

**Extractive Industries Transpar-
ency Initiative – D-EITI
Berlin**

Report on the type and scope of the work of the
Independent Administrator for the 2023 reporting year

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1 Assignment

By contract dated 1 April 2025, we, Deloitte GmbH Wirtschaftsprüfungsgesellschaft (“Deloitte”), have been entrusted by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH with the task of providing support for the implementation of the Extractive Industries Transparency Initiative (EITI) in Germany.

Deloitte assumes the role of the “Independent Administrator” within the meaning of the EITI standard within the framework of the German EITI process. The aim of the assignment is to contribute to the preparation of the German EITI report for the calendar year 2023. The tasks of the Independent Administrator include, but are not limited to:

- The identification of extractive industries in Germany that make substantial payments to public authorities in accordance with Requirement 4.1 (d) of the EITI standard
- The collection of data regarding payments made by these companies to government agencies for the reporting year 2023 by means of an enquiry form
- Use of the alternative procedure to ensure the quality of the payment data collected,
- Additional consulting services for technical questions arising from the MSG

The purpose of this report is to summarise and document the work carried out, which has been coordinated with GIZ representatives and the members of the MSG.

2 Approach to ensure the quality of the published information

2.1 Content classification of this work report

The EITI Standard 2023 requires a comprehensive publication of all material payment flows from the national extractive sector to government agencies. This information on payment flows must meet the requirements of reliability, comprehensibility and public availability (see EITI requirements 4.1 and 4.9). The MSG must ensure the quality of the information.

In the first two D-EITI reports, the MSG relied on mutual disclosure of payment flows for quality assurance. This “standard” EITI procedure enables an Independent Administrator to carry out an individual comparison between the reported payments of companies and the corresponding revenues of the government agencies (“payment reconciliation procedure”). There were no or no notable differences between the payments made by companies and the payments received from government agencies.

From a systematic point of view, the standard payment reconciliation procedure is a case-by-case examination of the payment flows reported by the participating companies. The processes were not recorded and assessed, and there were no controls associated with the payment flows.

Since the 2018 reporting period, Germany has been developing and implementing an alternative method for quality assurance of reported payment flows to government agencies. For this eighth German EITI report, the alternative method will continue to be used.

2.2 Alternative quality assurance procedure

The alternative method replaces payment reconciliation with a two-step system-based approach. In its first step, information about the relevant processes and controls, as well as the control environment, is collected and analysed. The main focus is on the government payment recipients, e.g. the government agency collection processes, the existing monitoring bodies, and the general legal framework conditions in the government agencies. The aim of the analysis is to enable the MSG to make an informed assessment as to whether there is a risk of extraction-related payments to government agencies having being processed incorrectly during the reporting period.

The subsequent steps vary depending on the result of the risk assessment, with options running from a plausibility check based on key figures and further analytical considerations in the case of missing risk indications to detailed analyses and checks in the case of risk indications.

The concept of the system-based approach developed under the alternative quality assurance process is considered by the MSG to be appropriate to meet the requirements of the EITI standard on the reliable disclosure of payments from the extractive industries. In the meantime, this alternative has been included as an EITI standard procedure.

3 Risk assessment process for non-regularity of payment flows by the multi-stakeholder group

The existing processes used by the government agencies were designed to build on the activities of previous years and based on publicly available information and surveys of employees of government agencies and members of the MSG. These serve as a basis for assessing the risk of non-regularity of payment flows by the multi-stakeholder group.

3.1 Affected payment flows

For the reporting process, payment flows in the extractive sector must be taken into account in accordance with the EITI standard if they are material for a complete presentation of corporate payments and government revenues. The MSG has decided to collect the following payment flows as part of the eighth German EITI report for 2023:

- Corporate tax
- Trade tax
- Mine site and extraction royalties in accordance with the Federal Mining Act (Bundesberggesetz)
- Lease payments
- Payments for infrastructure improvement

Under the terms of the contract, the activities to be carried out by Deloitte relate exclusively to the following payment flows:

- Corporate tax
- Trade tax
- Mine site and extraction royalties

3.2 Identification of government agencies relevant to D-EITI

Due to Germany's federal administrative structure, it is not possible to record all the relevant government agencies that generate revenue from the extractive industry centrally. As such, they are instead derived directly from the payment flows defined by the MSG:

- Corporate tax: Competent tax offices at the registered office of the companies.
- Trade tax: Municipalities in whose territory the relevant establishments are located.
- Mine site and extraction royalties: Competent mining authorities of the federal state in which the licensed/approved mine site is located.

The corresponding reports by the participating companies are used as the basis for the presentation of government revenues.

3.3 Risk assessment process for non-regularity of payment flows by the multi-stakeholder group

The assessment is based on the processes and control mechanisms put in place by government agencies to ensure proper collection (debit) and settlement (payment) of the respective payment flows. The concept of “regularity” means, with regard to the EITI objectives,

- that adequate processes or procedures are in place at the level of the relevant government agency to ensure that payments are made in a timely manner and in accordance with the law,
- that processes and controls are in place to ensure full and timely clarification of any discrepancies between the debit position of government agencies and payments by companies,
- that adequate controls are in place at the level of higher government agencies; and
- that verification of the controls by independent audit offices is ensured.

The analysis of the processes and controls set up on the part of the government agencies also takes into account the wider administrative environment of these government agencies and the relevant legal framework.

In Germany, this system is based on a combination of legal bases (e.g. civil service law, budgetary law, criminal law, administrative regulations), the structure and organisation of the authorities (e.g. by means of rules of procedure, business allocation plans, establishment of segregation of duties, dual-control principle) and additional monitoring of processes and controls (e.g. by means of internal audit offices and other independent audit offices). All these processes, procedures and controls are to be understood as an internal control system (ICS). An ICS supports the objective of the correct collection of the respective payments.

The definition of an internal control system is the result of various framework concepts. The concept of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) has been widely disseminated internationally. Its basic principles are reflected, for example, in the Standards for Internal Control in the Federal Government of the United States Government Accountability Office, which can therefore also be applied to government agencies. At the same time, this framework concept is, among other things, the methodological basis for the auditing standards applied in Germany by the Institut der Wirtschaftsprüfer in Deutschland e. V. (IDW) in statutory audits and voluntary audits.¹

According to COSO, the components of an ICS include the control environment, risk assessments, control activities, information & communication and monitoring of the ICS.

Due to the federal structure of the administration in Germany, the internal control systems of the relevant government agencies and administrative units are not identical, but instead take into account the special features of the federal structure of the Federal Republic of Germany and the resulting statutory provisions on the one hand, and the requirements for efficient administrative activity on the other. Independently of this, it must be noted that the explained components of an ICS can be identified in the relevant government

¹ Audit standard IDW PS 261: “Identification and assessment of risk of error and auditor responses to the risk of error assessed” and audit standard IDW PS 982: “Principles of proper auditing for the internal control system and of internal and external reporting”

agencies. These components are applied to the relevant payment flows of corporate tax, trade tax, and mine site and extraction royalties.

3.3.1 The control environment relevant to the risk assessment

In accordance with audit standard IDW PS 982 of the Institute of German Auditors, the control environment defines the framework within which regulations are introduced and implemented. It is characterised by the basic attitudes, the awareness of the problem and the behaviour of the middle and upper management levels, and the role of the supervisory body (“tone at the top”). The clear design of the structural and process organisation should clearly define and separate responsibilities within the company. In addition, the essential regulations should be documented and made binding.

The control environment has a significant influence on the control awareness of the employees. A supportive environment can enhance the effectiveness of the ICS. On the other hand, an unfavourable environment carries the risk that existing rules will be respected only on a formal level, or even completely ignored.

In the case of tax authorities (corporate tax), the control environment of the government agencies is characterised by a strict hierarchical structure, which is largely prescribed by the Financial Administration Act (FVG). The organisation of the mining authorities, on the other hand, is the responsibility of the respective federal state; the Federal Mining Act does not contain any detailed provisions in this regard.

Within the relevant government agencies, the respective organisational structure is clearly regulated by rules of procedure (e.g. the rules of procedure for the tax offices), business allocation plans, job descriptions and administrative instructions. The responsibilities of the respective job holders within the administrative processes result from the internal job descriptions or business allocation plans. The supervisory duties and powers of instruction of the respective superiors are derived from the rules of procedure and administrative instructions.

In addition to this, the control environment of the relevant government agencies is decisively shaped by German civil service law (Beamtenrecht),² parliamentary budgetary law, and the associated control processes.

Civil service law is a separate area of law that regulates the special rights and obligations of civil servants. The duty of neutrality in the exercising of their activities, the exclusion of the right to strike, and the requirement of constitutional loyalty are contrasted with the right to lifelong employment with adequate remuneration and pension.

Breaches of duty by civil servants are subject to disciplinary law, a subset of civil service law. This governs how to proceed in the event of possible breaches of duty and what consequences are likely to result from proven guilt. Due to their special legal status, civil servants are obliged to behave with integrity. This in-

² Some of the competent agencies also employ individuals who are not subject to civil service law. However, these individuals are nevertheless committed to the common good and must also provide their services objectively, neutrally and in accordance with the law. Nevertheless, at least one civil servant is always involved in decision-making processes.

cludes, in particular, compliance with legal requirements and acting in accordance with the ethical principles of civil service law, including compliance with the law or the constitution. An important aspect of this obligation is the explicit release from the otherwise existing obligation of confidentiality under Section 37 para. 2 Sentence 1 No. 3 of the Civil Servants Status Act (BeamtStG), provided that a civil servant reports a fact-based suspicion of a corruption offence under Sections 331 to 337 of the Criminal Code to the competent supreme service authority.

Furthermore, the relevant control environment is significantly shaped by the applicable budgetary law and the existing primacy of parliament at federal, state and local level. Parliament’s decision-making on Budgetary Law determines the budget in question and thus gains its democratic legitimacy. At the same time, budgetary law both empowers the executive and obliges it to implement the budget within the respective financial year.

Depending on the significance of the revenue for the budget, the payment flows relevant for D-EITI (corporate tax, trade tax, mine site and extraction royalties, lease payments, payments to infrastructure) are also shown separately in the budget planning or in budgetary law. Here is an example of the combined excerpt from the state budget of Schleswig-Holstein 2023:³

Titel	FKT	Zweckbestimmung	Soll 2022	Soll 2023
			Ist 2021	
			T€	
noch zu 058 02				
122 01	632	Feldes- und Förderabgaben für Erdöl und sonstige Bodenschätze	50.000,0	45.000,0
			60.640,2	
Erstattungen und unmittelbare Verwaltungskosten Dritter sind von den Einnahmen abzusetzen.				
Einnahmen resultieren fast ausschließlich aus Förderabgaben für Erdöl, Erdgas und Erdölgas. Es können Förderabgaben für Sole nach besonderen Abgabesätzen anfallen. Die Erhebung der Feldes- und Förderabgaben richtet sich nach der Landesverordnung vom 11. Dezember 2012 (GVOBl. Schl.-H. S. 776), zuletzt geändert durch Verordnung vom 3. Dezember 2014 (GVOBl. Schl.-H. S. 496).				

At the end of the financial year, the “budget account” is used to report on the financial results. The budget account is a key instrument of public financial control. It documents how the appropriations provided for in the budget have actually been used. In this connection, planned and actual values are compared.

In addition to the above-mentioned regulations, Germany has a number of other regulations that are intended to ensure the integrity of the actions of public administrations. In the area of corruption prevention,

³ Excerpt from Section 11 “Allgemeine Finanzverwaltung” (General Financial Administration) for the Schleswig-Holstein state budget for the 2023 financial year; available on the website of the State of Schleswig-Holstein at https://www.schleswig-holstein.de/DE/fachinhalte/H/haushalt_landeshaushalt/Downloads/HH2023/EP11.pdf?__blob=publicationFile&v=1

especially the directive on corruption prevention in the federal administration should be mentioned, which contains essential measures of a prevention strategy such as

- the identification of work areas particularly at risk of corruption,
- the multiple-control principle; and
- the creation of a contact person

and a code of conduct for employees and guidelines for superiors and heads of authorities. Additional recommendations on corruption prevention in the federal administration serve to support the implementation of this directive. At the state level, there are also various legal regulations and administrative provisions to prevent illegal and unfair influences on administrative action (see the Corruption Prevention Act of 16 December 2004 as an example for NRW).

Furthermore, the establishment of a whistle-blower system has been mandatory in Germany since 2023 for employers with 50 employees or more. The corresponding Whistleblower Protection Act (HinSchG) is the German implementation of the EU Whistleblower Directive. The establishment of such whistle-blower protection systems is obligatory not only for companies, but also for federal, state and local authorities and other public authorities – regardless of the number of employees.

3.3.2 Risk relating to mine site and extraction royalties

The calculation, assessment and collection of the mine site and extraction royalties is based on the Federal Mining Act (BBergG) and the Extraction Royalties Ordinance of the respective federal states in conjunction with the relevant provisions of the German tax code (AO). Insofar as mining rights date back to the time before the current Federal Mining Act came into force in 1982 (“legacy rights”), no mine site and extraction royalties apply.

3.3.2.1 Upstream assessment process

The assessment and collection processes are key elements in the taxation process. The results of the assessment form the basis for the survey from which the actual flow of payments arises. The EITI standards do not refer to the assessment process. However, a basic understanding of this upstream process is necessary in order to assess the regularity of the payment flow.

The mine site and extraction royalties are based on a self-assessment carried out by the respective companies. On the basis of the relevant legal regulations, the amount of the payment due is first determined by the companies themselves, then communicated to the respective government agency.

The State Office for Mining, Energy and Geology (LBEG) in Hanover is responsible for the largest share of mine site and extraction royalties out of the participating companies. As such, the process sequence is illustrated as shown in the example below: the companies subject to the royalties collect the necessary data as part of a self-assessment via a web client system (VAS = assessment system for mine site and extraction royalties). In accordance with Section 2 of the Lower Saxony Ordinance on Mine Site and Extraction Royalties (NFördAVO), the self-assessment is carried out via advance notification for each quarter of a calendar year. The extraction royalties declaration for the previous collection period must be submitted annually by 30 September.

The self-assessment procedure creates potential risks of error on the part of companies, for example:

- Writing or input errors when recording the data in the self-assessment,
- Unintentional misinterpretation of relevant legal provisions,
- Wilful disregard of legal requirements.

Accordingly, the relevant government agencies each have extensive auditing rights in order to ascertain whether the information prepared and provided is correct and complete.

3.3.2.2 The collection process and its embedded controls

Risks associated with the collection of payments must be distinguished from the risks in the assessment process. This process is called the collection process. The risk is addressed organisationally by a strict segregation of duties within the relevant government agencies. Segregation of duties is defined by the division of responsibilities for specific, independent tasks of a business process between different persons or organisational units in order to minimise conflicts of interest, fraud and errors. This is reflected in praxis by the organisational separation between the assessment process and the collection process. The segregation of duties is intended to ensure that:

- The employees responsible for the assessment have no access to the bank accounts of the government agency. The parties liable for payment transfer the specified amounts to these accounts, or these amounts are collected on these accounts
- No one person handles the case in its entirety

In the administrative organisation, attention is also paid to ensuring that the dual-control principle is consistently adhered to in the administrative processes. Another aspect is that companies cannot meet their payment obligations in cash. Payments may only be made by bank transfer; cash payments are not permitted.

As the organisational unit of the Lower Saxony Ministry of Finance, the Lower Saxony State Treasury is responsible for the technical handling of the payment flows. According to the information provided, it is not responsible for the clarification of the content of matters relating to the mine site and extraction royalties, and is not involved in this.

The assessment system for the mine site and extraction royalties manages all of the companies' settlement-relevant master data. The system automatically calculates the extraction royalties based on the companies' input. VAS is not used for the mine site royalties, which are determined via the LBEG's electronic file system.

Due to the self-assessment procedure, the determination usually takes place after the companies have made their (advance) payments. The administrative department draws up assessment notices and payment orders, which are sent electronically to the responsible unit in Hanover for checking and approval.

The technical responsibility for the correctness and completeness of the determination of the mine site and extraction royalties ("target position") lies with the administrative department. The dual-control principle is implemented through the participation of the head of unit. Due to the self-assessment procedure,

the determination usually takes place after the companies have made their (advance) payments. The administrative department draws up assessment notices and payment orders, which are sent electronically to the responsible unit in Hanover for checking and approval.

The payment orders are checked against the documents justifying the payment from the relevant unit and entered in the budget implementation system after approval. The companies' payments are initially recorded in a suspense account at the state treasury, since no payment order reference is used in the determination. The account balance is regularly monitored, payments are allocated, and discrepancies between target and actual amounts are clarified together with the administrative department. For mine site and extraction royalties, payments in the budget implementation system are accompanied by the corresponding budget title so that the budget administration can reconcile planned and actual revenue.

The regulations on the segregation of duties between the assessment and collection process and a dual-control principle are also followed in other federal states. This is shown by an analysis in the State of Schleswig-Holstein. Here, a separation is made between processing and the recording of the receipt of payment for the respective mine site and extraction royalties. In addition to this, payments in the budget implementation system are accompanied by the corresponding budget title so that the budget administration can reconcile planned and actual revenue, and any discrepancies can be shown.

3.3.2.3 Higher-level controls for the collection process

The department of the Lower Saxony Ministry of Economic Affairs, Transport and Building (Ministry of Economic Affairs) that is responsible for the supervision of the LBEG receives quarterly reports from the LBEG on the development of revenue from the extraction royalties. These reports are based on the individual companies' advance declarations of extraction royalties, and contain the following information for each company subject to royalties:

- The current assessed rate
- The amount of extraction subject to royalties
- The amount of the extraction royalties to be paid

These reports also include information on the changes based on comparison with the previous quarter and the same quarter of the previous year. This information allows the Ministry of Economic Affairs to continuously analyse discrepancies from previous reports and its own forecast of revenues in the context of budget-related reporting. The quarterly reports are summarised by the LBEG in an annual report based on the annual declarations of the companies; retropayment and overpayment amounts are derived accordingly from this report.

The Ministry of Finance provides the Ministry of Economic Affairs with monthly overviews of the revenue and expenditure for the extraction royalties on the basis of the data from the state treasury, which are subsequently also passed on to the LBEG. In addition to this, the Ministry of Economic Affairs reports annually to the Ministry of Finance on the status of the Lower Saxony oil and gas industry; this report also contains information on the level and development of extraction royalties.

Amendments to the NFördAVO (including the rate of the royalty) are decided by the State Government of Lower Saxony on a proposal from the Lower Saxony Ministry of Economic Affairs. The Lower Saxony Ministry

of Economic Affairs makes forecasts for the amount of revenue from the extraction royalties for the state budget.

With regard to payment flows, the focus is on the strict segregation between assessment (LBEG) and collection (treasury management/state treasury). The Ministry of Economic Affairs has technical supervision powers over the LBEG and is involved, among other things, in clarifying different perspectives on the application of the NFördAVO.

As an internal auditor, Unit 43 of the Ministry of Finance is responsible not only for the Ministry of Finance itself, but also for all state authorities (including the LBEG). It monitors the adequacy and effectiveness of control systems, including the book-keeping and accounting system and the business processes within that system. Rules of procedure are in place to describe the work of the Internal Audit of the budget implementation system.

3.3.2.4 Result at risk level

We have presented the elements of the control environment for mine site and extraction royalties. We have also presented the controls embedded in the collection process and the controls for the State of Lower Saxony that are at a higher level than the collection process. Based on the interviews with members of the MSG on 25 July 2025, no established or suspected control weaknesses have emerged.

For the existing process-independent controls, we have analysed the Federal Audit Office's 2024 reporting and the 2024 and 2025 annual reports of the Lower Saxony State Audit Offices for corresponding findings or information on the mine site and extraction royalties. No findings on control weaknesses with respect to the relevant payment processes were identified based on these analyses.

In addition to this, public information was used to analyse whether there was a failure by the relevant parliaments to grant discharge to the executives responsible for the 2023 financial year. No failures of discharge were identified as a result of this analysis.

3.3.3 Risk relating to corporate tax

3.3.3.1 Basis of the corporate tax system

In Germany, corporate tax is the central income tax of corporations (essentially relating to GmbH, AG and SE entities). It does not constitute a specific tax for companies in the extractive sector; instead, it covers all corporations resident or operating in the national territory. According to the Corporation Tax Act (KStG), the taxable income is the basis of corporate tax. This is derived from the annual result under commercial law, taking tax modifications into account.

Corporate tax is a direct assessed tax based on the income growth of legal persons. In accordance with Art. 105(2) of the German constitution (Grundgesetz/GG) in conjunction with Art. 106(3) of the GG, the federal government possesses the competing legislative competence, though corresponding laws can only be passed with the approval of the Bundesrat (Federal Council). The administration is carried out by the state tax authorities on behalf of the federal government. Because of its nature as an assessed tax, corporate tax differs procedurally from tax declarations under Section 150 AO and from mine site and extraction royalties.

3.3.3.2 Upstream assessment process

There is no self-assessment for corporate tax. The companies liable to pay tax have a statutory obligation to file corporate tax declarations, which must be submitted annually. Subsequently, the relevant and locally competent tax authority examines the information provided. After the corporate tax declarations submitted have been officially approved, corporate tax assessment notices – and thus the amount to be paid – are fixed and sent to the companies. Subsequently, tax returns may be reviewed in the course of tax audits.

3.3.3.3 Controls embedded in the collection process

The organisational unit “collection office” within the administrative unit “tax assessment office” is used for the processing of payment flows and other tax collection topics. The collection process is generally automated. There is a separation between the assessment and collection offices based on organisational and procedural measures; they have separate access rights, for example.

Objections to the content of a corporate tax assessment notice or applications for amendment are examined by the assessment office, not the collection office. However, if the objection relates to part of the collection process, such as an erroneous set-off, the collection office is responsible. In tax assessment offices, the final decision is generally the task of the collection administrative department.

In the case of large amounts or special cases, the final approval is made by the head of administration or, in the case of overriding interest, by the head of the tax assessment office. In order to maintain an organisational segregation of duties, the collection and assessment offices cannot be managed by the same person.

If a company subject to corporate tax fails to make its payments within the deadline, the collection office automatically reminds the company of the outstanding amounts. In the event that payment is not made

after an enforcement notice has been given, the enforcement body shall take recovery measures in accordance with the applicable execution and enforcement rules.

Due to differences between the individual federal states, the procedure described may lead to discrepancies in individual cases.

3.3.3.4 Higher-level controls for the collection process

The higher finance directorates (which are also designated as state tax offices in some federal states) run the tax offices in their respective districts. They are responsible for the administrative and technical supervision. In states without intermediate authorities, the state finance ministries, as the highest financial authorities of the states, take on these tasks. With regard to corporate tax, the higher finance directorates or the state finance ministries use the information provided to carry out audits on an annual basis in the form of business audits. These audits relate to both the assessment and the collection area. Compliance with the regulations is checked using random spot checks.

In addition to general control, audits are used to ensure that taxation is uniform, to identify technical and organisational weaknesses, to identify training needs, and to improve processes. The results are purely for internal use within the administration, and are not published.

In addition to this, a separate Internal Auditing role is usually set up at the level of the state finance ministries; this role reports directly to the head of the authority. In the State of Hesse, for example, the work of Internal Auditing is based on the “Empfehlungen über Standards für Interne Revisionen in der Hessischen Landesverwaltung” (Recommendations on standards for Internal Audits in the Hesse State Administration). These standards form a uniform and cross-departmental working and legal basis. They are based on the auditing standards of the Deutsches Institut für Interne Revision e.V. (DIIR/German Institute for Internal Auditing) and the “Empfehlungen des Bundesministeriums des Innern für Interne Revisionen” (Recommendations of the Federal Ministry of the Interior for Internal Audits). Internal Auditing prepares an audit report on its work, which is generally submitted to the management of the audited organisational unit for approval. The audited organisational unit receives a copy of this report. Internal Audit submits a written report on its activities to its management at least annually. This is without prejudice to audit-related reporting during the year.

The Federal Ministry of Finance may participate in external audits of the state tax authorities via the Federal Central Tax Office (Federal Tax Inspection) in accordance with Section 19 FVG. The Federal Ministry of Finance is hereby informed, inter alia, of tax developments which may be significant for legislative measures or administrative regulations.

3.3.3.5 Result at risk level

We have presented the elements of the corporate tax control environment and the controls embedded in the collection process, as well as the controls implemented at a higher level than the collection process. Based on the interviews with members of the MSG on 25 July 2025, no established or suspected control weaknesses have emerged.

For the existing process-independent controls, we have analysed the Federal Audit Office's in 2024 reporting and the 2024 and 2025 annual reports of the Lower Saxony State Audit Offices for corresponding findings or information on the corporate tax within budgetary and financial law. No findings on control weaknesses with respect to the relevant payment processes were identified based on these analyses.

In addition to this, public information was used to analyse whether there was a failure by the relevant parliaments to grant discharge to the executives responsible for the 2023 financial year. No failures of discharge were identified as a result of this analysis.

3.3.4 Risk relating to trade tax

3.3.4.1 Information on the assessment and collection process

Companies operating on a commercial basis in Germany are subject to trade tax, irrespective of their legal form. Trade tax is levied on business income, which reflects the earning potential of the business. The assessment procedure is two-stage. The municipalities in which the respective company has operating facilities are entitled to levy the tax; an operating facility may also extend across several municipalities. The sole payees for trade tax payments are the individual municipalities. In this respect, the federal structure of the state is reflected in Germany. According to the Federal Statistical Office⁴, trade tax accounted for around 47.5% (previous period: 38.2%) of the tax revenues of municipalities and municipal associations in the 2023 calendar year. If one omits the municipal shares in the income tax and value-added tax, which are not administered by the municipalities themselves, the share is much higher.

The tax authorities calculate the taxable amount, which is obtained by multiplying the trade income by a uniform rate of 3.5%. The trade income is based on the basis of assessment of income or corporate tax, taking into account the rules of the Trade Tax Act (essentially additions and reductions).

The taxable amount is transmitted by the tax authorities to the local government in which the company is located. If the company has several operating facilities, or if an operating facility extends across several municipalities, the tax authorities also allocate the taxable amount among the municipalities according to a distribution formula determined by law.

On the basis of the preceding administrative procedure, the respective municipality determines the trade tax to be assessed. The taxable amount is multiplied by the municipality-specific tax factor. The tax factor varies from municipality to municipality, but is at least 200%. The elected representatives of the respective municipal council are responsible for determining the tax factor. This two-stage assessment process is followed by the collection process (the actual payment processing). This is carried out exclusively at municipal level.

When it comes to the assessment of trade tax, the processes between the tax assessment offices and the municipal tax offices are closely interlinked. The basis is the trade tax measurement amount, which is determined by the tax office and used by the municipalities for the calculation of the trade tax. As such, many aspects of the corporate tax assessment process can also be transferred to trade tax, providing they fall within the remit of the tax authorities.

⁴ Accessed via https://www.destatis.de/DE/Presse/Pressemitteilungen/2024/04/PD24_135_71137.html

The organisation of local authorities is governed by the relevant municipal regulations, which provide a uniform legal framework. These regulations form the basis for the work of local government and policy and contain, among other things, requirements for the organisation of financial accounting and for the payment processing of the municipalities (e.g. Section 93 of the Gemeindeordnung NRW [NRW Municipal Code] or Section 126 of the Niedersächsisches Kommunalverfassungsgesetz [Municipal Constitution Act of Lower Saxony]).

For the fifth D-EITI report, the trade tax collection process was further analysed by means of a questionnaire developed by Grant Thornton AG⁵. This questionnaire was sent to the 20 municipalities that received the highest trade tax payments from the participating companies for the 2020 reporting year. The answers obtained from the questionnaires gave the MSG an insight into the processes and controls set up by municipalities of various sizes to ensure that trade tax is collected correctly.

The main findings of this survey and system analysis can be summarised as follows:⁶

- The recording of the payments and the reconciliation with the existing receivables from the companies is mostly automated. In the event of discrepancies between payment and receivables or incomplete or incorrect information, manual follow-up is required. The number of employees working in the process varies significantly between municipalities depending on the size of the respective municipality. The number of employees in the cash office is always higher than the number of employees responsible for exemption from trade tax. The close integration with the tax offices in the assessment process has a direct impact on the processes in the municipalities – especially through the basic notices of the tax offices, on which the municipalities base their further steps.
- The separation of the two administrative steps of assessment and collection in terms of personnel is ensured; the basic principle of separation of functions is thus respected regardless of the size of the municipality. Unclear payments are generally handled by the cash office. In individual cases, consultation with the authority responsible for issuing the trade tax assessment notice is necessary.
- In the context of taxation, equity measures may exceptionally be applied. This means both the deferral of payments and the definitive waiver of trade tax claims, in compliance with the respective provisions on these equity measures. In principle, this is decided within the municipality's administration; only in individual cases does the municipality follow the corresponding decisions of the tax administration for corporate tax. The respective decision-making processes take place outside the cash office and, depending on the importance of the respective equity measure for the respective budget, require the involvement of higher-level decision-makers up to the mayor or the main or administrative committee (a permanent, representative committee of the municipal parliament or municipal council).

⁵ In the role of Independent Administrator at that time.

⁶ For further details on the responses and how the survey was conducted, please refer to Appendix 8 to Grant Thornton AG's work report dated 28 March 2023; the questions submitted to the municipalities are detailed in Appendix 7.

- The quality of the organisational processes and structures or controls set up is comparable to the processes and controls of the payment flows of corporate tax and mine site and extraction royalties. Nevertheless, the organisation and content of payment processes in the municipalities can differ in detail, especially depending on their size.

The assessment of previous years showed that each municipality has put in place adequate processes and controls to ensure proper payment flows. The MSG does not have any deviation from the assessment for the 2023 reporting year. According to the order agreement, no new enquiry was agreed with the municipalities. Overall, the group of municipalities with the highest trade tax receipts is subject to only minor changes over the last reporting years.

In addition to this, all tax collection processes are subject to the control processes associated with the budgetary law of the local authorities and to the independent audit bodies described below.

3.3.4.2 The local audit

The monitoring function for trade tax is implemented by the local auditing. This is a supervisory body at municipal level that oversees the budgetary and financial management of cities and municipalities.⁷ It examines, inter alia, whether public funds have been used economically and appropriately. Local auditing works independently of the administration and reports directly to the municipal or city council. The aim of this structure is to ensure transparency and regularity in municipal budget implementation.

Local auditing is based on provisions of the respective municipal and state ordinances, such as the municipal code for the Free State of Bavaria (municipal code – GO). The tasks are carried out by different persons, agencies or bodies depending on the relevant municipal regulations (for example, per Sections 102–104 GO NRW):

- Municipal council
- Audit committee
- Audit office
- Appropriate staff appointed by the municipality as auditors
- Other municipal auditors

Local audits are an integral part of the administration's annual reporting to local councils, and are carried out at regular intervals. Their duties include auditing the annual and consolidated financial statements, as well as the ongoing monitoring of payment processing. In addition to this, the Council may request further audits on matters such as the appropriateness and efficiency of the administration. Since local auditing is considered part of the administrative activity, its reports are in principle subject to the freedom of information laws of the respective federal states (e.g. Section 2(1) of the IFG NRW [NRW Freedom of Information Act]).

⁷ Due to the consideration of the trade tax, no information is provided on the districts.

3.3.4.3 Result at risk level

We have presented the elements of the control environment for trade tax as well as the controls of the local audit at a higher level than the collection process. The results of the survey of the 20 municipalities with the highest reported trade tax payments revealed no anomalies. Due to the slight change in the 20 municipalities with the highest trade tax payments in the reporting year 2023 and in accordance with the contract agreement, no new enquiry was carried out.⁸ Based on the interviews with members of the MSG on 25 July 2025, no established or suspected control weaknesses have emerged.

For the existing process-independent controls, we have aligned the 2024 municipal report of the Lower Saxony State Audit Office with findings on the trade tax or cash audits of the municipalities. There were no findings.

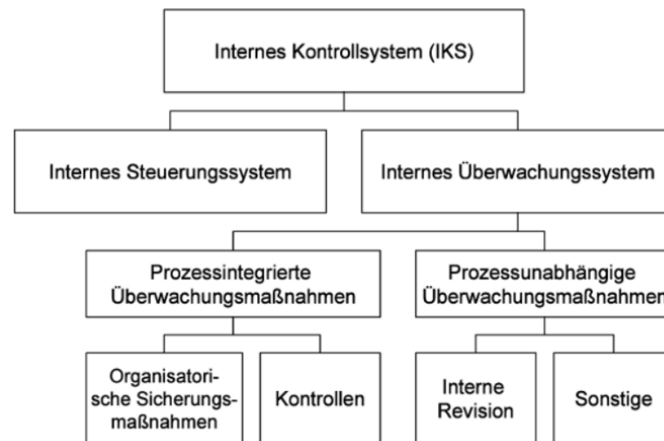
⁸ For a detailed presentation, please refer to the work report of the Independent Administrator for the reporting year 2020.

3.3.5 Process-independent controls via Internal Audits and Audit Offices

In the previous chapter, individual control measures in the assessment and collection process were described for each payment flow. These include, for example, the dual-control principle or the segregation of duties. In addition to these “process-integrated” measures, an ICS also consists of process-independent monitoring measures.

3.3.5.1 Internal audits

The Internal Audit is a process-independent monitoring measure and part of the internal control system (ICS) of companies and authorities. For more information on this topic, see the following description of the control areas of the ICS according to audit standard IDW PS 261, amended version.



The Internal Audit has an independent audit function. It examines the administrative action for discrepancies and irregularities and makes recommendations for elimination and future prevention. It supports the organisation in achieving its objectives by using a systematic and targeted approach to assess and improve the effectiveness of risk management, controls, and management and monitoring processes, and it supports the management level in the performance of its control and monitoring tasks.

Internal Auditing prepares an audit report on its work, which is generally submitted to the management of the audited organisational unit for approval. The audited organisational unit receives a copy. In addition to this, Internal Auditing submits a written report on its activities to the management of the authority once per year, without prejudice to reporting during the year.

The mine site and extraction royalties are generally monitored via the Internal Audit functions of the federal states. For example, in Lower Saxony, Internal Auditing is responsible at the level of the Lower Saxony State Ministry of Finance for monitoring the procedures and controls within the Lower Saxony State Treasury. This is the payment processing body for the mine site and extraction royalties.⁹ For corporate tax, see the explanatory notes under 3.3.3.4.; for local audit processes for trade tax, see 3.3.4.2.

⁹ The mine site and extraction royalties represent a possible audit object for Internal Auditing. The audit topics are selected on an annual basis and according to risk considerations. This means that the individual topics are not reviewed on a fixed or annual basis.

In addition to this, the various administrative units are subject to audit by independent bodies such as municipal audit offices (e.g. Gemeindeprüfungsanstalt NRW), state audit offices (Landesrechnungshöfe) or the Federal Audit Office (Bundesrechnungshof) (hereinafter referred to as audit offices).

3.3.5.2 Federal and state audit offices

The audit offices assume the external financial control function for the federal and state governments. They audit the entire budgetary and economic management, including special funds and companies, and are independent supreme authorities of the federal and state governments. Their tasks, position and powers result from the German Federal (Art. 114 GG) or State Constitutions.

Audit offices are considered “sui generis” because they are not associated with any classic power – legislative, executive or judicial. They are independent and subject only to the law; members enjoy the protection of judicial independence. This is enshrined in the Constitution. This distinguishes them from Internal Auditing, which is integrated into the respective authorities.

Due to its federal state structure, Germany has independent audit offices at the federal and state levels to monitor budgetary management. The Federal Audit Office is solely responsible for federal finances.¹⁰ It has no supervisory rights or right to issue instructions to the state audit offices.

The core task is to check that the respective budgets and financial management are conducted in a legal, proper and efficient manner. The legal bases are provided by the budgetary rules of the federal and state governments and the audit regulations of the audit offices. The aim is to ensure that administrative activities comply with the law and to improve efficiency. The audit rights also extend to external bodies that receive public funds or manage assets.

Citizens, companies and organisations can report any information about possible maladministration directly to the Federal Audit Office. These “entries” can be submitted by email or post. According to the Federal Audit Office, about one third of the submissions are answered directly, while the rest are forwarded to the competent audit departments and, if necessary, taken into account in audits.¹¹

At the municipal level, the audit office consists of the supra-local audit. It is carried out by a state or association-affiliated audit office and constitutes an independent, supra-municipal, and state external audit.

The audit offices communicate their results to the bodies concerned in the form of audit reports. The audit court may, if it considers it necessary for specific reasons, communicate the results of the audit to bodies other than those audited. Selected audit results are nevertheless summarised in annual reports that are made available to the public, such as:

- “Bemerkungen 2024 zur Haushalts- und Wirtschaftsführung des Bundes” (2024 Observations on Federal Budget and Economic Management) by the Federal Audit Office for the 2023 financial year

¹⁰ A detailed description of the responsibilities and tasks can be found on the homepage of the Federal Audit Office, for example https://www.bundesrechnungshof.de/DE/5_ueber_uns/2_was_wir_tun/was_wir_tun_node.html

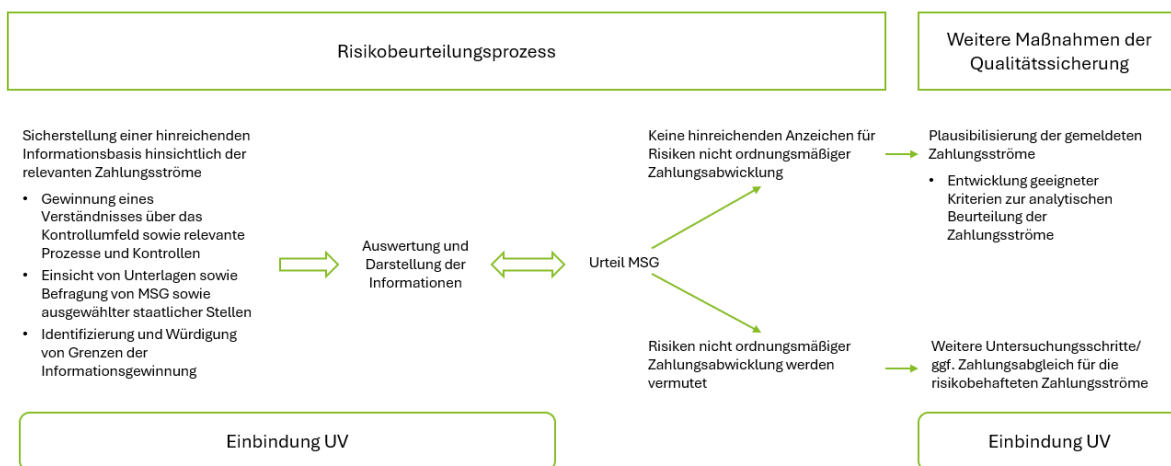
¹¹ Detailed information on the process can be found on the homepage of the Federal Audit Office: https://www.bundesrechnungshof.de/DE/5_ueber_uns/2_was_wir_tun/ihre_pruefungsanregung/pruefungsanregung_node.html

- “Kommunalbericht 2024” (Municipal Report 2024) on the supra-local audit of municipal bodies in Hesse on the 2023 budget structure
- “Kommunalbericht 2024” (Municipal Report 2024) on the supra-local municipal audit in Lower Saxony

The German audit offices support the implementation of International Standards of Supreme Audit Institutions (ISSAI) developed within the framework of the International Organization of Supreme Audit Institutions (INTOSAI). The international state audit offices remain in dialogue with one another, and regularly discuss current standards and audit methods within the framework of the European Organization of Regional Audit Institutions (EURORAI). The maintenance of high audit standards at both national and state level can therefore be considered a given.

3.3.6 Overall assessment by the MSG of the risk of non-regularity of payment flows

In the previous sections, Deloitte described the control environment and the existing processes and controls of relevant government entities to ensure proper payment processes. No deviations from the previous year’s basic procedures were found. The overall assessment of the risk of non-regularity is the full responsibility of the MSG. The MSG members critically examine the available findings, question them on the basis of their expertise, and compare them with their own information. On the basis of the overall picture, the MSG determines the risk assessed during the reporting period, if necessary separately by payment flow. Depending on the outcome of the assessment, further quality assurance measures are initiated for each payment flow, see the following description:



At the MSG meeting on 11 November 2025, it was determined that there were no sufficient indications of risks associated with a specific payment flow, and that no findings differed from the previous year. Building on this, Deloitte carried out further investigative activities, which are described in the following chapter. These were based on key figures and trend analyses, and form the basis for a final assessment of the regularity of the payment flows by the MSG.

4 Investigative actions of reported payment flows

4.1 Mine site and extraction royalties

In the following analysis, only the extraction royalties are considered, since the mine site royalties are of minor importance in terms of amount. When analysing the extraction royalties, it should be noted that the company reports generally do not distinguish between payments for natural gas and oil. This differentiation is important for the analysis, since different calculation bases and collection rates apply to natural gas and oil. A trend analysis was therefore carried out as an investigative procedure. For this purpose, an expected value was calculated for the raw material “natural gas”. This value is a product of:

- The extraction volume for Lower Saxony
- The standard rate of the extraction royalties
- The border crossing price

The consideration of other federal states was abandoned, since the State of Lower Saxony accounts for more than 98% of the production of natural gas.¹²

For the commodity “crude oil”, an expected value was calculated for each federal state. This was calculated as the product of:

- The extraction volume per federal state
- The market value of oil per calendar year as determined by the Federal Office for Economic Affairs
- The country-specific standard rate of the extraction royalties per federal state

The data from the 2023 annual report from the Federal Association for Natural Gas, Petroleum and Geoenergy (Bundesverband Erdgas, Erdöl und Geoenergie e. V.) was used to determine the key figures stated above. The report is available to download for free from the public website.

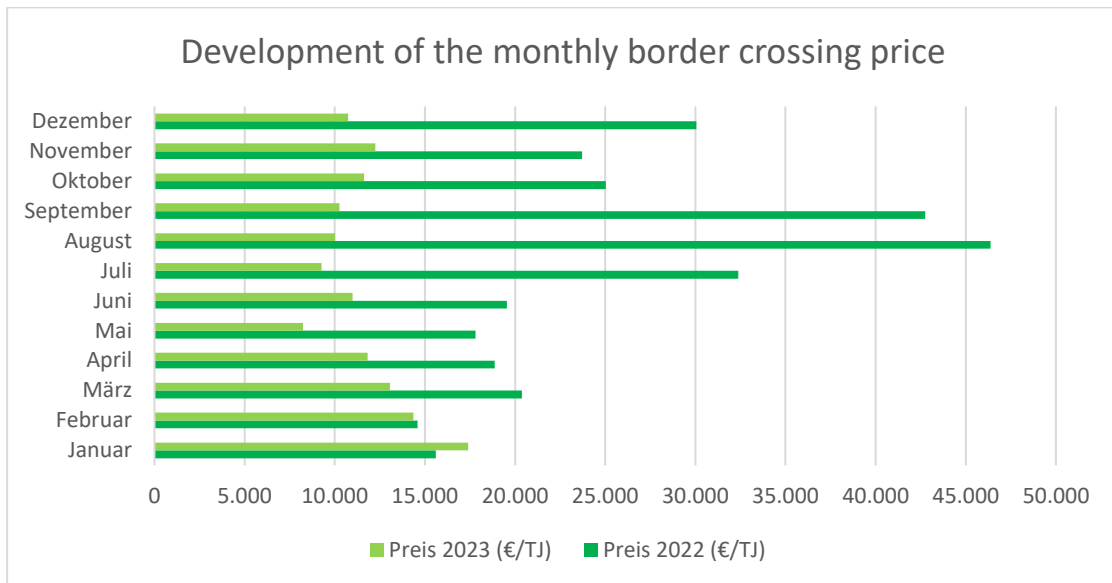
The expected values were totalled and then adjusted to reflect the actual coverage of the sectors as defined by the D-EITI. The reported payments of the participating companies were compared with the sum of this expected value, and the development of the key figure over the last five years was analysed.

The analysis showed a change in the key figure in the 2023 reporting year. This change was analysed with selected companies and representatives of the LBEG. Based on these facts, a significant effect was identified. This is based on the fact that the 2023 D-EITI reporting for the extraction royalties includes the following payments: Advance payment in the fourth calendar quarter of 2022 and first to third calendar quarter of 2023. Additionally: the additional payment or refund according to the extraction royalties declaration.

- Due to international conflicts, prices (in particular those for natural gas) rose sharply in the calendar year 2022. Compared to 2022, prices fell again in 2023; see the following analysis of the development of the border crossing price¹³. Accordingly, the high prices from October to December 2022 had an impact on the flow of payments in 2023.

¹² As published in the BVEG “Annual Report 2023”

¹³ According to the Federal Statistical Office, see <https://www.destatis.de/DE/Themen/Wirtschaft/Aussenhandel/Tabelle/erdgas-monatlich.html>



- The sharp price fluctuations in 2022 led to refunds to companies in the 2022 annual statement, which was prepared in 2023. When reporting, these refunds can either be offset against the payments made or the payments can be reported without taking into account the refunds. The method chosen by the companies affects the analysis of this key figure.
- In addition to this analysis, a sample of the declarations of the companies in the framework of the D-EITI was compared with the actual receipt of payments by the LBEG. No discrepancies were found as a result of this comparison.

Discrepancies were identified between the companies’ reported data and other publications. Subsequently, the following activities were carried out:

- The “extraction royalties and extraction interest” published by the BVEG as part of the annual report were analysed with representatives of the BVEG and selected companies. The causes of the discrepancy in the case of the BVEG result from the use of the calendar year as a reporting period, while the D-EITI focuses on the actual payment in the calendar year. In addition to this, the BVEG includes payments of promotional interest to companies, associations or private individuals.
- The deviations from the actual 2023 figures for the State of Lower Saxony were discussed with the LBEG and analysed by the contact persons. As a result, the figures for the Land of Lower Saxony are shown as a balanced figure, while the reports from companies are largely not reported as a balanced figure.

On the basis of the activities carried out, there were no differences in the payments for mine site and extraction royalties.

4.2 Corporate and trade tax

Unlike mine site and extraction royalties, income taxes (corporate and trade taxes) are not specific to the natural resource; instead, they are based on the companies’ total tax base. The payments can therefore also include other business areas, and cannot be deferred. In addition to this, income taxes are subject to special tax provisions, such as those of the GmbH & Co. KG or tax groups.

A tax group is a tax structure in which two or more legally independent companies are treated as a single entity for tax purposes. This does not affect their legal independence. In such constellations, the incorporated companies (subsidiaries) generally do not make any tax payments. On the contrary, the income of all the companies included in the tax group is taxed exclusively via the parent company. The parent company in turn pays taxes on its own income and the income of the subsidiaries. If the various subsidiaries also carry out activities outside the extractive sector, there may be difficulties in allocating tax payments. For the purposes of the commercial (group) payment report, the following differentiation is therefore made at the level of the parent company:

- If, in accordance with Section 341 r No. 1 HGB, the tax group is primarily active in the extractive sector, a report may be made on the total amount of taxes paid by the parent company. There is no obligation to apportion the tax payments to activities within or outside of the scope of Section 341 r No. 1 HGB.
- If, in accordance with Section 341 r No. 1 HGB, the tax group is not primarily active in the extractive sector, the tax payments of the parent company may be distributed on a voluntary basis. Otherwise, the amount of tax paid by the parent company is omitted.

With regard to the recording of tax payments within the scope of tax groups, the MSG has decided to follow the commercial perspective for EITI purposes.

The following activities were performed for the reported corporate and trade tax payment flows:

- No payments were reported for the payment flows of corporate tax and/or trade tax; this was justified on the grounds of the existence of a tax group (as a subsidiary). In these cases, a vote was taken on whether a tax group existed and whether the participating company was a subsidiary. For this purpose, the company register excerpts were retrieved and a vote was taken on whether corresponding company contracts had been entered. No discrepancies were found as a result of this.
- No payments were reported for the payment flows of corporate and/or trade taxes; this was due to the activity outside the extractive industries. In these cases, a vote was taken on whether a tax group existed (see previous procedure) and whether the participating company was the parent company. In addition to this, based on information in the consolidated financial statements and the official industry classification, a vote was taken on whether there was a focus outside the extractive industry. No discrepancies were found as a result of this.
- No payments were reported for the corporate and/or trade tax payment flows. Based on this feedback, the companies were questioned about the causes. The feedback revealed that this was due to tax loss carry-forwards.
- No payments were reported for the corporate tax payment flow due to the company's legal form. In these cases, a vote was taken on whether the company in question was a partnership. In these legal forms, the shareholder is subject to corporate tax or income tax. Only limited partnerships were identified here; no discrepancies were found.
- There were discrepancies from the 2022 reporting of more than 10%. For these cases, a survey of the companies was carried out on the causes of the discrepancies. According to the company, the discrepancies are based on improved results, special tax matters and one-off effects from previous years. Alternatively, a derivation was made based on the disclosed individual accounts. For this purpose, the information in the notes to the financial statements and management report were

analysed, together with the change in the tax provision and the taxes on income and earnings were analysed.

On the basis of the activities carried out, there were no differences in the payments for corporate tax and trade tax.

5 Inspection of the Transparency Register

As part of the 2023 D-EITI reporting, the Transparency Register extracts for the participating companies were consulted. Following the judgement of the European Court of Justice (ECJ) of 22 November 2022 in joined cases C-37/20 and C-601/20, the Transparency Register has made public access to any interested party conditional on the existence of a legitimate interest, a condition which remains in force at the time of publication of this report. The Transparency Register granted Deloitte, as Independent Administrator, access on the basis of a legitimate interest so that the information could be obtained and analysed for the participating companies.

The Transparency Register extracts were made available on different dates between September and December 2025. On the basis of these extracts, the following voting procedures were carried out for all participating companies.

A vote was taken on whether the participating companies had an entry in the Transparency Register and whether this entry was reconcilable on the basis of the publicly available information. The result of the vote deemed that all participating companies had entries in the Transparency Register and these could be coordinated with the publicly available information.

If no beneficial owner could be identified in accordance with the Money Laundering Act (Geldwäschege-
setz), the legal representatives, the managing partner or the partner of the contractual partner were considered the beneficial owner (Section 3 II, p. 5 of the Money Laundering Act [GWG]). In these cases, the persons listed in the Transparency Register were reconciled with the legal representatives according to the Commercial Register as of November 2025. No discrepancies were identified as a result.

Insofar as natural persons have been identified as beneficial owners in the Transparency Register, we voted on whether they were to be classed as “politically exposed persons” (PEP). The basis for the definition of a PEP was the country-specific categories published by the EU as at November 2025.¹⁴ For the analysis, the data was analysed using the World-Check database. One PEP was identified. This is a legal representative of a participating company who was a board member of a state-owned company in their previous employment¹⁵. This employment relationship was less than 12 months prior to the reporting year.

¹⁴ See https://eur-lex.europa.eu/legal-content/DE/TXT/HTML/?uri=OJ:C_202300724

¹⁵ Members of the administrative, management and supervisory bodies of such companies, in which the Federal Government or the Länder have a stake of more than 50% and which employ more than 2,000 employees (see Section 1(1) no. 2 of the Co-Determination Act [MitbestG]) or have a balance sheet total of more than 3 billion euros.

6 Concluding remarks

We have carried out the activities agreed with the representatives of the Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the members of the MSG solely for the specific given purpose. The activities carried out do not constitute an audit or an examination in accordance with professional standards recognised in Germany or internationally. Accordingly, we make no judgement or conclusion with regard to the processes of the mine site and extraction royalties, trade tax and corporate tax, payments to government agencies and entries in the Transparency Register, and thus do not issue an audit report or certificate.

The members of the multi-stakeholder group confirmed at the MSG meeting of 11 November 2025 that the agreed activities are appropriate for the stated purpose.

Munich, 10 December 2025

Deloitte GmbH
Auditing firm

ppa. Frank Werle
Director

ppa. Alexander Attensberger
Auditor