



Our Approach to ESG Integration

Investing for Principles *and* Performance® Since 1984



ESG Integration Since 1984

Parnassus Investments has integrated environmental, social and governance factors into its fundamental investment process since the firm was founded in 1984. We believe that high-quality companies with solid fundamentals and good valuations may offer compelling long-term investment opportunities, and that incorporating ESG research into the decision-making process can improve both investment and societal outcomes. Parnassus defines high-quality companies as businesses that have increasingly relevant products or services, sustainable competitive advantages, effective management teams and positive ESG profiles.

Our investment team views good ESG performance as an indicator of company and management quality. Integrating ESG research into the investment process allows our team to identify material risks to the business. This comprehensive analysis of fundamental and ESG attributes in tandem results in a more complete view of company prospects that may also help reduce portfolio volatility and manage downside risk.



What Makes Us Different

- Parnassus Investments has developed a unique storehouse of ESG insights from our decades-long experience investing for both Principles *and* Performance®.
- ESG analysis is fully integrated with our long-term, high-quality, high-conviction investment process. We take large stakes in companies and expect to hold them a long time, so developing the clearest possible view of the potential risks and opportunities of each holding is very important to us.
- We believe in active stewardship and have always pursued dialog and engagement to better understand companies and help them improve their ESG practices.

Companies Vary in Their Approaches to ESG Investing



Exclusionary Screens

Potential investments, such as tobacco or fossil fuels, are excluded from investment consideration



Thematic Investing

A specific ESG issue is the focus of the investment—for example, microfinancing or alternative energy



ESG Consideration

One or more ESG factors is added to the prospectuses of existing non-ESG funds that may then be considered in security selection



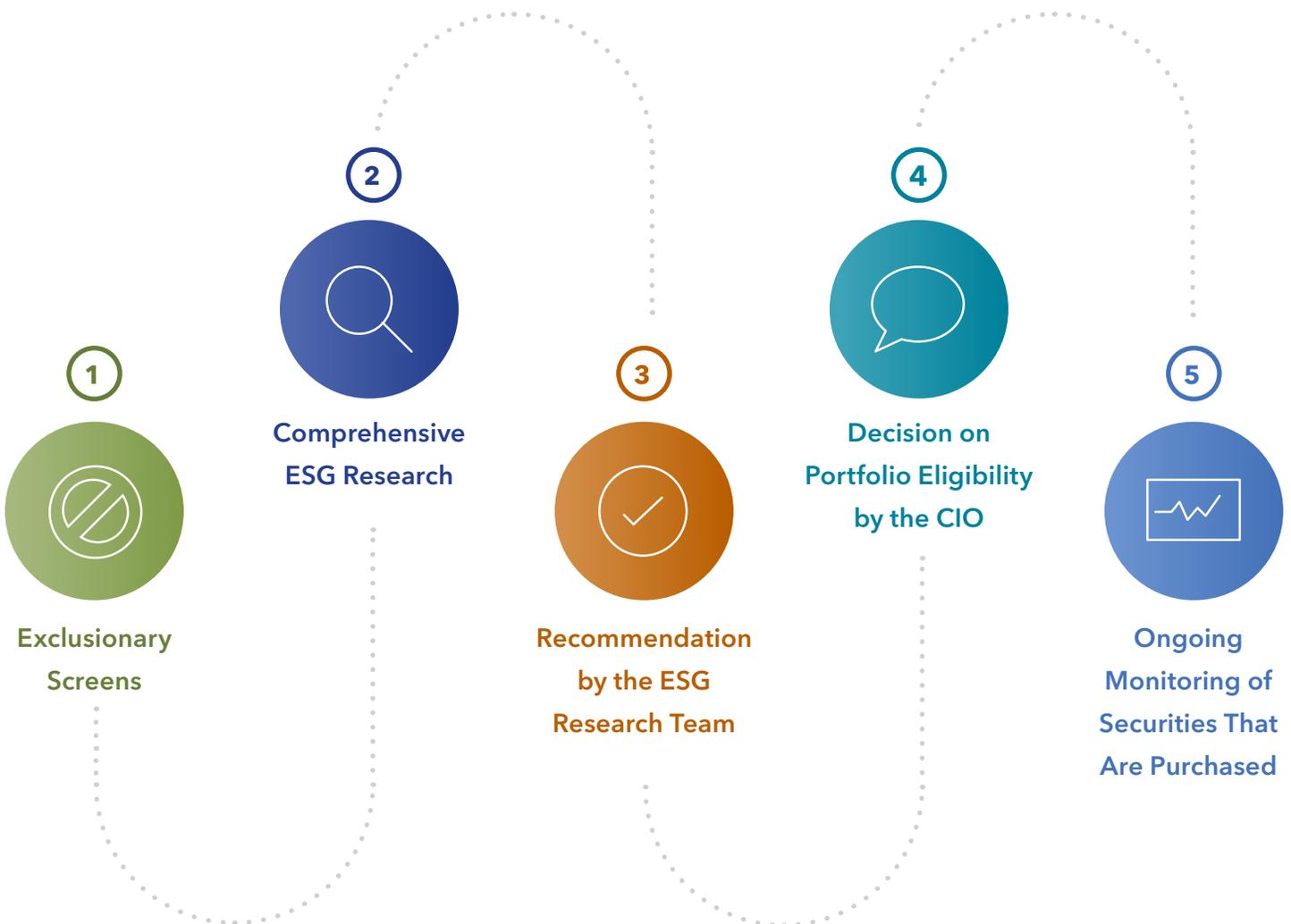
ESG Integration

Broad-based ESG analysis is undertaken with the goals of identifying issues material to the investment outcome, managing risk and encouraging company progress on ESG issues

Comprehensive ESG Research

The Parnassus research process starts with fundamentals. If a company shows promise, a deep dive into both its business prospects and ESG risks and opportunities is initiated. The first task of the ESG analysts is to evaluate potential investments to ensure that they are compliant with the firm's exclusionary screens. The ESG team then performs extensive research into the ESG profile of each potential holding, which culminates in a recommendation on the stock that is provided to the Chief Investment Officer. The CIO makes the final decision about whether the stock is eligible for inclusion in the Parnassus Funds.

ESG Evaluation at Each Step of the Investment Process



Exclusionary Screens Rooted in Our Values

Companies that derive 10% or more of their revenue from the following are excluded from investment:



Alcohol



Fossil
Fuels



Gambling



Nuclear
Power



Tobacco



Weapons

Full ESG Evaluation of Each Potential Holding

Those companies that pass the exclusionary screens and have sponsorship by a portfolio manager undergo deep research by both the fundamental and ESG analyst teams to identify their risks and opportunities.

The ESG team analyzes each investment candidate's environmental, social and governance record, including:

- their environmental impact
- how they treat their employees
- the quality of their relationships with local communities, customers and the supply chain
- corporate governance policies and practices

This analysis emphasizes those issues that are most relevant and risks that are most material to the company and compares the company under review with their peers.

For example, ESG research on an industrial company may emphasize employee health and safety and environmental impact relative to others in the same industry, whereas ESG research on a technology company may emphasize workplace positives and data security. An important consideration is whether the company is moving in a positive or negative direction on these issues. We generally avoid investing in companies that fall in the bottom quartile of our ESG universe, as assessed by our ESG analysts.

The ESG assessment results in a recommendation to the CIO, who makes the final decision on whether a company qualifies for investment. If the CIO passes the company, the ESG team's analysis is then incorporated into the portfolio managers' overall assessment of the company's quality as they consider whether to purchase the stock.

Focus on Materiality

Our ESG team concentrates their research on the most material ESG risks and opportunities for each company within the context of its sector and industry. The team evaluates both the company's current profile on these material issues and whether that profile is improving or deteriorating.

Examples of Key Issues by Sector

	Communications Services	Content Management Data Security and Privacy
	Consumer Discretionary	Governance & Business Ethics Supply Chain Practices
	Consumer Staples	Labor Management Product Safety and Quality
	Financials	Governance & Business Ethics Societal Impacts of Products
	Health Care	Access and Affordability Workplace
	Industrials	Environment Impacts Labor Management
	Information Technology	Data Security Workplace
	Materials	Climate-Related Risk Product Safety and Quality
	Real Estate	Climate-Related Risk Customer Relations
	Utilities	Environmental Impacts Impact on Community

The Parnassus Funds do not invest in the Energy sector because of our fossil fuel screen.

Ongoing Monitoring

When a portfolio manager decides to buy an approved security, the ESG analysts review their initial research for updates. After a company is purchased, its ESG profile is re-reviewed at least every 12 months—or more frequently if a controversy arises. In addition, the Parnassus Chief Compliance Officer periodically tests the research process to ensure that all of Parnassus’s ESG policies are being followed.

A security will be sold if Parnassus determines that it no longer meets the firm’s ESG or fundamental standards. Considerations in the timing of the sale include gains or losses, tax implications and market conditions. In any case, the security will not be retained in the Parnassus portfolios longer than six months after the sell decision has been made.

Parnassus ESG Resources

Research Type	Examples
Corporate ESG reporting	Corporate sustainability report, website
Direct contact with the company	Management, board of directors
Government data	OSHA, EPA, state agencies
Media	Newspapers, press releases
SEC filings	Annual report, proxy
Sell-side research	JP Morgan, Sanford Bernstein
Third-party ESG research	MSCI, Sustainalytics, Bloomberg

Parnassus Fixed Income Fund

The investment team uses the same screens and company evaluation process for corporate debt holdings in the Parnassus Fixed Income Fund as for companies in the firm’s stock funds. Asset-backed securities with significant exposure to the firm’s exclusionary screens or significant exposure to other ESG concerns are not included in the fixed income portfolio. The firm does not apply ESG restrictions to US Treasuries.

Making an Impact with Engagement

Parnassus owns sizeable quantities of company stock, which opens up opportunities for us to make the voices of our investors heard by some of the most powerful companies in the world. In our experience, building positive relationships with management—which is more likely to happen when they know we are significant stockholders—is an impactful way to effect corporate change. When companies see that we are offering constructive suggestions, they sometimes also approach us for advice.

How We Approach Engagement

Parnassus defines engagement as meaningful dialogue with company representatives for the purposes of better understanding the firm's operations and sharing our views about relevant ESG topics. Our approach is collegial, constructive and focused on the best interests of stakeholders. We seek an exchange of ideas to deepen our understanding of how the company operates, what management is thinking and the level of effectiveness of the board's oversight. Engagement formats may range from an introductory letter sent to the company when we purchase their stock that highlights our views about their ESG profile to in-depth telephone or face-to-face discussions with senior managers and board members. The ultimate goal of our engagements is to encourage positive action on matters that are important to investors.

How We Address Company Controversies

If a significant controversy arises with a company held by Parnassus, we will engage with that company before divesting the holding. Our purpose is to learn management's explanation of the facts surrounding the controversy, why it happened and what company management is doing to prevent recurrence. Unless divestment is assured due to a violation of the firm's Responsible Investment Policy or a corporate action that results in a violation of the Parnassus Funds Prospectus, we will give the company an opportunity to explain before making a final decision on divestment.

Active Ownership

More information on specific engagements and their outcomes is available in the Parnassus ESG Stewardship Report on [parnassus.com](https://www.parnassus.com)

Industry Collaboration

Parnassus holds memberships in the following ESG organizations. We may collaborate with some of these organizations to further ESG goals from time to time.

- CDP Climate Change
- Ceres
- Council of Institutional Investors (CII)
- Farm Animal Investment Risk & Return (FAIRR)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Network on Climate Risk (INCR)
- Principles for Responsible Investment (PRI)
- Sustainable Accounting Standards Board (SASB)
- US Social Investment Forum (US SIF)

The Power of Proxy Voting

We believe ESG investors can enhance the value of the companies in their portfolios over the long term by ensuring that their proxies are voted in accordance with their interests as shareholders. Proxy voting is an important element of Parnassus's engagement strategy, particularly because we hold large stakes in companies. We vote based on our guidelines and we are transparent with our complete voting record (available on parnassus.com).

Why we vote

Voting has the power to influence corporate behavior, such as mandating progress on environmental goals or on the remediation of controversies facing the company. Knowing which resolutions are being raised by other shareholders at these meetings may also help us pinpoint emerging issues before they become major problems.

How we vote

Parnassus's votes proxies based on the firm's values. The Parnassus investment team and proxy committee consider ISS (Institutional Shareholder Services) recommendations and study the proposals before each vote.

You can find more details about Parnassus's proxy voting records on www.parnassus.com/esg/proxy-voting

Highlights of Parnassus's Proxy Voting Policies

Environment

For increased disclosure, addressing climate change, eliminating toxins in products and reducing negative operational impacts

Employees & Supply Chain

For increased disclosure, codes of conduct, fair wages, safe working conditions and the right to organize

Corporate Governance

For independent boards, separation of CEO and Chairperson roles, increased diversity and engaged board members

Diversity

For increased disclosure, nondiscrimination policies and improvements in diverse representation both within the workforce and at the executive level

Community Relations

For good corporate citizenship and community sensitivity

Ethical Business Practices

For promotion of ethical business practices

We look forward to working with you as you align your investments with your values and your financial goals.

For our latest investment insights, sign up at www.parnassus.com/subscribe.

Risks: The Fund's share price may change daily based on the value of its security holdings. Stock markets can be volatile, and stock values fluctuate in response to the asset levels of individual companies and in response to general US and international market and economic conditions. In addition to large cap companies, the Funds may invest in small and/or mid cap companies, which are generally riskier than larger companies, and the Fund's share price may be more volatile than funds that invest in larger companies. Security holdings in the funds can vary significantly from broad market indexes. Bond fund values fluctuate in response to the financial conditions of individual issuers, general market and economic conditions, and changes in interest rates. In general, when interest rates rise, bond fund values fall, and investors may lose principal value. Security holdings in the fund can vary significantly from broad market indexes.

There are no assurances the Parnassus Funds investment objectives will be achieved, and no guarantees the socially responsible investment strategies discussed will be successful.

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Mutual fund investing involves risk and loss of principal is possible. 0264-062420.

The Parnassus Funds are underwritten and distributed by Parnassus Funds Distributor, LLC.

Before investing, an investor should carefully consider the investment objectives, risks, charges and expenses of the fund and should carefully read the prospectus or summary prospectus, which contains this information. A prospectus or summary prospectus can be obtained on the website, www.parnassus.com, or by calling (800) 999-3505.



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