

BMW AG ANNUAL GENERAL MEETING 2018.

AGENDA ITEM 7:
ADDITIONAL INFORMATION RELATING TO THE REVISED
COMPENSATION SYSTEM FOR THE BOARD OF MANAGEMENT.



**BMW
GROUP**

THE NEXT
100 YEARS 



Rolls-Royce
Motor Cars Limited

REVISED COMPENSATION SYSTEM FOR THE BOARD OF MANAGEMENT. SUMMARY.

Further development of the compensation system for the Board of Management – the new system is further oriented towards sustainable growth and earnings development with a focus on strategy and safeguarding the future.

The overall upper limits of the total remuneration (total salary caps) remain unchanged.

Pension contributions stay unchanged.

NEW Introduction of a future-oriented Performance Cash Plan (PCP) with a three-year evaluation period.

NEW More challenging target criteria for the earnings-related bonus, aligned with the long-term corporate planning.

NEW Elimination of the possibility of special bonus payments.

NEW New target values and upper limits for each component of the variable compensation as well as an increase in base salary with total upper limits of the total remuneration unchanged.

REVISED COMPENSATION SYSTEM FOR THE BOARD OF MANAGEMENT. OVERVIEW COMPENSATION STRUCTURE (1).

Base Salary

Adjustment of the base salary (first time since 2012).

Variable Compensation

(1) Adjustments to the bonus

Restructuring of the earnings- and the performance-related bonus components (previously 50%/50%; now: 30%/70% based on 100%-target achievement): Reduction of target compensation amount and adjusted relative weighting of components.

Components capped at 180% (previously 200%) of the target amount.

Earnings-related component: More ambitious targets and elimination of the dividend as a calculation factor.

Performance-related component: Primarily qualitative, non-financial criteria with a focus on strategic challenges, also including relative parameters (e.g. the Group's market position compared to its competitors).

(2) Introduction of a Performance Cash Plan (PCP)

Future-oriented cash component with pay-out after a three-year evaluation period.

Parameters: (a) Multi-year earnings factor (average figures of Group net profit and post-tax return on sales).
(b) Multi-year performance factor.

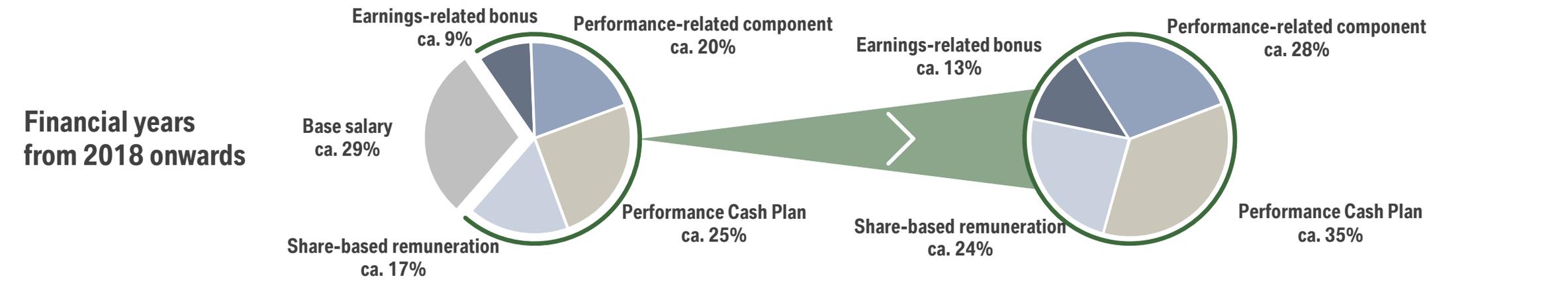
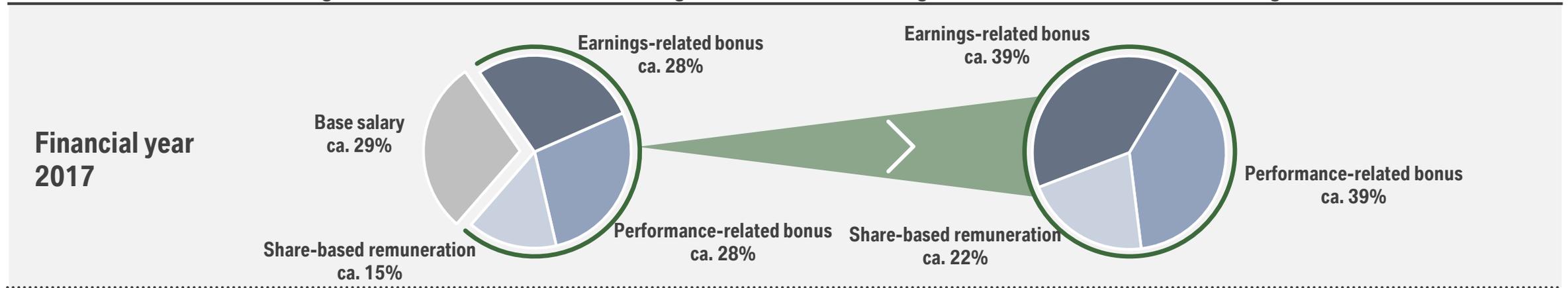
(3) Continuation of the share-based remuneration programme

Continuation of the share-based remuneration with adjusted base amounts and slightly higher proportion of the overall target compensation (previously: 20% of the net bonus plus taxes/social insurance contributions; in future: 45% of the gross bonus).

REVISED COMPENSATION SYSTEM FOR THE BOARD OF MANAGEMENT. OVERVIEW COMPENSATION STRUCTURE (2).

Structure of overall compensation*,**
e.g. Chairman of the Board of Management

Structure of variable compensation**
e.g. Chairman of the Board of Management



* Simplified representation: Pension contributions and other remuneration such as the use of company cars and the payment of insurance premiums etc. are not shown.

** Assuming 100%-target achievement and share price remains unchanged for the calculation of the matching component.

REVISED COMPENSATION SYSTEM FOR THE BOARD OF MANAGEMENT. REMUNERATION CAPS.

Remuneration caps

		Chairman of the Board of Management		Member of the Board of Management during the first period of office		Member of the Board of Management during the second period of office or the fourth year of mandate		
		Up to Now	New	Up to Now	New	Up to Now	New	
		in thsd. €						
Base salary		1,500	1,800	750	800	900	950	
Variable compensation	Until now: Bonus	6,000	3,240	3,000	1,530	3,500	1,800	
	New: Bonus (new)							
	-	-	2,880	-	1,530	-	1,710	
	Share-based remuneration	Cash remuneration component	1,400	1,458	700	688.5	800	810
		Matching-component	1,400	729	700	344.5	800	405
	Possible special bonus payment		1,500	-	1,000	-	1,200	-
Calculative sum		12,300	10,607	6,500	5,243	7,567	6,042	
Fixed upper limit – „cap“ *		9,850	9,850	4,925	4,925	5,500	5,500	

* Including pension contributions and other remuneration such as the use of company cars and the payment of insurance premiums etc.

REVISED COMPENSATION SYSTEM FOR THE BOARD OF MANAGEMENT. OVERVIEW COMPONENTS.*

	PREVIOUSLY		NEW	
Base salary	<ul style="list-style-type: none"> Board member during the first period of office: 0.75m EUR Board member during the second period of office or the fourth year of mandate: 0.9m EUR Chairman of the Board of Management: 1.5m EUR 		<ul style="list-style-type: none"> Board member during the first period of office: 0.8m EUR Board member during the second period of office or the fourth year of mandate: 0.95m EUR Chairman of the Board of Management: 1.8m EUR 	
Variable compensation	Bonus	Target bonus with 2 components: (1) Earnings-related bonus (50% of the target amount) Criteria: Group net income, post-tax return on sales and dividend	– Changed weighting of the bonus-components in relation to each other – Adjustment of bonus caps and target amounts	
		(2) Performance-related bonus (50% of the target amount) ** Primarily qualitative, non-financial criteria Focus on sustainable and long-term development and the Group's future viability	Earnings-related bonus Dividend no longer applicable	
	Share-based remuneration program	2 components: (1) Cash compensation component Earmarked cash in the amount of 20% of the overall bonus after tax and social insurance contributions (payout includes taxes and social insurance contributions)	Maintaining the share-based component (adjustment of the baseament for investments)	Bonus new Target bonus with 2 components: (1) Earnings-related component (30% of the target amount) Criteria: Group net income and after-tax return on sales (2) Performance-related component (70% of the target amount) ** - Primarily qualitative, non-financial criteria Focus on sustainable and long-term development and the Group's future viability
		(2) Matching component Once the four-year holding period requirement is fulfilled, Board of Management members receive for each three common stock shares held either – at the Company's option – one further share of common stock or the equivalent amount in cash		PCP Performance Cash Plan (1) Determination of a multi-year earnings factor (3-year average) Criteria: Group net income and after-tax return on sales Pay out after three-year evaluation period multiplied ↓ PCP-factor
Special bonus payment	Payment possible in justified cases on basis of appropriateness	Elimination	Special bonus payment No longer applicable	
			(2) Determination of multi-year performance factor (value between 0,9 and 1,1) includes in particular: - business development, - forecast trend in the business development, - individual contribution to profitability, - status of compliance	

* Simplified representation: Pension contributions and other remuneration such as the use of company cars and the payment of insurance premiums etc. are not shown.

More detailed descriptions about the components can be found in the compensation report. Table assumes 100% target achievement.

** **Criteria for performance-related bonus /-component:** Primarily qualitative, non-financial criteria, expressed in terms of a factor (performance-related factor), taking into account Board Member's contribution to sustainable and long-term success as well as to the Group's future viability over a three-year period e.g. 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.