Sustainability report 2019
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Colophon

Publication
Stichting Auto & Recycling and ARN Holding B.V.

De Corridor 5, 3621 ZA Breukelen
P.O. Box 190, 3620 AD Breukelen, The Netherlands
T +31 (0)346 728 220
www.arn.nl/en

Concept and realisation
Reach Communications, Baarn, The Netherlands
Key Data – ARN

In 2019, ARN chain partners achieved the same impressive 98.4% rate of useful applications as in the previous year, but with a 6% lower CO₂ footprint. What is striking about the figures is the marked increase in the number of recycled hybrid and electric cars.

<table>
<thead>
<tr>
<th>Data Point</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Useful application performance achieved</td>
<td>98.4%</td>
<td>98.4%</td>
</tr>
<tr>
<td>Of which recycling is</td>
<td>87.2%</td>
<td>87.1%</td>
</tr>
<tr>
<td>Of which energy recovery is</td>
<td>11.2%</td>
<td>11.3%</td>
</tr>
<tr>
<td>Contribution of car dismantling companies to performance achieved</td>
<td>24.0%</td>
<td>24.6%</td>
</tr>
<tr>
<td>Contribution of shredder companies to performance achieved</td>
<td>60.3%</td>
<td>58.6%</td>
</tr>
<tr>
<td>Contribution of PST plant to performance achieved</td>
<td>14.1%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Number of vehicles with recycling fee</td>
<td>519,572</td>
<td>519,359</td>
</tr>
<tr>
<td>Number of electric vehicles and hybrid electric vehicles with recycling fee</td>
<td>43,378</td>
<td>19,385</td>
</tr>
<tr>
<td>Recycling fee for cars</td>
<td>€ 37.50</td>
<td>€ 40</td>
</tr>
<tr>
<td>Recycling fee lithium-ion batteries</td>
<td>€ 8 – € 175</td>
<td>€ 9 – € 190</td>
</tr>
<tr>
<td>Number of end-of-life vehicles processed in the Netherlands (ORAD*)</td>
<td>234,348</td>
<td>247,663</td>
</tr>
<tr>
<td>Number of end-of-life vehicles processed by ARN (ORAD*)</td>
<td>197,650</td>
<td>207,239</td>
</tr>
<tr>
<td>Average weight of end-of-life vehicle (kg)</td>
<td>1,052</td>
<td>1,043</td>
</tr>
<tr>
<td>Total weight of lithium-ion batteries collected (kg)</td>
<td>102,068</td>
<td>17,412</td>
</tr>
<tr>
<td>Of which are utilised as second use (kg)</td>
<td>76,997</td>
<td>15,418</td>
</tr>
<tr>
<td>Of which are recycled (kg)</td>
<td>25,071</td>
<td>1,994</td>
</tr>
<tr>
<td>Number of ARN chain partners</td>
<td>297</td>
<td>298</td>
</tr>
<tr>
<td>Carbon footprint of car recycling chain (savings in kton CO₂)</td>
<td>-198.00</td>
<td>-186.58</td>
</tr>
<tr>
<td>Recycling fee fund</td>
<td>€ 67,808,992</td>
<td>€ 68,577,703</td>
</tr>
<tr>
<td>Administrative contribution fund</td>
<td>€ 15,142,707</td>
<td>€ 11,332,684</td>
</tr>
<tr>
<td>Number of ARN employees (fte)</td>
<td>66.0</td>
<td>69.2</td>
</tr>
</tbody>
</table>

*) Online Car Dismantling Registration system – ORAD
The statistics tell the story of a successful chain. Under the leadership of ARN, entrepreneurs and partners in the car recycling sector succeeded in achieving the useful application of 98.4 percent of the weight of end-of-life cars processed. The car recycling chain processed 187 million kilos of material from 197,650 cars in 2019.

Of the percentage of car recycling the chain achieved under the leadership of ARN, car dismantling companies contributed 24.0 percent, shredder companies contributed 60.3 percent (primarily through the recovery of metals such as aluminium, iron, copper), and the ‘Post Shredder Technology’ (PST) plant contributed 14.1 percent.

More active as a director
In 2019, ARN explicitly followed the path that had been mapped out in 2017 and 2018: to take a step back as a participant in the chain and become more active as a director. For that reason, active steps were taken to find an appropriate buyer for the plant in Tiel in 2019. ARN took the initiative to develop the plant in 2011, because market parties were not ready for it yet.

The PST plant has been of great added value to recycling performance in the Netherlands over the past nine years and the employees in Tiel deserve praise for this. The Dutch automotive sector would never have been able to achieve the mandatory 95 percent rate of recycling without PST. The sale of the plant to HKS Metals (in March 2020) gives ARN greater capacity to focus on its core tasks: initiating, organising and boosting car recycling instead of participating actively itself. ARN will devote that capacity primarily to initiatives to prepare car dismantling companies for the future, for example, with support in the field of battery processing: education and training, health and safety issues, storage and transport.

Agreements about accessibility
ARN is pleased with HKS as the buyer of the PST plant and has confidence in the innovative potential of this business. At the same time,
ARN will keep following developments in Tiel closely in the new set-up. Clear agreements have been made with the new owner about accessibility of the facility to shredder companies in the Netherlands; the plant therefore remains part of the chain. The market remains open and transparent to all parties in the chain under the new owner.

The chain executes

The basis for transfer of the drainage installations to car dismantling companies was also laid in 2019. The intention is for ownership of the installations, which ARN has provided free of charge over the years, to be transferred to these companies, which then become responsible for service, maintenance and further development themselves. That way, the companies are encouraged to innovate further in respect of drainage. The idea is for the transfer to take place in 2021 in close consultation with Stiba and the car dismantling companies.

The dominant theme is visible here too: ARN organises and directs, the chain executes and innovates. ARN followed what was happening around us closely in 2019 and employees were involved in consultations in The Hague and Brussels. ARN took the lead in maintaining a ‘level playing field’ for each party in the chain in 2019. In that context, an application was submitted for a Binding Regulation (Avv) to ensure the recycling premium is also applied to cars that enter our country from Germany via the ‘grey market’, for example. The importance of this step in terms of support for the car recycling premium cannot be underestimated – that is the reason ARN stakeholders BOVAG, RAI Automotive Industry NL, Stiba and FOCWA agreed to the initiative for a Binding Regulation. A level playing field is a priority for these organisations as well.

ARN’s 25-year anniversary

In 2019, ARN demonstrated aspects that chain partners can expect to see from the organisation
in 2020 too: resourceful, facilitatory, directive. The organisation celebrates its 25-year anniversary in 2020. An anniversary the organisation will use in part to mark a publicity campaign on car recycling, the recycling premium, and the role of chain partners in this. Stakeholders will be given a platform to show how the Dutch automotive sector has organised recycling in the Netherlands. The key message: car recycling is well organised in the Netherlands in respect of manufacturer responsibility – and ARN drives performance.

ARN remains fully aware of the significant challenges of the next 25 years. Together with car dismantling companies and shredder companies, it wants to devote effort to the consolidation and improvement of high-quality material streams. Amongst others, options for separating windscreens earlier in the process instead of only at the end in the PST plant, are being looked at. ARN is involving car dismantling companies and shredder companies in this thought and development process.

Commitment from manufacturers and importers
In 2019, ARN started discussions about formal extension of cooperation with manufacturers and importers as part of a five-yearly cycle. The intention is that the commitment of manufacturers and importers to car recycling with ARN as the organiser will be confirmed again during the course of 2020. That way, ARN can approach its important task with confidence and energy for the next 25 years too. We will make a success of it together!

Ingrid Niessing – Managing Director of ARN
Reuse needs to become the norm to ensure our earth is still habitable in decades to come. The Dutch car recycling chain delivers its contribution, but we will need to make further progress in the coming years.

The UN’s seventeen Sustainable Development Goals (SDGs) help with that. They enable companies to contribute to the reduction of poverty, inequality and climate change in their own way.

Five of these SDGs specifically served as a clear guide for ARN in the past year:

- Responsible consumption and production
- Affordable and clean energy
- Decent work and economic growth
- Partnerships to achieve the goal
- Innovative and sustainable infrastructure

ARN uses these five SDGs to keep itself on track in terms of its commitment to high quality, sustainable car recycling in the Netherlands. Core concepts such as sustainable consumption and production patterns, energy, economic growth, the concept of ‘partnership’ and of ‘innovation’ are key. They serve as a guide for our deeper motives. These guides determine our direction and the way in which ARN seeks to make every year better, more successful and more significant in collaboration with the car recycling chain. The SDGs are our bigger picture in all of this. When facing challenging issues, we ask ourselves what decision would bring us closer to our SDGs. Those SDGs are therefore very practical and help us to be critical of our actions. Are we doing well enough, how can we improve?

We look at our statistics and our results, for example. At the percentage of the weight of end-of-life cars applied in useful applications. At the percentage of processed starter batteries reused. At the proportion of Dutch end-of-life vehicles actually processed by ARN car dismantling companies.

Yes, we even look at the car recycling chain’s CO₂ footprint – which incidentally is reducing every year. In 2019, the chain conserved 198kton CO₂.

This is how we give substance and direction to our own performance, with the ultimate goal of: contributing to a circular world through car recycling!

View the website with all the information about the Sustainable Development Goals here.
ARN’s Mission

Together with our partners, we aim to achieve a responsible and high standard of car recycling.

Second use of batteries from end-of-life electric vehicles
High quality recycling techniques of waste flows in order to reduce energy consumption
Reduction of carbon footprint of car recycling chain

Informing consumers about the collection network
Investing in sustainable car recycling
98.4% car recycling
Curbing leakage flows for environmentally sound processing of waste flows
Research into higher quality ways of recycling

Tackling unfair competition and leakage flows
Equality
Shared responsibility
Account management and partnerships

ARN’s Vision

At ARN, we believe that car recycling contributes to the circular economy, where there is no damage to the natural or living environment.

What we can’t do now, will be possible later.
197,650 cars recycled sustainably

After 25 years of ARN’s existence, you could easily regard it as ‘normal’ and ‘logical’ that end-of-life vehicles in the Netherlands are recycled in a high-quality and responsible manner. But it needs to be said: ARN, its shareholders and everyone who contributes to the chain can once again be proud of the result in 2019. A total of 197,650 cars were recycled sustainably in 2019.

Of all cars on Dutch roads, 2.5 percent are repurposed in a responsible way via ARN’s chain every year. Parts are reused. And metals, plastics and other materials are partly dismantled, partly shredded and ultimately disposed of via different separated streams to be integrated into production processes again.

A few more statistics that provide an indication of the scale and level of our car recycling activities:

- There are 8,677,911 passenger cars in the Netherlands (source: RDW)
- 197,650 cars were processed by ARN’s chain partners in 2019
- Each end-of-life car accounts for 1,052 kg in materials on average
- The chain succeeded in repurposing a total of 184,000,000 kg into useful applications in 2019.

And now: time to change gears

Car recycling in the Netherlands is organised exceptionally well, both in terms of the standard of recycling, as
well as organisation of the whole process. But ARN and the chain will need to change gears, believes Olaf de Bruijn (RAI Automotive Industry NL), who has a positive view of ARN, as well as encouragement for the organisation.

What are the conclusions after 25 years of ARN’s existence?
“The organisation of car recycling is rock solid, that has to be said. What distinguishes the whole process is that ARN is truly in the driving seat. It has control over what happens when cars reach the end of their life.”

What does that mean for the shareholders, of which RAI Automotive Industry NL is one?
“ARN was founded in 1995 as ‘Auto Recycling Nederland’ by four market parties in the automotive industry: BOVAG, RAI Automotive Industry NL, Stiba and Vereniging FOCWA Schadeherstel. ARN’s strategy gives us shareholders maximum control of the market. Over eighty percent of all cars that need to be decommissioned in the Netherlands every year are dealt with via ARN. We are totally compliant and in control. There is no market in Europe that can compete with us in that sense. The way we have organised it with ARN and the way it functions in particular: we are an example of how it should be done.”

What do you do with that control?
“It enables us to direct maximum focus on the reuse and recovery of raw materials. On recycling, on circular reasoning and trade.”

What are your thoughts on the anniversary? Is there anything that still needs to be tinkered with?
“Firstly, congratulations are in order. But we are also entering a period in which follow-up steps are necessary. We need to work towards a circular economy and we will also need to strive for increased reuse. And: integrate the raw materials of cars back into production and incinerate fewer materials. As well as things are going at the moment, we cannot rest on our laurels. Look at the Dutch climate plan and the plan Timmermans presented for Europe: it all creates extra pressure, with increasingly higher goals. There is still work to do.”
# Financial report

ARN strives for responsible and high-quality car recycling based on strong partnerships. Car recycling activities, and thus ARN's activities, are funded by the recycling premium fund. Our battery recycling activities are funded by the battery administration fund. As an executive organisation, ARN directs the recycling chain, from the car dismantling companies through to the PST plant.

### Combined balance sheet as of 31 December

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intangible fixed assets</strong></td>
<td>423,735</td>
<td>528,061</td>
</tr>
<tr>
<td><strong>Tangible fixed assets</strong></td>
<td>14,957,654</td>
<td>23,002,559</td>
</tr>
<tr>
<td><strong>Financial fixed assets</strong></td>
<td>57,961,275</td>
<td>51,979,427</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td>73,342,664</td>
<td>75,510,047</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>489,041</td>
<td>246,374</td>
</tr>
<tr>
<td><strong>Receivables</strong></td>
<td>5,147,278</td>
<td>3,683,515</td>
</tr>
<tr>
<td><strong>Liquid assets</strong></td>
<td>8,711,925</td>
<td>4,739,618</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>14,348,244</td>
<td>8,669,507</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>87,690,908</td>
<td>84,179,554</td>
</tr>
<tr>
<td><strong>Equity capital</strong></td>
<td>14,521</td>
<td>14,521</td>
</tr>
<tr>
<td><strong>Total equity capital</strong></td>
<td>14,521</td>
<td>14,521</td>
</tr>
<tr>
<td><strong>Recycling premium fund</strong></td>
<td>67,808,992</td>
<td>68,577,703</td>
</tr>
<tr>
<td><strong>Battery administration fund</strong></td>
<td>15,142,707</td>
<td>11,332,684</td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td>99,868</td>
<td>88,130</td>
</tr>
<tr>
<td><strong>Long-term liabilities</strong></td>
<td>10,074</td>
<td>10,211</td>
</tr>
<tr>
<td><strong>Short-term liabilities</strong></td>
<td>4,614,746</td>
<td>4,156,305</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>87,676,387</td>
<td>84,165,033</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>87,690,908</td>
<td>84,179,554</td>
</tr>
</tbody>
</table>
**Remit**

ARN’s remit is to achieve a 95 percent rate of recycling and thus to guarantee the continuity of car recycling. To be able to discharge our statutory obligation for the environmentally safe recycling of end-of-life cars, buyers of new passenger cars or minivans pay a recycling premium. For ARN, better recycling performance means making a responsible choice between economy (costs), ecology (CO₂ footprint) and recycling percentage. That ultimately leads to optimum performance in terms of sustainability.

The combined balance and combined profit and loss account includes the figures for Stichting

### Combined profit and loss account

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from the recycling premiums</td>
<td>16,102,349</td>
<td>17,261,595</td>
</tr>
<tr>
<td>Income from battery premiums</td>
<td>3,454,512</td>
<td>1,406,438</td>
</tr>
<tr>
<td>Investment returns</td>
<td>6,238,414</td>
<td>686,858</td>
</tr>
<tr>
<td>Other income</td>
<td>6,158,718</td>
<td>5,926,459</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>31,953,993</td>
<td>25,281,350</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>12,024,591</td>
<td>12,400,847</td>
</tr>
<tr>
<td>Cost of outsourced work and other external costs</td>
<td>2,692,069</td>
<td>2,303,341</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>3,832,574</td>
<td>3,830,344</td>
</tr>
<tr>
<td>Social security costs and pension costs</td>
<td>1,014,620</td>
<td>982,459</td>
</tr>
<tr>
<td>Depreciation of fixed assets</td>
<td>4,083,853</td>
<td>4,103,076</td>
</tr>
<tr>
<td>Other depreciation</td>
<td>4,875,445</td>
<td>0</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>9,780</td>
<td>9,588</td>
</tr>
<tr>
<td>Interest payable and similar charges</td>
<td>177,041</td>
<td>2,017,979</td>
</tr>
<tr>
<td><strong>Total operating costs</strong></td>
<td>28,709,973</td>
<td>25,647,634</td>
</tr>
<tr>
<td>Operating profit</td>
<td>3,244,020</td>
<td>-366,284</td>
</tr>
<tr>
<td>Tax on profit or loss</td>
<td>-202,708</td>
<td>-169,954</td>
</tr>
<tr>
<td><strong>After-tax profit</strong></td>
<td>3,041,312</td>
<td>-536,238</td>
</tr>
</tbody>
</table>
Explanation of the 2019 financial report

1. **Intangible fixed assets**
The intangible fixed assets consist of software acquired. Depreciation is calculated on a straight-line basis to a residual value of zero over five years.

2. **Tangible fixed assets**
The tangible fixed assets consist of, amongst others, business premises, machinery and installations. At the end of 2019, ARN Auto Recycling B.V. had 197 drainage units (2018: 199), which it had loaned to affiliated car dismantling companies.

3. **Financial fixed assets**
Stichting Auto & Recycling has housed the management of its investment portfolio with two asset managers. The funds are invested in both bond investment trusts and equity funds. The asset managers were instructed to adopt a defensive and sustainable investment policy, based on Stichting Auto & Recycling’s investment charter. This way, the risks associated with investment have been limited to a minimum as far as possible and sustainable investment is guaranteed.

4. **Inventories**
The inventories consist of stocks of residual materials and stocks of shredder waste used for production by ARN Recycling B.V. Any depreciation that occurred on the balance date has been taken into account in valuation of the stocks.

5. **Receivables**
The receivables entry consists primarily of accounts receivables, battery administration premiums still to be invoiced, and other receivables.

6. **Liquid assets**
The funds of Stichting Auto & Recycling, ARN Holding B.V. and its subsidiaries are housed with creditworthy financial institutions.

7. **Equity capital**
The starting capital was provided by the administrators of RAI Automotive Industry NL, BOVAG, Vereniging FOCWA Schadeherstel and STIBA. Each organisation contributed an equal share of the capital.

8. **Recycling premium fund**
The corporation’s annual result in respect of the
ELV Directive (Bba) is incorporated into the recycling premium fund. The result in relation to the ELV Directive is reflected in the profit and loss account and is added to or subtracted from the recycling premium fund. The fund is for foreseen and unforeseen future expenses.

9. Battery administration fund
The corporation’s annual result in respect of the Battery Directive (Bbb) is incorporated into the battery administration fund. The result in relation to the Battery Directive is reflected in the profit and loss account and is added to or subtracted from the battery administration fund. The fund is for foreseen and unforeseen future expenses.

A provision has been built up for major maintenance to the buildings of ARN Recycling B.V. based on anticipated costs.

11. Long-term liabilities
The affiliated car dismantling companies have paid a surety for use of logo signs. As of 31 December 2019, there were 222 (2018: 225) car dismantling companies with an affiliation agreement.

12. Short-term liabilities
Short-term liabilities consist primarily of accounts payable and the entry for the material obligation for car dismantling companies. The entry for the material obligation for car dismantling companies represents the outstanding disposal fee due to the car dismantling companies and the anticipated costs of collection and processing. The obligation is linked to the outstanding material balances for each company. Outstanding material balances are created by materials still located inside end-of-life vehicles earmarked for dismantling or present in packaging, which has already been disposed of but not yet claimed.

13. Income from recycling premiums
A recycling premium was charged on a total of 519,572 (2018: 519,359) new registered vehicles in 2019.

14. Income from battery premiums
The administrative premium on Li-ion batteries ranges between € 8 and € 175 including VAT and is dependent on the weight of the battery. The administrative premium for lead-acid (starter) batteries is € 0.05 excluding VAT. An administrative premium was charged on 43,378 (2018: 19,385) batteries for electric cars and 997,652 (2018: 949,255) lead-acid (starter) batteries in 2019.

15. Investment returns
Stichting Auto & Recycling gave its asset managers a defensive mandate characterised primarily by investments in bonds and shares. The revenue listed here concerns the income on dividends and interest on bonds.

16. Other income
Other income consists primarily of the purchase and sales of materials.

17. Cost of sales
In 2019, the 222 (2018: 225) affiliated car dismantling companies dismantled 197,650 end-of-life vehicles (2018: 207,239). Disposal fees were paid to these car dismantling companies. In addition, the cost of sales consists of costs for the collection and processing of ARN’s materials and production costs generated by ARN Recycling B.V.

18. Cost of outsourced work and other external costs
These costs concern publicity, accommodation, office, transport and other operating costs, amongst others.

19. Wages and salaries
ARN’s average staff complement consists of 66.0 FTE (2018: 69.2 FTE). In addition, Stichting Auto & Recycling has a board consisting of four directors and ARN Holding B.V. has a supervisory board consisting of three members.

20. Social security and pension costs
This entry consists of pension costs in addition to statutory social security costs. Employees aged 21 years and older contribute to a collective pension scheme when they commence employment.

21. Depreciation of fixed assets
The depreciation primarily concerns depreciation of the fleet of machinery belonging to ARN Recycling B.V. and depreciation of the drainage installations that ARN Auto Recycling B.V. has loaned to the car dismantling companies.

22. Other depreciation
Preceding the sale of ARN Recycling B.V. to a large Dutch shredder company, ARN Recycling B.V. recorded an impairment of tangible fixed assets.

23. Other operating costs
The other operating costs concern the allocation to provisions.

24. Interest payable and similar charges
This primarily relates to charges for managing the investments.

25. Taxes on returns
ARN Holding B.V. and its subsidiaries constitute a tax entity for the purposes of corporation tax.