

# Insights



## Soft Sustainability Is Over: Why Boards Must Now Treat ESG as an Operating Risk

For years, sustainability was often framed as a matter of values, reputation, reporting and long-term ambition. It sat comfortably in the language of ESG, net-zero commitments, voluntary disclosure and corporate responsibility.

### That era is ending.

The emerging reality is harder, more immediate and more operational. Energy security, supply-chain resilience, critical minerals, insurance availability, geopolitical instability, regulatory divergence and litigation risk are no longer adjacent to the sustainability agenda. They are becoming the **sustainability agenda**.

This is not simply a climate issue. It is a boardroom risk issue.

For companies operating in the real economy, the test is no longer whether they have a credible ESG statement. The test is whether their business model can withstand a world of higher energy volatility, fragile supply chains, harder regulation, tighter insurance markets and greater geopolitical uncertainty.

### That distinction matters.

Soft sustainability asked what a business was willing to commit to. Hard sustainability asks what a business is capable of surviving.

## From aspiration to operating reality

The language of sustainability is changing because the world around it is changing.

Energy transition is increasingly being reframed as energy security. Supply-chain efficiency is being challenged by the need for resilience. Globalisation is giving way to fragmentation, friend-shoring and strategic industrial policy. Insurance markets are pricing risks that politics has often been slow to confront. Regulation is moving from voluntary disclosure towards mandatory reporting, liability and enforcement.

For boards, lenders and advisers, this creates a very different set of questions.

- Can the business absorb energy-price shocks?
- Is it dependent on fragile or politically exposed supply chains?
- Can it still obtain insurance on acceptable terms?
- Are key inputs exposed to critical-mineral, fertiliser, shipping or trade disruption?
- Does the operating model rely on assumptions about global stability that no longer hold?
- Is sustainability embedded in decision-making, or merely described in external communications?

These are not soft questions. They go directly to liquidity, margin, continuity, stakeholder confidence and enterprise value.

“Soft sustainability asked what a business was willing to commit to. Hard sustainability asks what a business is capable of surviving.”

## The hard edge of sustainability

In distressed and underperforming businesses, sustainability risk rarely arrives wearing an ESG label.

It arrives as.



A margin problem.



A working-capital problem.



A supply-chain problem.



A lender-confidence problem.



An insurance problem.



A customer-retention problem.



A regulatory problem.



A loss-of-control problem.

By the time those issues become visible in the cash flow, the underlying exposure may have been developing for months or years.

That is why boards need to move beyond static risk registers and ask harder operational questions. What happens if input costs rise sharply? What happens if a key supplier becomes unavailable? What happens if an insurer withdraws cover or materially increases premiums? What happens if a customer demands evidence of resilience, traceability or compliance that the business cannot provide? What happens if regulation changes faster than management capability?

*In a restructuring context, these issues affect more than reputation. They affect viability.*

*A balance sheet restructuring may buy time. But if the operating model remains exposed to unresolved energy, supply-chain, regulatory or market risks, that time may not be worth buying.*

## Why this matters in the mid-market

Large corporates may have dedicated sustainability teams, risk functions, procurement specialists, government affairs advisers and scenario-planning capability.

Most mid-market businesses do not.

Yet they are often more exposed. They have less cash headroom, thinner management bandwidth, more key-person dependency, fewer alternative suppliers, weaker data visibility and less ability to absorb shocks. A large business may have options. A mid-market business may have weeks.

This is where the old language of ESG can be unhelpful. For an owner-managed or mid-market board under pressure, sustainability can sound like another reporting burden, another compliance cost, another set of commitments to be written down when the business is already fighting for attention, cash and capacity.

That is the wrong frame.

Hard sustainability is not about adding another layer of corporate language. It is about protecting the business from foreseeable disruption.

- It is about knowing which suppliers are critical.
- It is about understanding where energy, logistics, insurance and regulation can impair margin.
- It is about mapping where geopolitical shocks can hit cash, continuity and customer confidence.
- It is about ensuring that the business can still trade, fund, insure, supply, comply and adapt when the external environment hardens.
- That is not ESG as reputation. That is resilience as an operating discipline.

**A risk register is not readiness. It may tell you the risk has been identified. It does not tell you whether the business can respond.**



## From risk register to operating readiness

Many boards already have sustainability, climate, supply-chain and geopolitical risk somewhere on a register.

But a risk register is not readiness.

A risk register may tell you that a risk has been identified. It does not tell you whether the business can respond when that risk arrives through several channels at once.

The practical question is not simply: "Have we recorded the risk?"

It is: "Have we rehearsed the consequences?"

If energy costs rise, what happens to margin and pricing?

If a key supplier fails, how quickly can we switch?

If insurance becomes unavailable or unaffordable, what happens to contracts, lenders and customers?

If new regulation creates disclosure or compliance obligations, who owns the response?

If a geopolitical event disrupts logistics, what is the cash impact after 7, 14 and 30 days?

If customers demand better evidence of resilience, traceability or governance, can we provide it?

The businesses that answer those questions early will be stronger. The businesses that wait until those risks hit the cash flow will be negotiating from weakness.

## The new boardroom agenda



“The point is not to abandon sustainability. The point is to make it more serious.”

Hard sustainability requires boards to treat resilience as a core governance issue.

That means integrating sustainability into strategy, finance, operations, risk, stakeholder management and transformation.

- It belongs in strategy because the board must understand whether the business model remains viable in a more disrupted world.
- It belongs in finance because energy, labour, insurance, logistics and compliance costs all affect margin, liquidity and funding need.
- It belongs in operations because supply-chain dependencies, single points of failure and productivity weaknesses are often where the exposure sits.
- It belongs in risk because static registers are not enough; boards need scenarios, decision triggers and practical response plans.
- It belongs in stakeholder management because lenders, insurers, customers, regulators and employees will increasingly judge businesses by their resilience, not only by their promises.
- And it belongs in transformation because technology, automation, procurement redesign, data visibility and operating discipline may be the difference between a business that absorbs disruption and one that is overwhelmed by it.

The point is not to abandon sustainability.

The point is to make it more serious.

### **The hidden danger: outdated assumptions**

The businesses most exposed may not be those with poor intentions.

They may be businesses with outdated assumptions.

- Assumptions that energy will remain available and affordable.
- Assumptions that supply chains will remain open and efficient.
- Assumptions that insurance will remain accessible.
- Assumptions that customers will absorb higher prices.
- Assumptions that lenders will tolerate weak visibility.
- Assumptions that voluntary commitments will be enough.

Those assumptions now need testing.

In a harder world, resilience becomes a performance driver. It influences cost, capital, customer confidence, lender support and enterprise value. Boards that recognise this early can act while they still have options. Boards that treat it as a communications issue may only discover the exposure when stakeholders have already lost confidence.

## A BM&T perspective

At BM&T, we work with businesses where pressure is rarely caused by one clean event. It is usually the interaction of several issues: cash strain, operational weakness, stakeholder anxiety, governance gaps, market pressure and delayed decision-making.

That is why we see hard sustainability as part of the wider resilience and turnaround agenda.

A business under pressure does not have the luxury of treating ESG as a separate workstream. It must understand which environmental, geopolitical, regulatory and supply-chain exposures are already affecting performance, and which may threaten future viability.

For mid-market companies, this requires practical leadership, not abstract ambition.

It requires cash visibility, supplier mapping, margin analysis, stakeholder discipline, scenario planning and clear accountability. It requires boards to ask whether the business is resilient enough to withstand the world it is actually entering, not the world its plans assumed.

Handled properly, hard sustainability can strengthen the business. It can improve operating discipline, protect value, build lender and insurer confidence, and create a more credible path through stabilisation, turnaround and transformation.

Handled poorly, it becomes another unmanaged risk waiting to crystallise.

## The provocation

Soft sustainability asked businesses to explain their intentions.

Hard sustainability will test their operating model.

The winners will not be those with the longest ESG reports. They will be those that understand the risks, adapt early, preserve cash, build resilience and make better decisions before disruption becomes distress.

Sustainability is moving from aspiration to resilience.

Boards should move with it.

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**Stabilise. Turnaround. Transform.**

At BM&T, we bring this philosophy to life through hands-on company-side experience. Our team acts as CROs and Crisis Managers — operators who value human capital as much as financial capital. We combine financial expertise and operational excellence with empathy. Experience. Integrity. Tenacity.

BM&T European Restructuring Solutions Ltd, founded in 2008, is one of the most respected names in middle market corporate turnaround and restructuring.

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