**ENERGY SAVINGS OPPORTUNITY SCHEME**

**EXAMPLE LETTER AGREEMENT FOR DISAGGREGATING PORTFOLIO COMPANIES**

<Name and address of disaggregating fund>

<Name and address of portfolio company to be disaggregated>

<Date>

Dear <name>

Energy Savings Opportunity Scheme

Your company may already be aware of the Energy Savings Opportunity Scheme (“ESOS”) and may be making preparations to comply with its requirements. This letter relates to some issues that arise from your company’s ownership by <fund name> (the “Fund”). It also contains important information about a decision by the Fund to “disaggregate” your company [and its subsidiary undertakings] for ESOS participation and compliance purposes.

ESOS is a mandatory energy assessment and energy saving identification scheme for “large undertakings” and their corporate groups in the UK. In summary, it requires the entities that are caught by its requirements to undertake an energy assessment and audit of their total energy consumption. The audit needs to be conducted or reviewed by a Lead Assessor, who must be a member of a professional body approved by the Environment Agency. The qualification date for ESOS was 31 December 2026 and the criteria for being in the scope of ESOS are:

1. being an undertaking that has 250 or more employees; or
2. being an undertaking that has fewer than 250 employees but has:
	* an annual turnover exceeding £44 million and
	* a balance sheet exceeding £38 million; or
3. being part of a corporate group that includes an undertaking which meets either of criteria (1) and (2) above.

An undertaking that meets either of criteria (1) and (2) above is classified as a “large undertaking”.

[We believe that <company name> is a large undertaking in its own right, but we have been advised that it is also caught by virtue of being (for ESOS purposes) a “group undertaking” of the Fund, which is itself caught by ESOS, as at 31 December 2026. We are also advised that the Fund is the “highest parent” of the “highest parent group” that includes <company name>.]1 [OR] [Although we do not believe that <company name> is a large undertaking, we have been advised that it is caught by virtue of being (for ESOS purposes) part of the <fund name> corporate group, which is itself caught by ESOS, as at 31 December 2026. We are also advised that the Fund is the “highest parent” of the “highest parent group” that includes <company name>.]2

Under ESOS there is complete flexibility for the undertakings in a participant group to participate in ESOS as a group, as individual undertakings or as some other combination. This is known as “disaggregation” and, once disaggregated, each undertaking is responsible for its own compliance with ESOS. Undertakings are allowed to comply with ESOS other than as a member of their highest parent group where that is agreed in writing by the highest parent and the relevant undertaking.

The Fund believes that your company is best placed to handle its own compliance with ESOS and has therefore decided to disaggregate it[, together with all of its subsidiary undertakings]. This will allow you to

focus on your own compliance obligations, without having to concern yourself with the compliance obligations of other, unrelated companies owned by the Fund. As disaggregation must be documented, I should be grateful if you would arrange for the acknowledgement on the enclosed duplicate of this letter to be signed by a director and return it to me.

Please do not hesitate to contact me if you have any questions.

Yours sincerely

<Signature on behalf of disaggregating fund>

[on duplicate:

<Company name> [and its subsidiary undertakings listed below] acknowledge[s] and agree[s] that [it/they] shall be disaggregated from <fund name> for the purposes of compliance with the Energy Savings Opportunity Scheme and that [it/they] shall comply with the Energy Savings Opportunity Scheme other than as [a] member[s] of [its/their] highest parent group.

…………………………………………….

Signature

…………………………………………….

Print name

Director

<List of subsidiary undertakings>]