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ESG Readiness for Mid-Market PE Deals: Why Materiality Matters More Than Metrics

Rachel Lowe, Special Regulatory Counsel at Proskauer, and Paul Lewis, Chief Executive and Co-Founder of Seismic on **September 17, 2026**

Introduction

For many years, ESG was viewed primarily as a compliance or reporting exercise. Today, it is a routine feature of private equity fundraising, investment decision-making, portfolio management, and exit preparation.

Strong ESG credentials help businesses attract broader buyer interest, build operational resilience, and directly drive valuation outcomes through a wider pool of buyers, revenue growth, margin improvement, and risk reduction. However, ESG readiness is not measured by the volume of data produced. It depends on whether management understands the ESG issues that are genuinely material to the business, has established appropriate governance around them, and can clearly explain how they support long-term value creation and protection.

This joint insight from **Rachel Lowe**, Special Regulatory Counsel at Proskauer, and **Paul Lewis**, Chief Executive and Co-Founder of Seismic, explores what true ESG readiness means in practice for mid-market businesses preparing for investment or exit.

ESG Has Become a Market Expectation

Private equity sponsors increasingly face ESG-related demands from both institutional investors and regulators.

From a regulatory perspective, frameworks such as the EU Sustainable Finance Disclosure Regulation (SFDR) have created significant sustainability reporting obligations for funds and their LP base. While portfolio companies may not be directly in scope, they are routinely required to provide robust data to support fund-level disclosures, including reporting against Principal Adverse Impact (PAI) indicators and sustainability classifications.

At the same time, investors expect sponsors to demonstrate how ESG considerations are integrated throughout the investment lifecycle. That expectation flows directly down to portfolio companies through diligence processes, ongoing portfolio monitoring, and exit preparation. The result is often overlapping—and sometimes competing—ESG data requests from investors, sponsors, and commercial stakeholders, placing greater operational demands on mid-market leadership teams.

As **Rachel Lowe** of Proskauer notes:
“Voluntary frameworks such as the ESG Data Convergence Initiative and the U.N. Principles for Responsible Investment, together with regulatory frameworks such as the EU Sustainable Finance Disclosure Regulation, have helped establish a common language for ESG reporting across private markets. However, they are a starting point, not an end point”

Materiality Over Volume

Mid-market businesses must move beyond treating ESG as a reactive data-collection exercise. Private equity buyers are less interested in the volume of ESG data than in whether management can demonstrate performance against the ESG factors that are genuinely material to the business. Which metrics matter will depend on the buyer's investment strategy; for example, impact funds may prioritise sustainability outcomes, while mainstream buyout funds often focus on regulatory reporting, commercial risk and value creation. buyers want ESG information that supports their investment thesis.

The value of a focused ESG strategy extends beyond exit readiness. Customers and procurement teams increasingly assess ESG credentials during vendor selection and tender processes, meaning robust ESG performance can strengthen RFP success, support customer retention and enhance competitive positioning.

As sustainability disclosures face increasing scrutiny from regulators and buyers, businesses should prioritise ESG metrics that are accurate, defensible and supported by robust data governance. A concise set of well-evidenced, material metrics provides greater deal certainty than an extensive collection of unverified data.

A robust materiality assessment also helps management focus on the ESG issues that matter most. Rather than responding to ad hoc questionnaires, businesses can produce consistent reporting, strengthen governance and build buyer confidence throughout due diligence.

What Buyers Are Looking For

In practice, buyers evaluate four core questions during diligence:

1. **Alignment:** How does the company's ESG profile align with the buyer's investment thesis, value creation strategy, and LP commitments?
2. **Materiality:** What are the most material ESG risks and growth opportunities facing the business?
3. **Governance:** How are those material issues governed, monitored, and held accountable at the executive level?
4. **Data Integrity:** Can the underlying ESG data be relied upon and substantiated under scrutiny?

Buyers increasingly seek evidence of an embedded sustainability model, where ESG considerations actively inform commercial strategy, operational decision-making, talent retention, and risk management rather than operating as a standalone initiative. In a competitive buying process, a company that demonstrates sustainability embedded into its operational cadence is often viewed as lower risk, more scalable, and better positioned to support a stronger valuation.

As **Paul Lewis** of Seismic notes:

"*In the mid-market, ESG is no longer a defensive compliance exercise, it's an active value creation driver. When portfolio companies embed material sustainability targets directly into their core strategy, they move from filling out questionnaires to improving margins, winning new business, and commanding premium multiples at exit. True ESG readiness means identifying the 3 to 5 critical drivers that actually impact business value, putting robust data behind them, and articulating that story clearly to buyers from day one.*"

The ESG Readiness Imperative

ESG readiness is not about producing more sustainability reports or adopting every emerging framework.

The mid-market businesses best positioned for investment or exit are those that articulate a clear understanding of their material ESG drivers, back those positions with reliable data, and demonstrate how sustainability actively contributes to commercial growth, resilience, and EBITDA expansion.

From a legal and regulatory perspective, readiness requires mapping these internal material priorities against the external disclosure commitments of prospective private equity sponsors. Businesses that successfully bridge this gap are often better positioned to streamline due diligence, facilitate smoother transaction timelines, and improve potential exit value.

That is what separates passive ESG reporting from an active ESG value creation strategy.

Related Professionals

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