

## Our Business

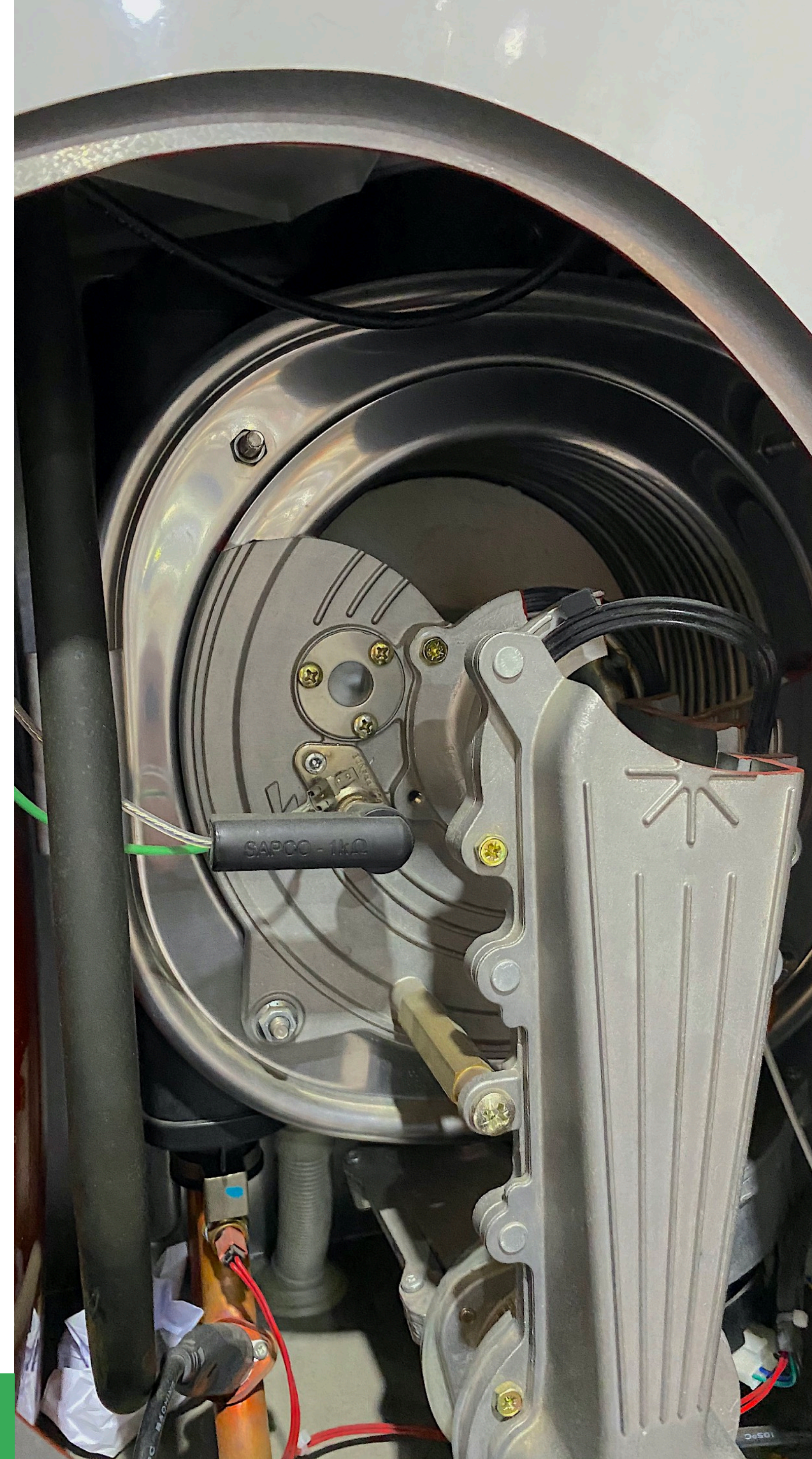
APP Wholesale Ltd is a leading supplier of heating, hot water and plumbing products through various sales channels to the Retrofit market. These include Independent Plumbing Merchants, directly to Trade and Homeowners. We have predominantly sold gas central heating boilers for over 40 years and have followed the trends on efficiency, brand popularity and legislation. We are uniquely aware of the pressure on our main product line and the contribution that it makes to the UK's carbon output. With over 28 million homes in the UK, boiler sales averaging 1.6m per year, and the possibility that there could be over 10 million low efficiency boilers installed means that there is an opportunity just in that area to increase the efficiency of existing stock. This is not a solution as time is running out for this option as the numbers imply. The change needs to be implemented now and the urgency created.

## Net Zero is important to our Business

Making progress to Net Zero is important to our business as we are fundamentally aware that we are contributing to the problem and we are running out of time. We need to invest urgently to escalate, inform and speed up the change. We firmly believe that our customers will be receptive to change as we have been through numerous legislative changes on efficiency previously. The business needs to **MITIGATE RISK, DRIVE GROWTH, REDUCE COST and MANAGE TRUST** in order to be prepared for the future. These four pillars will be used to support our sustainability targets, to reduce our impacts on the environment and create a better blueprint for our business in the future. The negative impacts of our business need to be decoupled and a positive counteractive solution needs to be sought. This is why we have started to look at our main activities and are seeking positive counteractions. One of these solutions is BoilerBox. We are acutely aware that there will be disruptions to economic systems in the future and the business needs to be prepared and do its part to get to Net Zero.

## Sustainable Development Project Q3 2020

This was a project to see what where our main activities causing the most impact and how we could reduce them.





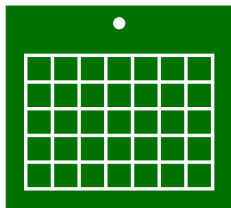
The Priorities that are most relevant to our business

Transport

This a key area that we are looking at minimising impact and introducing better tracking and formulation of routes and deliveries to accumulate orders per area. We will be introducing a Green Van option for all our customers shortly in order for them to choose a slot that uses aggregated orders to maximise deliveries to postcodes anywhere in the UK. Our fleet of vans will be converted where applicable to zero emission vehicles as soon as the technology is viable. More enhanced tracking will enhance the **TRUST** our customers seek and reduce our **COST** enabling us to further invest in the technology.

CZ Priority 3

Green Van  
implementation Q4 2021

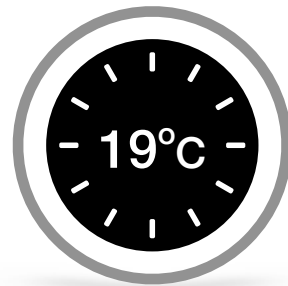


Buildings

We are ready to scale up to offer low carbon heat solutions in the form of Hydrogen ready boilers. Within our portfolio of products we have own brand solutions that will be ready in 2022 and incorporated with Hydrogen Ready technology as standard.

This highly competitive boiler range will be affordable and a great solution for Landlords, Tenants and Homeowners. Our partnership with Google Nest to offer Boiler and Thermostat packages ran throughout 2020 and is in its second year of success allowing customers to leverage the benefit of a highly efficient boiler combined with the Intelligence of a thermostat that uses occupancy to drive greater efficiencies. We have also introduced a product that reduces scale effectively up to 76% without using sacrificial anodes or rare earth metals. This device increases the performance and ultimately the efficiency of boilers and water heating devices.

DRIVING GROWTH in our business is key to implementing further change.



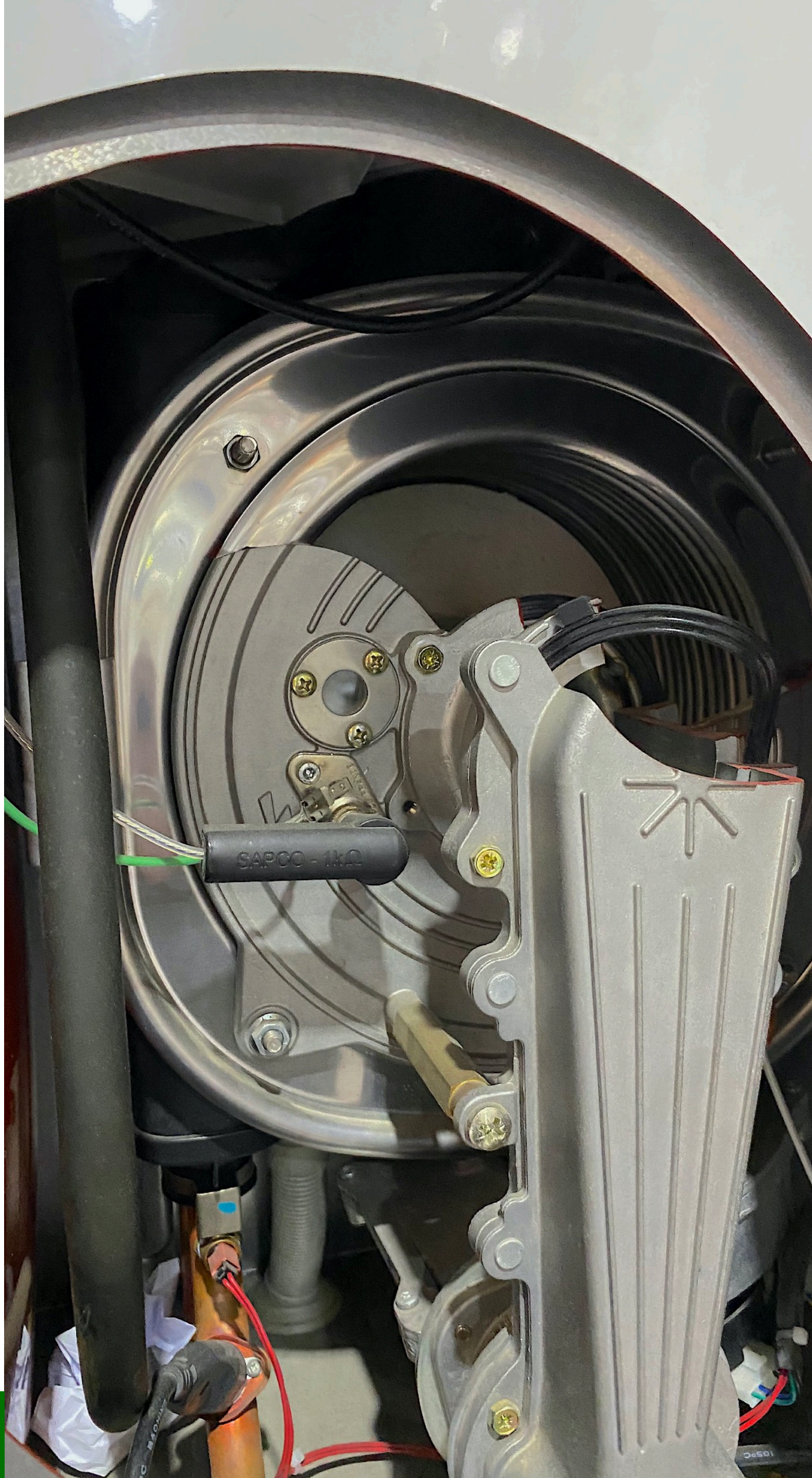
CZ Priority 5



CZ Priority 6

HSP

Energy Saving Bundles 2020 - 2025





## Construction activity

We have implemented a scheme to collect and responsibly recycle all end of life boilers for our customers. This is a nationwide scheme that allows customers to return the unwanted boiler in one of our custom made boxes, so facilitating a clean and safe removal of the material. This supports our customers and offers them a solution for their waste which is convenient and guarantees that the unwanted material does not end up supporting the untaxed economy and adding to the £600million a year waste crime figure.

The material is reprocessed at a central location, correctly streamed to maximise recycling, stopping the current process of materials ending up in landfill.

Currently there is not a single boiler recycled in the UK and we have embarked on a project to increase the awareness and stream material correctly to maximise the impact of an end of life product on the environment. We are in discussions with boiler manufacturers to understand and consult on how this recycling activity could benefit the future product design.

The BoilerBox was introduced to offer a reusable container for our customers that can be easily stored and reduces the possibility of physical accidents in handling and damage to a clients house.

The in house recycling and material streaming is allowing us to increase **TRUST** with our customers and reduce embedded carbon. We will also be offering incentive schemes to pre-empt boiler change based upon efficiency and utilise the BoilerBox concept to show that over 80% of materials rescued will be recycled responsibly without the requirement for landfill.



**Boiler Recycling Scheme  
Implementation Q4 2020  
Production Line Q1 2021**

**BoilerBox Collection  
service implementation  
Q3 2020 ongoing**



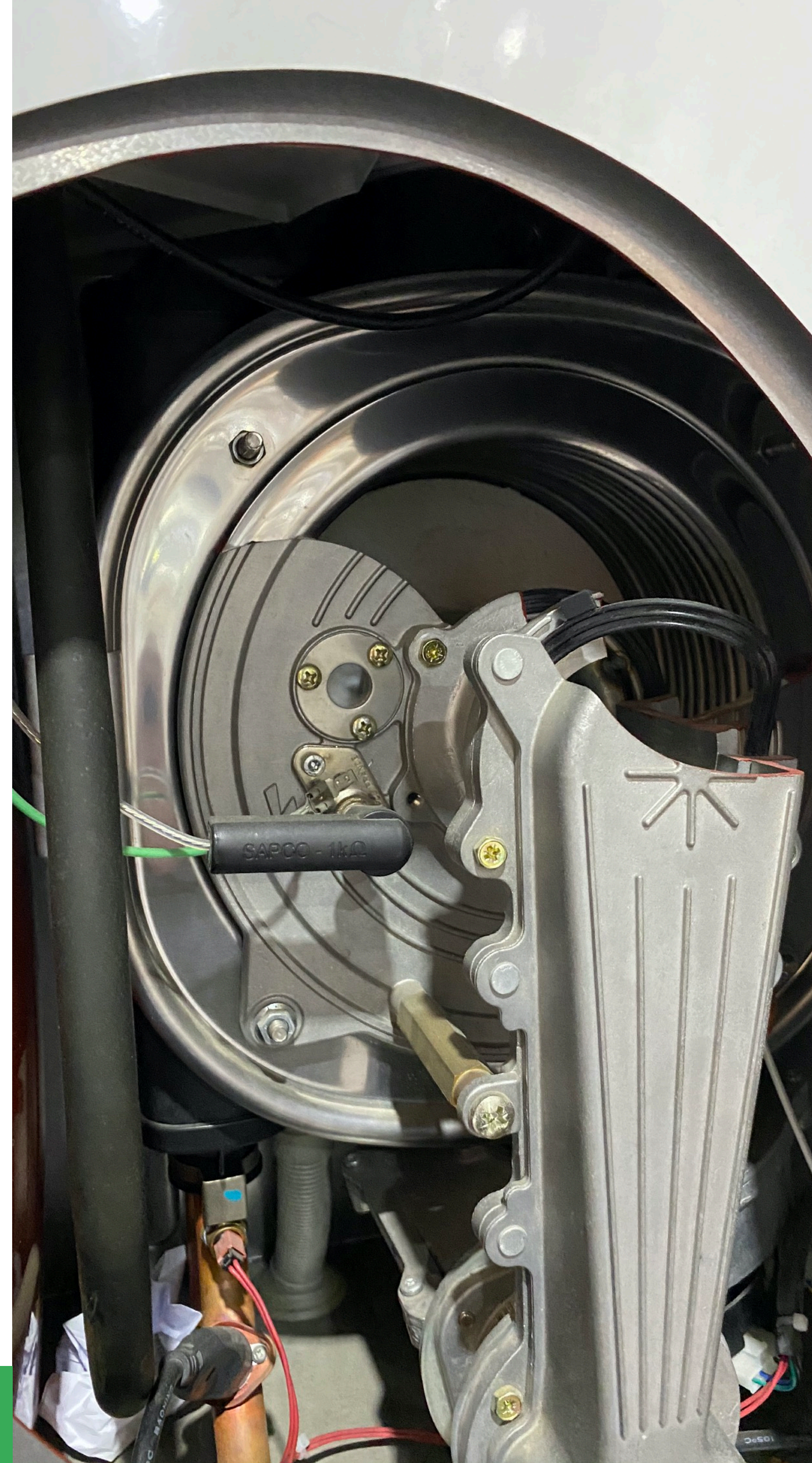
CZ Priority

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**BoilerBox**

**BoilerBox :**  
closing the loop  
for boiler  
recycling





### Construction activity

Material input from our activities was also defined as a key area to target and a full audit of the packaging that we introduce into the UK market has been done. The counteraction is a product by product discovery to understand what packaging can be removed in order to SAVE COST and MITIGATE RISK. The product needs to be fit for sale but over packaged products and the high use of plastic bagging to keep a product free from damage is currently being evaluated. Where plastic bagging can be removed this will be presented back to the manufacturer and an alternative sought. We have influence with a number of suppliers to remove this excess packaging and also preserve the integrity of the product.



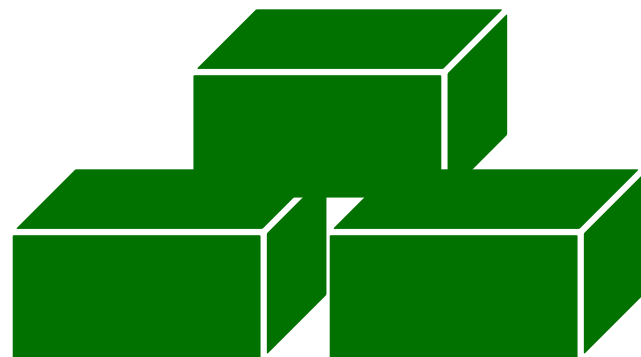
#### Packaging Audit

Implementation Q4 2020

Packaging reduction Q3 2021

CZ Priority

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#### Imported product review

Implementation Q4 2020

Review and Results Q3 2021

Action reduction Q4 2021

### Construction activity

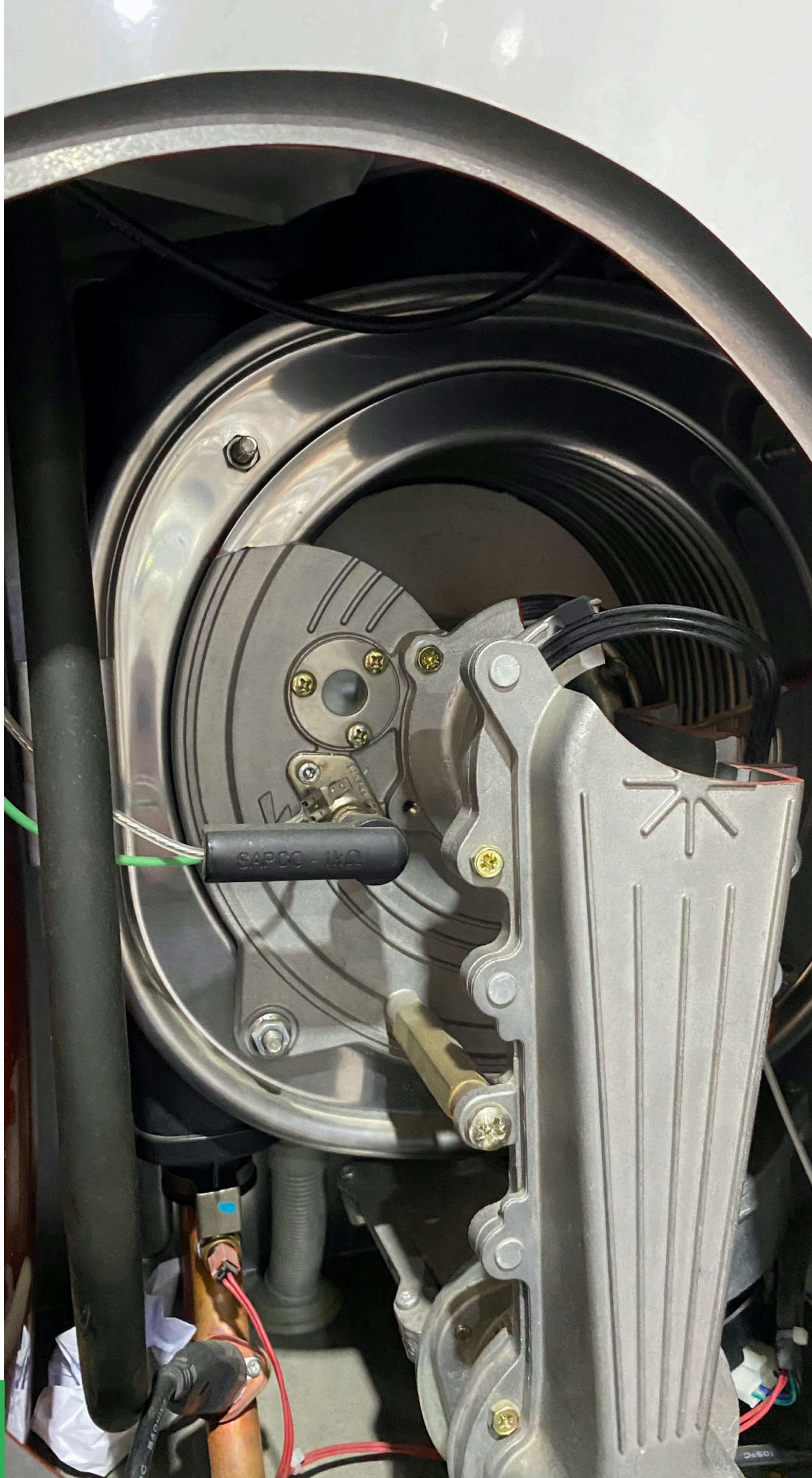
Product returns and buyers remorse is becoming an increasing problem within the industry and identified as a key issue in our audits. Reduced product understanding in all areas of the supply chain causes remorse and returns that are not always reissued into the supply chain. Manufacturers also have brand liability measures that are increasing unhealthy attitudes to problem or fault finding and creating unwanted material that can be recovered. We have started consultations with manufacturers on how we reuse and recover material lost in this area. The throw away mentality is something we are trying to address and recover and rework materials so they are not lost within the supply chain.

#### Returns Audit

Implementation Q2 2021 ongoing

CZ Priority

8





## Biggest Challenges

The TRUST that a business is going to have to place upon the decisions that it makes will be the key challenge. Also once those decisions are made it needs to be designed and delivered, this all may happen without any immediate benefit financially or environmentally. There are also the priorities of normal business and 2050 is a long way off without a plan to follow. Implementing policy levers to help with sustainability can overcome initial challenges but these need to be maintained and updated as new objectives become apparent. The formulation of a distinct team tackling current issues is great but will it run out of options and levers to pull? This is why we are basing our objectives around the impacts of our activities as these should always be present. Unfortunately businesses look constantly at past financials and how much it is going to cost now. Any DCF or NPV calculations do not take into consideration the cost of not doing the project. Utilising operations to provide material for recover and then recycling is a clear opportunity to tackle, with benefits to the business. Communicating these objectives to our customers and supply chain is key to setting the urgency and complexity of the change project. This is why we believe that we need to start communicating about it, leading and innovating ideas to stimulate the market to find more solutions.

## Biggest impact on Carbon

Our core product line is boilers and associated products and this we believe will have the greatest impact upon the carbon that is produced. Converting gas boilers to Hydrogen with increasing percentages culminating in 100% will have the biggest impact on the UK's carbon output. This solution is the simplest in terms of appliance conversion or retrofit and the least disruptive to the consumer. One concern is the volume production of Hydrogen, but the market will decide if it is viable. The market will decide if micro generation locally using renewable power sources is the solution!

As a business we have a competitive drive to become a market leading company. We need to harness this into the changes that will become apparent moving towards Net Zero. We need to make our capacity to deal with change competitive and resilient. Certainty creates investment and we need to be clear on our goals to stimulate this.

