

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: SYCOYIELD 2032  
Legal entity identifier: 9695 00U726KUGHWCB4 44  
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## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective**: \_\_\_\_%

In economic activities that qualify as environmentally sustainable under the EU Taxonomy

In economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**: \_\_\_\_%

It promotes **Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 1% of sustainable investments

With an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

With an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

With a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Sustainability indicators** measure how the environmental or social characteristics promoted by this financial product are attained.

## What environmental and/or social characteristics are promoted by this financial product?

The fund implements exclusion filters for the main environmental, social and governance (ESG) risks identified, in accordance with the exclusive SPICE model of the exclusion policy of the management company (Sycomore AM) and analysis of controversies.

### ● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The Fund will assess the attainment of each of the environmental or social criteria using the following sustainability indicators, among others:

#### **At the level of the investee companies:**

- **SPICE ratings of investee companies:** SPICE<sup>[1]</sup> stands for Society & Suppliers, People, Investors, Clients, and Environment. This tool assesses the companies' sustainable performance. It integrates the analysis of economic, governance, environmental, social, and societal risks and opportunities into the commercial practices and product and service offerings of companies. The analysis takes into account a selection of criteria from which a score between 1 and 5 per SPICE letter is obtained. These 5 ratings are weighted such that environmental issues make up 20% (SPICE rating E), social issues make up 40% (SPICE Ratings S, P, & C) and governance issues make up 20% (50% SPICE Rating I).
- **Compliance of investee companies with Sycomore AM's SRI exclusion policy.**
- **Compliance of investee companies with Sycomore AM's controversy analysis process.**

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<sup>[1]</sup> Further information is available on the website, which can be found at the end of this document

### ● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund may partially make sustainable investments with a social or environmental objective. Investments are classified as sustainable if they are identified as contributing positively to environmental or social challenges through their products or services or through their practices.

The qualification of a sustainable investment requires 1/the achievement of a minimum score on at least one of the indicators of positive contribution of the definition of sustainable investment established by Sycomore AM, 2/the absence of significant harm, 3/good governance practices. These elements are detailed in Sycomore AM's ESG integration policy.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social, and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

### ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Four levels are put in place to prevent sustainable environmental or social objectives from being significantly affected, on an ex ante basis, before any investment decision.

Indeed, investments targeted by one or more of the following criteria will not be considered as sustainable investments:

- 1. In compliance with Sycomore AM's SRI exclusion policy<sup>[2]</sup>:** activities are limited for their controversial social or environmental impacts, as defined and reviewed each year in Sycomore AM's basic policy (applicable to all direct investments of Sycomore AM) and in the Socially Responsible Investment (SRI) policy (applicable to all UCITS, mandates and dedicated funds managed according to an SRI strategy).
- 2. Companies concerned by a level 3/3 controversy<sup>[3]</sup>:** identified based on in-depth analysis of controversies by Sycomore AM. Companies classified as most controversial (-3 on the Sycomore AM scale, from 0 to -3) are considered to be in breach of one of the principles of the United Nations Global Compact.
- 3. SPICE rating below 3/5:** The SPICE methodology covers all environmental, social, and governance issues targeted by the indicators of adverse impacts on sustainability factors listed in the Regulatory Technical Standards. A lower rating, less than 3/5, indicates a lower sustainability performance on one or more negative impacts.
- 4. According to Sycomore AM's Principal Adverse Impacts (PAI) policy<sup>[4]</sup>:** a PAI policy to identify additional risks of significant impacts on the environmental and social issues covered by the PAI indicators listed in Table 1 of Annex I of the SFDR Regulation is implemented. Companies meeting all the exclusion criteria relating to GHG emissions, biodiversity, water, waste, gender equality, the principles of the United Nations Global Compact/OECD Guidelines for Multinational Enterprises, or controversial weapons, will be declared 'unsustainable'.

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<sup>[2]</sup> Further information is available on the website, which can be found at the end of this document

<sup>[3]</sup> Ibid

<sup>[4]</sup> Ibid

### ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The indicators for adverse impacts are taken into account through:

- Sycomore AM's PAI policy, which is based directly on the indicators in Table 1 of Annex I and all relevant indicators in Tables 2 and 3. More detailed information on our PAI policy (in French) is available on our website<sup>[5]</sup>.

- the exclusion policy targets indicators of adverse impact on sustainability, including controversial weapons, exposure to the fossil fuel sector, production of chemical pesticides, and more generally, has been drafted to target companies that violate the principles of the United Nations Global Compact and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- the management of controversies with the exclusion of issuers subject to very severe controversies valued at -3 on a scale of 0 to -3
- the SPICE rating, with the exclusion of issuers having a rating strictly below 3/5.

[5] <https://fr.svcomore-am.com/telecharger/1725290979>

***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?***

The development of Sycomore AM's 'SPICE' analytical framework and exclusion policy are based on the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact, International Labour Organization standards and the United Nations Guiding Principles on Business and Human Rights. To assess the fundamental value of a company, analysts systematically examine how a company interacts with its stakeholders. This fundamental analysis aims to understand the strategic issues, business models, quality of governance and degree of integration of sustainability considerations, as well as the risks and opportunities facing the company. Sycomore AM has also defined its human rights policy in accordance with the United Nations Guiding Principles on Business and Human Rights.

Despite the due diligence described above to identify potential violations of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, effective compliance with the issuers analysed can never be guaranteed.

*The EU Taxonomy sets out a 'do no significant harm' principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The 'do no significant harm' principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## Does the financial product consider principal adverse impacts on sustainability factors?

Yes,

The principal adverse impacts, as well as all other adverse impacts, are taken into account for any investment of the portfolio through the SPICE analysis and results, supplemented by the exclusion policy of Sycomore AM.

The SPICE methodology covers all environmental, social, and governance issues targeted by the indicators of adverse impacts on sustainability factors listed in the Regulatory Technical Standards.

More specifically, Sycomore AM's SPICE fundamental analysis model is an integrated model that provides a holistic view of companies in the investment universe. It has been developed taking into account the OECD Guidelines for Multinational Enterprises. It fully integrates ESG factors to understand how companies manage adverse impacts as well as key sustainable opportunities using a dual materiality approach. Sycomore AM's PAI policy sets out how the issues covered by the PAI are covered by SPICE.

Information on the principal negative impacts on sustainability factors will be published in the annual report of the Fund.

No

## What investment strategy does this financial product follow?

The investment strategy consists of a rigorous selection of bonds (including convertible and subordinated bonds) and other debt securities or money market instruments from private or public issuers and equivalent, and to which the net assets will be exposed on a permanent basis between 60% and 100%, including a maximum of 30% for public issuers and equivalent, with a maturity of at most one year after 31 December 2032. In addition, the net assets may be exposed up to 40% to fixed income derivatives listed on international regulated markets or traded over the counter, to adjust the modified duration and exposure of the portfolio, without allowing an overexposure. Indirect exposure to stocks, gained through convertible bonds will be limited to 10% of assets.

When bonds held in the portfolio mature and are redeemed, the manager may reinvest the proceeds from these redemptions, and up to 100% of the Fund's net assets in bonds and other debt securities or money market instruments with a maturity not exceeding 31 December 2032, in order to maintain the portfolio invested.

For more details on the Fund's investment strategy, please refer to the Fund's prospectus.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The following mandatory criteria apply to the Fund.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.



**For investments in companies, the following exclusion filter applies:** This filter excludes companies which present sustainability risks that could call into question those companies' competitiveness or that could be the source of major negative impacts. A company is thus excluded if:

- it is involved in activities identified in the Sycomore AM SRI exclusion policy for its controversial social or environmental impacts, which also include investments that are concerned by a severe controversy (level 3/3).
- it obtained a SPICE rating strictly below 2/5.

For bonds, other international debt securities and short-term negotiable securities from private issuers: these will be selected through an in-house rating of the issuing Country strictly above 2.5 on a scale of 5 (5 being the highest rating), the Country being thus considered as sufficiently sustainable and inclusive.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

NA

● ***What is the policy to assess good governance practices of the investee companies?***

Governance is part of the SPICE analysis, including a section dedicated to governance (section 'G') in Pillar 'I', which has a significant focus on governance bodies, and integrates other governance elements integrated in the other parts of the analysis framework, including employee relations and compensation within Pillar 'P', as well as tax practices within Pillar 'S'. The overall governance of the issues associated with each type of stakeholder (Society & Suppliers, People, Investors, Clients, and Environment) is addressed in each of these pillars.

Other requirements to exclude from the investment universe insufficient governance practices in section 'G', associated with a minimum threshold, are included in Sycomore AM's exclusion policy.

**What is the asset allocation planned for this financial product?**

The binding elements described herein apply to any of the Fund's investments (excluding cash and derivatives used for hedging).

The asset allocation figures shown below are pre-contractual minima expressed as a percentage of net assets and are not indicative of a target allocation. For information on the percentages achieved, please refer to the annual report.

**Good governance**

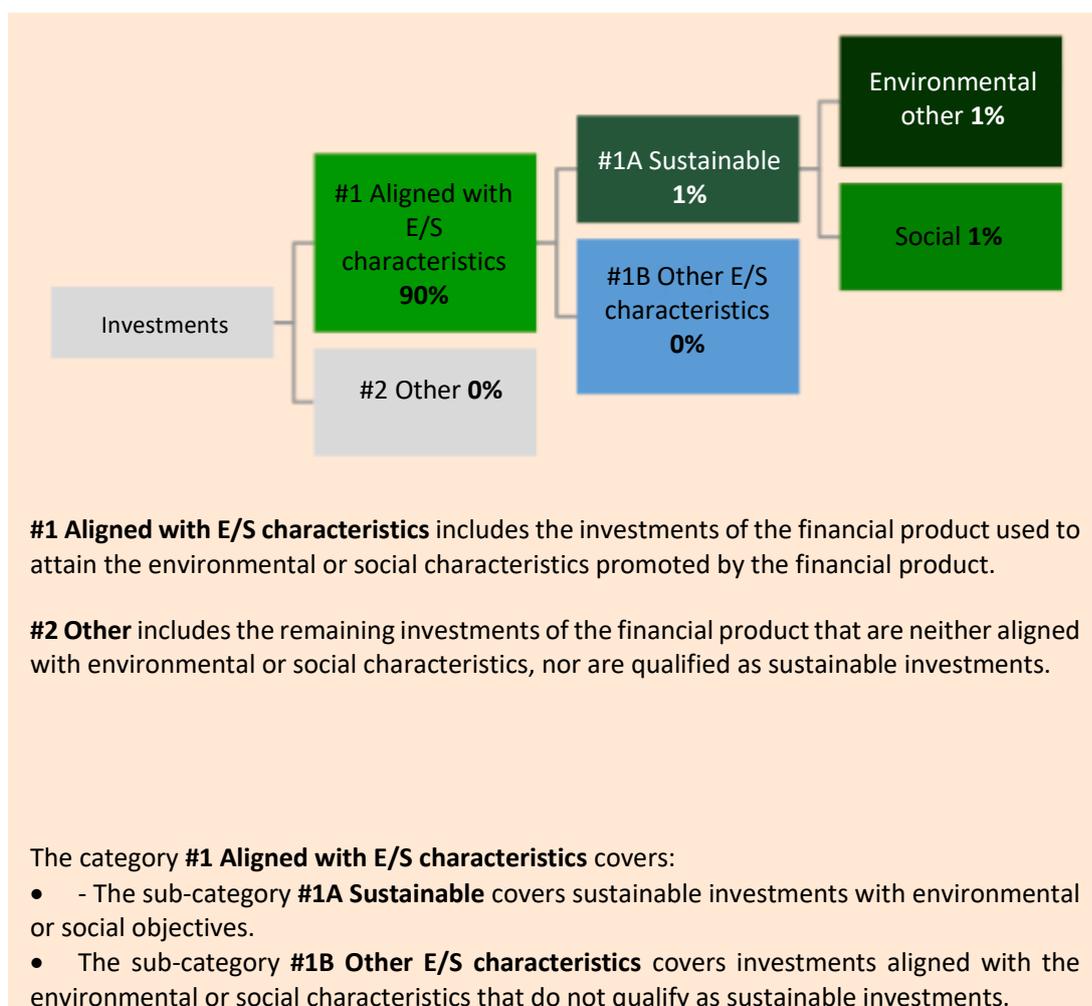
practices include sound management structures, employee relations, remuneration of staff and tax compliance.



**The asset allocation** describes the portion of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies;
- **capital expenditure** (CAPEX) to show the green investments made by investee companies, e.g. for a transition to a green economy;
- **- operational expenditure** (OpEx) reflecting green operational activities of investee companies.



The objective for the remaining portion of investments, including a description of minimum environmental or social guarantees, is set out in the following questions: ‘What investments are included under ‘#2 Other’, what is their purpose and are there any minimum environmental or social safeguards?’

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The use of derivatives is not taken into account to attain the environmental or social characteristics promoted by the financial product.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The investments underlying the financial product that take into account the European Union's criteria for environmentally sustainable economic activities represent a minimum commitment of alignment of 0% of investments.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?**

- Yes:
- In fossil gas                       In nuclear energy
- No

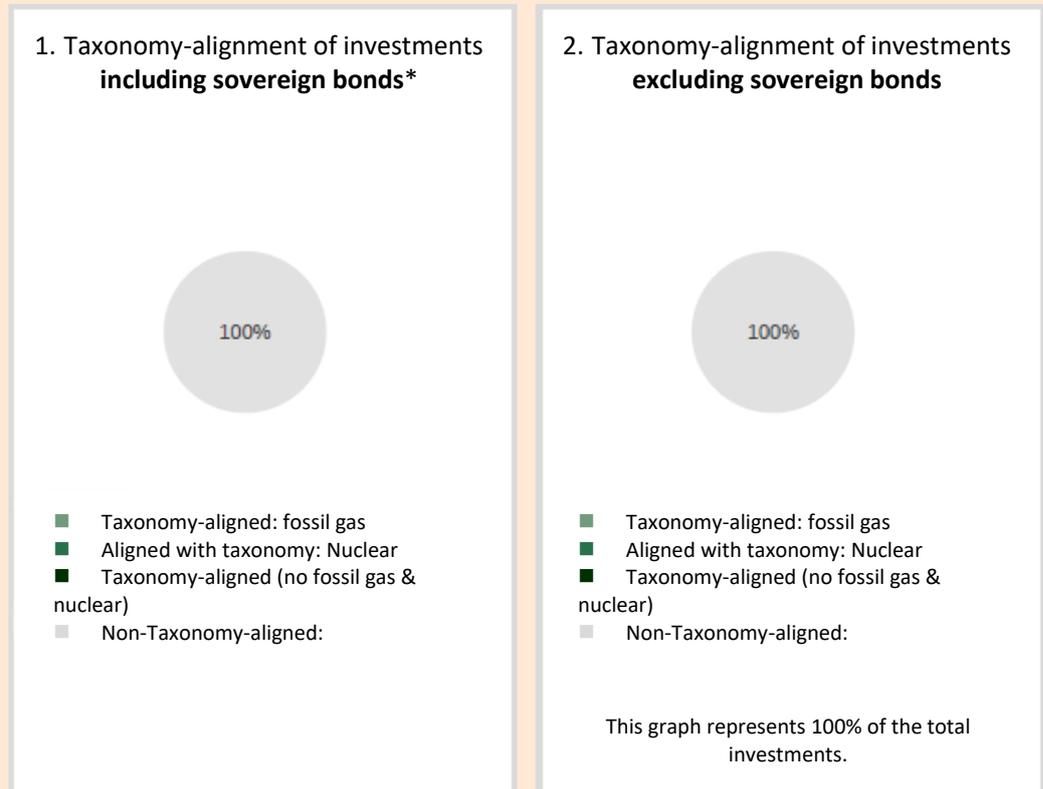
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or to low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

1. Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ('climate change mitigation') and do not significantly harm any EU Taxonomy objective - see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.**



\* \* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

The Fund makes no commitment for a minimum portion of investments in transitional and enabling activities.



The symbol represents sustainable investments with an environmental objective **that do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



### **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund makes a commitment regarding a minimum proportion of investments in sustainable investments with an environmental objective (1% of the net assets).



### **What is the minimum share of socially sustainable investments?**

The Fund makes a commitment regarding a minimum proportion of investments in sustainable investments with a social objective (1% of the net assets).



### **What investments are included under ‘#2 Other’, what is their purpose and are there any minimum environmental or social safeguards?**

Investments included in the ‘#2 Other’ category are related to derivative instruments used for hedging purposes, cash held on an ancillary basis, or cash equivalents such as government bonds.

Other cash equivalents and similar instruments held on an ancillary basis, as well as derivatives held for hedging purposes, are not subject to minimum environmental or social guarantees.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

There is no specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes. The Fund’s reference benchmark is a broad market index.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



**Where can I find more product-specific information online? More product-specific information can be found on the website:**

<https://fr.sycomore-am.com/fonds/58/svcovield-2032>