

ERIC CHINCHON AND  
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mebs

# G for ESG

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ACCORDING TO ERIC CHINCHON AND CHRISTOPHE PESSAULT, RESPECTIVELY FOUNDING PARTNER AND MEMBER OF THE EXECUTIVE COMMITTEE OF MEBS, THE INTEGRATION OF ESG CRITERIA WITH FINANCIAL SERVICES IS NOT ONLY UNAVOIDABLE, BUT INDISPENSABLE. THEY EXPLAIN IN THIS INTERVIEW.

## How does a company like mebs approach meeting its ESG requirements?

**Eric Chinchon (EC):** At mebs, we have always been at the forefront of 'G' standards. It is part of our DNA. We also believe in the value of acting socially responsible over the long term. "You reap what you sow," and "Who Cares Wins" are the founding morals of today's ESG frameworks. It is fair to say that at an individual and company level we are already discussing new ways to reduce our burden on the environment, and we hope to reduce it further. In the long run, I believe we will significantly improve our standards and help our clients assess and manage theirs.

**Christophe Pessault (CP):** To put this discussion in context, 2020 was a real test of our ESG capabilities. Thanks to our operational efficiency, we were able to continue working throughout the year without any difficulty. Our employees were taken care of, from the very beginning of the pandemic by the Executive Committee and kept regularly informed of developments. In addition, we took advantage of this exceptional year to measure the efficiency of our operational framework, as well as the well-being of our staff, by mandating an external provider to assess our internal social standards. The study enabled us to identify the SWOT characteristics of our infrastructure and adapt accordingly. This exercise produced excellent results both for management and employees.



Eric Chinchon



Christophe Pessault

## Why did you enter into a partnership with Thomas Murray?

**EC:** There are more than 14,500 funds registered in Luxembourg (CSSF, 2020). The questions we asked ourselves were: "what if we could offer a solution ranging from the simple facilitation of a due diligence exercise, via access to a platform and its templates, through to a tailor-made end-to-end solution to conduct this exercise? How effective would we be in providing a quality solution to the entire market spectrum?". Thomas Murray (TM) & mebs share the same core values, which is to provide tailor-made quality solutions to financial services professionals. The only real difference is that TM focuses on quantitative solutions while we focus on qualitative ones. The combined added value of our services for the Luxembourg market was so clear that we quickly moved from a conceptual phase, to the signature of a partnership, so to quickly start working. Over the long run, I believe this collaboration will produce much more added value for our clients than is already apparent.

**CP:** Thomas Murray offers a turnkey digital solution with a high level of automation, in line with the current and future demands of the CSSF. mebs adds the rest of the value

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chain to digital due diligence. By relying on a system that achieves 75% automation (performing at the level of big data applications), mebs concentrates its added value on the remaining 25%. To remain competitive, a company like mebs must put data and automation at the heart of its business model. By working with a solid partner, widely recognized for the quality of its operational framework and its analytical capabilities, we are giving ourselves the means to grow and optimize our competitiveness, just at a time when the pressure of costs and the regulatory burden is increasing.

## How do you see ESG evolving in the coming years?

**EC:** Change is never a quick process. ESG standards as a whole have been a hot topic in the industry for the last 17 years. 2004 was the year, UN Secretary General Kofi Annan spearheaded the first international conversation on the need to incorporate ESG standards in business activity. We are only beginning to see real changes in E&S categories in Luxembourg. Over the last three years the financial services sector as a whole has made significant improvements on its social standards. But as the largest sector of the Luxembourg economy, we must continue to lead by example and do similarly for the environment. This will be a long, but necessary process which at this stage is still in its infancy.

**CP:** I completely agree with Eric. We are in the early growth phase of ESG. Take the example of VaR [Value at Risk], developed as early as 1994 by J.P. Morgan. Several crises have made it possible to refine this indicator thanks to incremental progress. Moreover, this indicator has been emulated by "Climate VaR" or "Carbon VaR". ESG applications will take the same path, but it remains to be seen how fast they will evolve.