

# THE VALUE IN ENVIRONMENTAL COMPLIANCE - SERRA LOPES CORTES MARTINS & ASSOCIADOS

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**For companies looking for outside investment or even to sell assets, environmental behaviour is now significant in terms of reputation and risk assessment and even valuation, says Claudio Monteiro, partner at Lisbon's Serra Lopes Cortes Martins & Associados.**

'Compliance with environmental legislation can be one of the most important factors in assessing a company's value, considering that it is also one of the most common sources of financial liabilities. Adherence to the prevailing regulation implies not only reduced liabilities, but also reduced costs associated with future compliance.'

In addition, in Portugal as across much of the European Union (EU) admission to certain public credit and finance lines can depend on compliance with the applicable environmental rules, he emphasises.

The majority of Portuguese environmental regulation is established through legislation or administrative orders, but nonetheless the definition of some specific obligations is now established through administrative 'environmental licences' or authorisations – set to specific situations and according to the best available techniques (BAT).

'Inevitably this means that certain business sectors will be subject to more demanding regulation, according to the specific dangers that their activity involves,' he explains. 'This implies an unpredictability as to the rules affecting the licensing of many industrial facilities, the extent of which will depend on the kind of facility and the status of research on the most reliable and advanced pollution control techniques.'

The implications of 'bad' behaviour include not only penalties or reputational risk, but may also impact on a company's attraction to outside investors. Environmental practice has the potential to influence financial operations and even mergers or acquisitions, causing a breakdown of negotiations or a severe reduction of the deal price, he says.

'According to our experience, clients now expect to have a detailed understanding of the dimension of the environmental liabilities that they are buying. In some kind of deals, the environmental issues are beginning to be among the most important considerations.'