, for example due to stricter carbon emissions regulations in its main markets, but on the other hand it limits physical risks. The second climate scenario chosen by the BMW Group outlines a "medium" emissions scenario in which moderate emissions levels are assumed. Limited climate protection will lead to a medium level of transitional and physical risk. Another scenario portrays how the world will look if little or nothing is undertaken to protect the climate. This scenario would mean the highest level of emissions and therefore the highest level of physical risk.</p> <p>B. Group processes for managing climate-related risks</p> <p>The efficient management of opportunities and risks is key to responding appropriately to changes that occur in political, economic, technical or legal conditions. The BMW Group has put a comprehensive risk management system in place to manage these risks in a structured manner as they arise. The aim of the risk management system is to identify, assess and actively manage any risks that could threaten the attainment of the Group's corporate targets. Within that process, any individual and cumulative risks that pose a threat to the BMW Group's success are monitored and managed. As part of its "Adaptation to Climate Change" project, the BMW Group is discussing the integration of sustainability and, above all, climate-related risks in Group-wide risk management processes.</p> <p>Risks are classified both according to their potential impact on earnings (worst-case scenario) and according to the risk amount (average earnings impact, taking into account the probability of occurrence).</p> <p>As part of the existing natural hazard assessment process for properties and suppliers, current climate change-related hazards are also taken into account and assessed accordingly. The consideration of future medium-term physical risks is being investigated within the context of a current strategy project.</p> <p>C. Integrating processes for identifying, assessing and managing climate-related risks within the Group's general risk management system</p> <p>Alongside comprehensive risk management, sustainability constitutes a core strategic principle of the BMW Group. Risks resulting from sustainability aspects that could have an impact on the BMW Group are generally identified via the Group-wide risk management network.</p> <p>When analysing sustainability-related opportunities and risks, the physical risks associated with climate change (e.g. disruption of supply chains due to natural hazards) and transition-related risks (such as the ability to meet emissions requirements) are also assessed.</p>	BMW Group Report 2020: ↗ Risks and Opportunities CDP questionnaire 2020: A: C2.2, C2.2a B: C2.2a C: C2.2

TCFD Key elements	Key elements of summarised disclosures/Key messages	Reference to chapters in the BMW Group Report 2020 and the CDP questionnaire for 2020
KEY SUSTAINABILITY INDICATORS AND TARGETS	<p>A. Key sustainability indicators the Group uses to assess climate-related risks and opportunities The BMW Group Report provides an overview of key sustainability indicators that the BMW Group uses to measure, monitor and manage its sustainability targets. The key sustainability indicators here are carbon emissions per vehicle produced and carbon emissions (g CO₂/km) generated by the new vehicle fleet (EU including Norway and Iceland).</p> <p>B. Disclosure of Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions The BMW Group discloses its Scope 1, Scope 2 and Scope 3 emissions within the framework of its carbon footprint reporting process.</p> <p>C. Targets according to which the Group addresses climate-related opportunities and risks The BMW Group has set itself the following carbon reduction targets per vehicle produced throughout their life cycle for 2030 (base year 2019): – 20 % supply chain; – 80 % production; – 40 % use phase.</p>	<p>BMW Group Report 2020:</p> <ul style="list-style-type: none">☒ Products and Services☒ Production, Purchasing and Supplier Network☒ Carbon footprint of the BMW Group <p>CDP questionnaire 2020:</p> <ul style="list-style-type: none">A: C4.2, C9.1B: C6.1, C6.3, C6.5C: C4.1, C4.1a, C4.1b, C4.2

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Mandatory disclosure pursuant to section 289 c–e HGB	Chapter in BMW Group Report 2020
Business model	↳ Organisation and Business Model
Integration of top management	↳ Strategy, Goals and Management System
Risks	↳ Report on Risks and Opportunities
Connection to figures in financial statements	↳ About this Report ↳ Compliance and Human Rights ↳ Long-term Employee Development and Employer Attractiveness
Environmental matters	↳ Products and Services ↳ Production, Purchasing and Supplier Network
Employee matters	↳ Long-term Employee Development and Employer Attractiveness ↳ Health and Performance ↳ Employee Diversity
Social matters	↳ Design and Product Safety ↳ Corporate Citizenship
Respect for human rights	↳ Compliance and Human Rights ↳ Purchasing and Supplier Network
Combatting corruption and bribery	↳ Compliance and Human Rights

BMW GROUP FUEL CONSUMPTION AND CO₂ EMISSIONS INFORMATION

As of February 2021

Model	Figures according to NEDC			Model	Figures according to NEDC		
	Fuel consumption in l/100 km (combined/weighted combined) max/min	CO ₂ emissions in g/km (combined/weighted combined) max/min	Electricity power consumption in kWh/100 km (combined/weighted combined) max/min		Fuel consumption in l/100 km (combined/weighted combined) max/min	CO ₂ emissions in g/km (combined/weighted combined) max/min	Electricity power consumption in kWh/100 km (combined/weighted combined) max/min
BMW							
BMW 330e Sedan	1.8–1.5	41–35	14.8–13.9				
BMW 330e xDrive Sedan	2.0–1.7	45–40	15.9–15.2				
BMW M3 Competition	10.2	234	–				
BMW M3	10.8	248	–				
BMW 330e Touring	1.9–1.7	44–38	15.6–14.5				
BMW 330e xDrive Touring	2.2–1.9	49–43	15.8–14.7				
BMW M4 Competition	10.2	234	–				
BMW M4	10.8	248	–				
BMW 530e Sedan	1.9–1.7	43–39	14.9–13.8				
BMW 530e xDrive Sedan	2.1–2.0	49–46	16.5–15.9				
BMW 545e xDrive Sedan	2.3–2.2	53–49	16.3–15.8				
BMW 530e Touring	2.0–1.8	46–42	16.1–15.4				
BMW 530e xDrive Touring	2.4–2.2	54–50	16.7–16.1				
BMW M8	11.3	260	–				
BMW X1 xDrive25e	1.9	43	13.8				
BMW X2 xDrive25e	1.9	43	13.7				
BMW X3 xDrive30e	2.4–2.1	54–48	16.9–16.3				
BMW X5 xDrive45e	2.1–1.6	47–37	25.2–23.5				
BMW X5 M and X5 M Competition	13.0–12.8	296–291	–				
BMW X6 M and X6 M Competition	13.1	301	–				
BMW iX3	–	–	17.8–17.5				
BMW i3 120 Ah	–	–	13.1				
BMW i3s 120 Ah	–	–	14.6–14.0				
BMW iX*	–	–	<21*				

* Figures are provisional and based on forecasts based on WLTP testcycle.

BMW GROUP TEN-YEAR COMPARISON

		2020	2019	2018 ¹	2017	2016	2015	2014	2013	2012	2011
DELIVERIES											
Automobiles ²	units	2,325,179	2,537,504	2,486,149	2,465,021	2,349,962	2,259,733	2,117,965	1,963,798	1,845,186	1,668,982
Motorcycles ³	units	169,272	175,162	165,566	164,153	145,032	136,963	123,495	115,215	106,358	104,286
PRODUCTION VOLUME											
Automobiles	units	2,255,637	2,564,025	2,541,534	2,505,741	2,359,756	2,279,503	2,165,566	2,006,366	1,861,826	1,738,160
Motorcycles ³	units	168,104	187,116	162,687	185,682	145,555	151,004	133,615	110,127	113,811	110,360
FINANCIAL SERVICES											
Contract portfolio	contracts	5,981,928	5,973,682	5,708,032	5,380,785	5,114,906	4,718,970	4,359,572	4,130,002	3,846,364	3,592,093
Business volume (based on balance sheet carrying amounts)	€ million	133,093	142,834	133,147	124,719	123,394	111,191	96,390	84,347	80,974	75,245
INCOME STATEMENT											
Revenues	€ million	98,990	104,210	96,855	98,282	94,163	92,175	80,401	76,059	76,848	68,821
Gross profit margin	%	13.7	17.3	19.0	20.3	19.9	19.7	21.2	20.1	20.2	21.1
Earnings before financial result	€ million	4,830	7,411	8,933	9,899	9,386	9,593	9,118	7,978	8,275	8,018
Earnings before tax	€ million	5,222	7,118	9,627	10,675	9,665	9,224	8,707	7,893	7,803	7,383
Return on sales (earnings before tax / revenues)	%	5.3	6.8	9.9	10.9	10.3	10.0	10.8	10.4	10.2	10.7
Income taxes	€ million	1,365	2,140	2,530	2,000	2,755	2,828	2,890	2,564	2,692	2,476
Effective tax rate	%	26.1	30.1	26.3	18.7	28.5	30.7	33.2	32.5	34.5	33.5
Net profit for the year	€ million	3,857	5,022	7,064	8,675	6,910	6,396	5,817	5,329	5,111	4,907

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		2020	2019	2018 ¹	2017	2016	2015	2014	2013	2012	2011
BALANCE SHEET											
Non-current assets	€ million	134,851	137,404	124,202	121,964	121,671	110,343	97,959	86,193	81,305	74,425
Current assets	€ million	81,807	90,630	84,736	73,542	66,864	61,831	56,844	52,184	50,530	49,004
Capital expenditure (excluding capitalised development costs)	€ million	3,922	5,650	5,029	4,688	3,731	3,826	4,601	4,967	4,151	2,720
Capital expenditure ratio (capital expenditure / revenues)	%	4.0	5.4	5.2	4.8	4.0	4.2	5.7	6.5	5.4	4.0
Equity	€ million	61,520	59,907	57,829	54,107	47,363	42,764	37,437	35,600	30,606	27,103
Equity ratio	%	28.4	26.3	27.7	27.7	25.1	24.8	24.2	25.7	23.2	22.0
Non-current provisions and liabilities	€ million	83,175	85,502	79,698	69,634	73,183	63,819	58,288	51,643	52,834	49,113
Current provisions and liabilities	€ million	71,963	82,625	71,411	71,765	67,989	65,591	59,078	51,134	48,395	47,213
Balance sheet total	€ million	216,658	228,034	208,938	195,506	188,535	172,174	154,803	138,377	131,835	123,429
CASH FLOW STATEMENT											
Cash and cash equivalents at balance sheet date	€ million	13,537	12,036	10,979	9,039	7,880	6,122	7,688	7,671	8,370	7,776
Free cash flow Automotive segment	€ million	3,395	2,567	2,713	4,459	5,792	5,404	3,481	3,003	3,809	3,166
PERSONNEL											
Workforce at year-end ⁴		120,726	126,016	134,682	129,932	124,729	122,244	116,324	110,351	105,876	100,306
Personnel cost per employee ⁴	€	99,647	98,901	101,178	100,760	99,575	97,136	92,337	89,869	89,161	84,887
DIVIDEND											
Dividend total	€ million	1,253 ⁵	1,646	2,303	2,630	2,300	2,102	1,904	1,707	1,640	1,508
Dividend per share of common stock / preferred stock	€	1.90 ⁵ / 1.92 ⁵	2.50 / 2.52	3.50 / 3.52	4.00 / 4.02	3.50 / 3.52	3.20 / 3.22	2.90 / 2.92	2.60 / 2.62	2.50 / 2.52	2.30 / 2.32

¹ The 2018 figures were adjusted due to the change in accounting policy in conjunction with the adoption of IFRS 16 (see Annual Report 2019, note 6 to the Group Financial Statements).

In addition, prior year figures were adjusted due to changes in the presentation of selected items that are of minor importance overall.

² Retail vehicle delivery data presented for 2020 is not directly comparable to such data presented for previous years. For further information on retail vehicle delivery data, please see [Comparison of Forecast with Actual Outcomes](#).

³ Excluding Husqvarna, deliveries up to 2013: 59,776 units; production up to 2013: 59,426 units.

⁴ Since the reporting year 2020, a new definition for workforce size has been applied (see [Glossary](#)). To enable better comparability, the value for 2019 was adjusted accordingly (2019 before adjustment: 133,778 employees).

For the timeframe including and prior to 2018, the share of the employees that are no longer reflected in reporting is about 7.5-8 %.

⁵ Proposal by management.

FINANCIAL CALENDAR

2021

17 March 2021

BMW Group Annual Conference.
Media Day

18 March 2021

BMW Group Annual Conference.
Analyst and Investor Day

7 May 2021

Quarterly Statement to 31 March 2021

12 May 2021

Annual General Meeting

3 August 2021

Half-Year Report to 30 June 2021

3 November 2021

Quarterly Statement to 30 September 2021

2022

16 March 2022

BMW Group Report 2021

16 March 2022

BMW Group Annual Conference.
Media Day

17 March 2022

BMW Group Annual Conference.
Analyst and Investor Day

5 May 2022

Quarterly Statement to 31 March 2022

11 May 2022

Annual General Meeting

3 August 2022

Half-Year Report to 30 June 2022

3 November 2022

Quarterly Statement to 30 September 2022

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↗ www.bmw.com

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↗ www.rolls-roycemotorcars.com

↗ www.bmw-motorrad.com

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