

# CONSTRUCTION & ENGINEERING ALERT

17 MARCH 2022



CLIFFE DEKKER HOFMEYR

INCORPORATING  
KIETI LAW LLP, KENYA

## IN THIS ISSUE

### The construction ecosystem in an environmentally conscious society

Historically, the construction sector has been criticised for its lack of environmentally friendly practices. According to the Chartered Institute of Building, the global built environment contributes approximately 30% of total greenhouse gas emissions and consumes about 32% of the earth's natural resources. However, the rise of environmentally conscious investors and environmental, social and governance (ESG) reporting may be an incentive (or add pressure) for stakeholders in the construction sector to silence their critics.



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OUR EXPERTISE  
AND SERVICES

## The construction ecosystem in an environmentally conscious society

Historically, the construction sector has been criticised for its lack of environmentally friendly practices. According to the Chartered Institute of Building, the global built environment contributes approximately 30% of total greenhouse gas emissions and consumes about 32% of the earth's natural resources. However, the rise of environmentally conscious investors and environmental, social and governance (ESG) reporting may be an incentive (or add pressure) for stakeholders in the construction sector to silence their critics.

ESG is a term used to describe a number of factors upon which society can assess a company's commitment to sustainability issues. These factors include the company's:

- impact on natural resources;
- social interactions with external persons and institutions; and
- operational procedures and policies.

Trends show an increase in investors looking to invest in companies that are accountable for their environmental impact, and which contribute positively to global sustainability issues. Accordingly, companies across the globe (and in various sectors) have opted to be transparent about their efforts to contribute to global sustainability issues through ESG reporting.

Following COP26 (held at the end of 2021 in Glasgow), similar conversations are now being had within the construction sector on a global scale, with the intention of reassessing the construction sector

through the lens of ESG. A few noteworthy events that illustrate this shift in mindset include:

- A recent poll conducted by Global Data, which indicated a significant increase in clients demanding construction in accordance with more sustainable methods.
- McKinsey hosted a global webinar with no less than 150 industry leaders to discuss sustainability in the construction sector.
- The Fédération Internationale Des Ingénieurs-Conseils president Mr Tony Barry, has become vocal on the attainment of ESG goals and about how the association of consulting engineers can contribute to the conversation.

Although we are yet to see any drastic ESG reforms to the construction sector, various jurisdictions will pursue this agenda soon, and developing countries like South Africa will inevitably follow given the frequency of cross-border construction projects and the role of international employers in our market.



## The construction ecosystem in an environmentally conscious society

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Accordingly, contractors may face the following challenges in the near future:

- reporting on their ESG compliance as part of their tender for projects – either as a function of law or the employer’s requirements;
- increased spend on ESG related items – this will vary depending on the importance placed on this by the employer or the institutions funding the project;
- the need to be flexible with respect to project-specific ESG needs, as there is currently no single objective standard; and
- most importantly, having to develop and learn new rules to remain competitive in the construction sector.

The construction sector does not exist in a vacuum and is therefore not immune to the increased importance of ESG globally. Accordingly, it would be in the best interests of sector stakeholders to start familiarising themselves with this concept and considering the potential impact it may have on the sector. Developing clear ESG reporting guidelines at an early stage may well be a competitive advantage.

**CLIVE RUMSEY AND  
SETHU KHUMALO**

### 2022 RESULTS

**CHAMBERS GLOBAL 2011 - 2022** ranked our Construction & engineering sector in Band 3: construction.

**Clive Rumsey** ranked by **CHAMBERS GLOBAL 2019 - 2022** in Band 1: construction and in Band 4: dispute resolution.

**Andrew van Niekerk** ranked by **CHAMBERS GLOBAL 2022** in Band 2: construction.

**Joe Whittle** ranked by **CHAMBERS GLOBAL 2020 - 2022** in Band 3: construction.



Cliffe Dekker Hofmeyr

## OUR TEAM

For more information about our Construction & Engineering sector and services in South Africa and Eastern Africa, please contact:



**Clive Rumsey**

Sector Head of Construction & Engineering  
Director  
Dispute Resolution  
T +27 (0)11 562 1924  
E [clive.rumsey@cdhlegal.com](mailto:clive.rumsey@cdhlegal.com)



**Andrew van Niekerk**

Head of Projects & Infrastructure  
Director  
T +27 (0)21 481 6491  
E [andrew.vanniekerk@cdhlegal.com](mailto:andrew.vanniekerk@cdhlegal.com)



**Christine Mugenyu**

Associate | Kenya  
Dispute Resolution  
T +254 731 086 649  
T +254 204 409 918  
T +254 710 560 114  
E [christine.mugenyu@cdhlegal.com](mailto:christine.mugenyu@cdhlegal.com)



**Timothy Baker**

Director  
Dispute Resolution  
T +27 (0)21 481 6308  
E [timothy.baker@cdhlegal.com](mailto:timothy.baker@cdhlegal.com)



**Joe Whittle**

Director  
Dispute Resolution  
T +27 (0)11 562 1138  
E [joe.whittle@cdhlegal.com](mailto:joe.whittle@cdhlegal.com)



**Sethu Khumalo**

Associate  
Dispute Resolution  
T +27 (0)11 562 1311  
E [sethu.khumalo@cdhlegal.com](mailto:sethu.khumalo@cdhlegal.com)



**Desmond Odhiambo**

Partner | Kenya  
Dispute Resolution  
T +254 731 086 649  
T +254 204 409 918  
T +254 710 560 114  
E [desmond.odhiambo@cdhlegal.com](mailto:desmond.odhiambo@cdhlegal.com)



**Krevania Pillay**

Associate  
Dispute Resolution  
T +27 (0)11 562 1317  
E [krevania.pillay@cdhlegal.com](mailto:krevania.pillay@cdhlegal.com)

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**JOHANNESBURG**

1 Protea Place, Sandton, Johannesburg, 2196. Private Bag X40, Benmore, 2010, South Africa.

Dx 154 Randburg and Dx 42 Johannesburg.

T +27 (0)11 562 1000 F +27 (0)11 562 1111 E [jhb@cdhlegal.com](mailto:jhb@cdhlegal.com)

**CAPE TOWN**

11 Buitengracht Street, Cape Town, 8001. PO Box 695, Cape Town, 8000, South Africa. Dx 5 Cape Town.

T +27 (0)21 481 6300 F +27 (0)21 481 6388 E [ctn@cdhlegal.com](mailto:ctn@cdhlegal.com)

**NAIROBI**

Merchant Square, 3<sup>rd</sup> floor, Block D, Riverside Drive, Nairobi, Kenya. P.O. Box 22602-00505, Nairobi, Kenya.

T +254 731 086 649 | +254 204 409 918 | +254 710 560 114

E [cdhkenya@cdhlegal.com](mailto:cdhkenya@cdhlegal.com)

**STELLENBOSCH**

14 Louw Street, Stellenbosch Central, Stellenbosch, 7600.

T +27 (0)21 481 6400 E [cdhstellenbosch@cdhlegal.com](mailto:cdhstellenbosch@cdhlegal.com)

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