

Timely insights from portfolio managers and industry experts on key financial, economic and political issues.

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Emerging markets debt - ESG engagement through an expert approach

Boston - ESG analysis has long played a critical role in the country research and investment selection process for the Eaton Vance emerging markets team. With increased industry focus on ESG investing and a growing EM bond universe, engagement is now more important than ever before.

The team intends to improve the value of clients' investments and deliver positive externalities in the form of ESG gains via its engagement initiatives. To this end, we have developed a structured, two-pronged approach to engagement that utilizes both systematic and opportunistic channels to identify and undertake engagement opportunities.

Importantly, we believe the goal of engagement is to focus on initiatives in subject matters where we are competent and credible resources to the market, rather than engaging on every topic. We focus on areas where our experience and knowledge can lead to successful engagement outcomes, as we find this "expert approach" allows us to credibly advocate for beneficial ESG policy changes.

Systematic engagement — A universal approach applied to all markets in a uniform and consistent manner. As an example, we use a scorecard to analyze each country's data transparency according to a variety of metrics, including the frequency, timeliness and level of detail available for data published by the ministry of finance and central bank. We update this score frequently as part of our fundamental country analysis. We also use similar scorecards for trading best practices to help identify areas for credible engagements, where we can advocate for policy improvement in each market.

Opportunistic engagement — A bespoke approach that captures engagement opportunities as they arise. Over the course of its multiyear history, the team has developed an extensive network of government officials, policy decision-makers, thought leaders, local business executives, think tanks and academics with whom they regularly engage in conversation. Through the cultivation of these relationships, we opportunistically identify ESG issues and advocate for policy change in the areas where we are credible experts.

Our approach differs from the "engage-on-everything" approach, as, frankly, we are not experts on every ESG issue, and, thus, focus where we know we can have meaningful impact on both investment and ESG outcomes. The "Everything ESG" approach certainly matters for research activity and investment selection, but by focusing on the areas where we are most competent and credible, we can benefit both our investors and the sovereign.

Bottom line: Investors have increasingly made engagement a topic of manager due diligence. Our long-standing efforts to engage with sovereign issuers in the effort to improve ESG metrics features an "expert approach." Our most successful



Emerging Markets Debt Team
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Management

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engagements identify initiatives where sharing our expertise supports our efforts to be credible advocates for policy change.

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