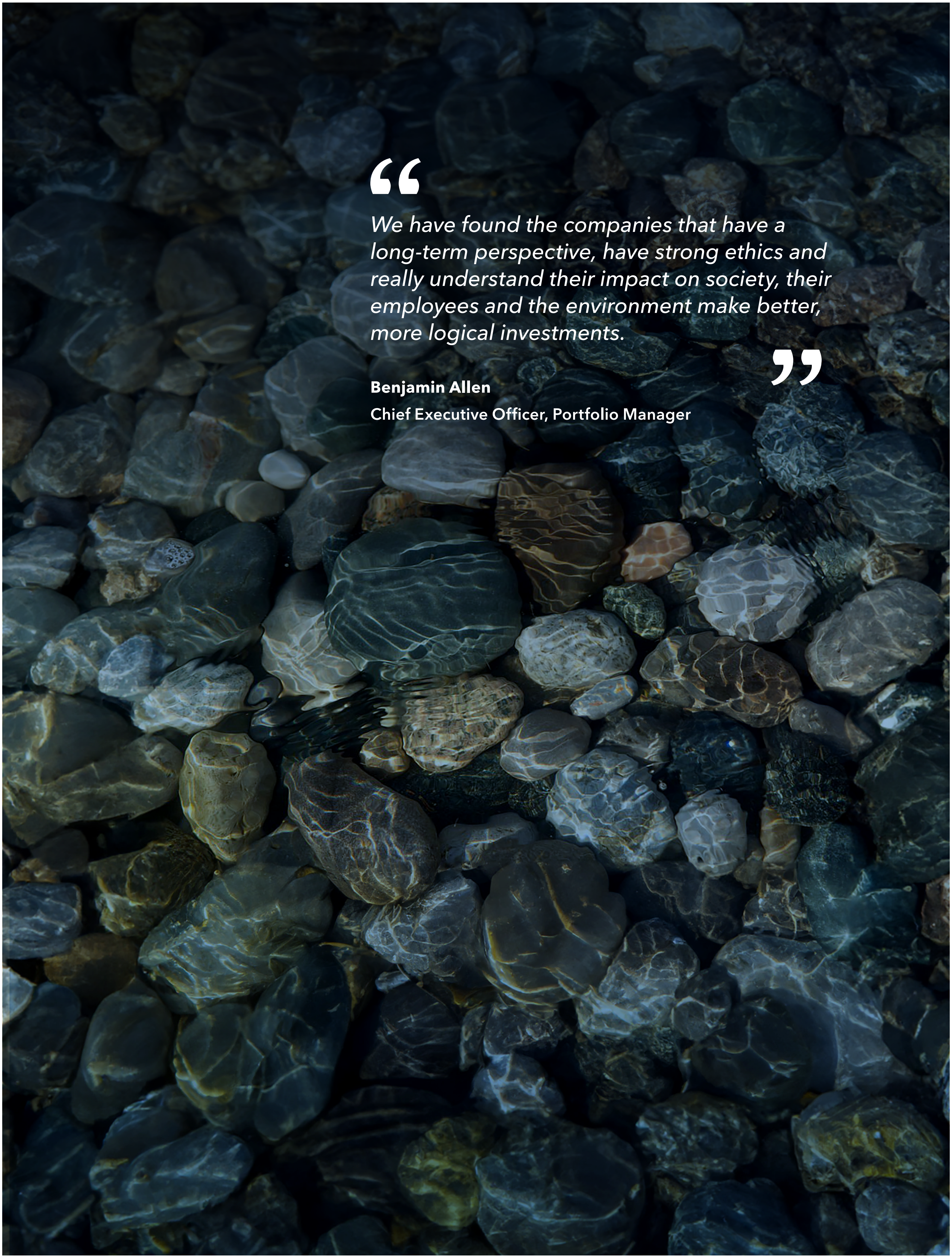
PARNASSUS INVESTMENTS®

2024

Annual Sustainability & Stewardship Report

Principles *and* Performance® in Action



> *We have found the companies that have a long-term perspective, have strong ethics and really understand their impact on society, their employees and the environment make better, more logical investments.*

Benjamin Allen

Chief Executive Officer, Portfolio Manager

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The Pursuit of Enduring Value Creation

Since 1984, Parnassus Investments has invested differently. Our culture emphasizes taking care of each other and the world around us, and we carry that philosophy through our portfolios. We believe good companies make good investments. We pursue companies that take care of their employees and communities, aim to minimize their impact on the environment and have strong ethics and governance, because they are most likely to be successful and create enduring value.

Principles *and* Performance® underpins all that we do because we believe that sustainability-related factors are relevant to our assessment of a company's quality and potential risk or returns of an investment. Our analysts conduct fundamental research to identify high-quality companies in the pursuit of strong long-term investment returns to help investors achieve their goals.

Over the past 40 years, our methods have evolved, but our commitment to building wealth responsibly remains the same. Engagement, proxy voting and advocacy are the three main tools our stewardship team uses to drive long-term sustainable value creation at our portfolio companies. We press companies to widen the aperture of stakeholders they consider when making business or operational decisions. We also seek company disclosures on material issues so our investment team can make more informed decisions about what does (and doesn't) belong in our portfolios.

CULTIVATE A GOOD WORKPLACE

Support the health, safety and well-being of the workforce to attract and retain the best talent.

MINIMIZE ENVIRONMENTAL IMPACT

Manage natural resources effectively, including reducing emissions, waste and pollution, and mitigating climate and water-related risks.

PARNASSUS PRINCIPLES

PROMOTE PRODUCT RESPONSIBILITY

Offer customers safe, fair and ethical products and services, including supply chains.

UPHOLD STRONG GOVERNANCE AND ETHICS

Implement strategic and operational goals with accountability and transparency. Avoid legal and reputational risks and be a good corporate citizen.

Driving Improvements in Business Outcomes

Principles *and* Performance

We are pleased to share our Annual Sustainability and Stewardship Report highlighting the accomplishments and progress of our sustainability and stewardship activities this past year.

In this report, you will see how we used our engagements and proxy voting to drive improvements in business outcomes and disclosures on a range of issues, including climate change, environmental justice, sustainable workplaces and the responsible use of artificial intelligence.

Our most meaningful efforts came through our thematic engagement program, working with portfolio companies representing more than half of our assets under management as of June 30, 2024. We approach all of our engagements with a focus on creating long-term value and were able to record significant accomplishments and progress over the reporting period. It often takes several months—or even years—to collaborate with companies to address opportunities for improvement. We approach every engagement with the goal of constructively collaborating with the company and with a focus on long-term value creation.

If you have questions or want to learn more about any of the topics in this report, please don't hesitate to reach out.

Marian Macindoe
Managing Director,
Sustainable Investment Strategy

Robert Klaber
Director, Sustainability Research,
Portfolio Manager

2023–2024: The Year in Review

2023–2024 Engagements

Helping Companies Thrive

57 | COMPANIES ENGAGED

Key Themes

15 | COMPANY-SPECIFIC

13 | CORPORATE GOVERNANCE

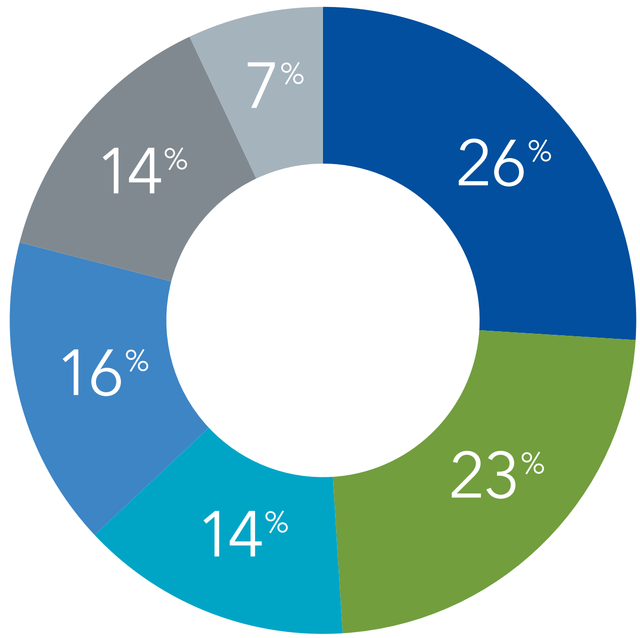
9 | ENVIRONMENTAL JUSTICE

8 | CLIMATE RISK

8 | RESPONSIBLE ARTIFICIAL INTELLIGENCE (AI)

4 | MATERIALITY ASSESSMENTS

Stewardship Focus Across 57 Companies



Source: Parnassus Investments, for the period 7/1/2023 – 6/30/2024.

Climate Action Progress

We announced an engagement-based climate target to reach net-zero carbon emissions in our portfolios by 2050 across all assets under management (AUM). Advances in policy and technology are needed to meet the stated climate goals, to limit emissions and to keep global temperatures from rising above 1.5°C. To be successful, policymakers, investors and companies around the world must work together to promote and deliver an economically viable, fair and sustainable transition to a low-carbon future.

2008
Signed the UN Principles for Responsible Investment

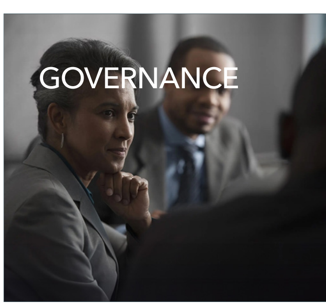
2023
Published a climate action plan aligned with the goals of the Paris Agreement

June 2024
53% of Parnassus Funds' AUM are covered by science-based targets or commitments

2030
Goal of 67% of Parnassus Funds' AUM to adopt science-based targets

2040
Goal of 100% of Parnassus Funds' AUM to adopt science-based targets

2050
Goal of net-zero emissions for all Parnassus Funds' AUM

Themes	Objectives	Long-Term Value Creation Opportunity
	▪ Set science-based emissions-reduction targets ▪ Develop and implement climate transition plans ▪ Strengthen physical climate risk management, especially water risk	▪ Strengthen the resilience and durability of the business ▪ Improve strategic planning and decision-making ▪ Improve cost and resource efficiency
	▪ Encourage rigorous governance and oversight ▪ Advocate for risk assessment and processes to ensure safety and respect for human rights ▪ Ensure transparency to all stakeholders	▪ Attract and retain customers ▪ Earn public trust ▪ Mitigate regulatory, legal and reputational risks
	▪ Promote quality workplaces, including through paid sick leave and adherence to human rights commitments ▪ Improve workplace disclosures	▪ Improve ability to hire and retain productive employees ▪ Reduce operational disruptions from high turnover, labor shortages or impaired workers
	▪ Understand heightened health and environmental risks to adjacent communities ▪ Develop a strategy to identify and rectify any existing and past harm and mitigate future risks ▪ Establish strong governance structures and provide meaningful disclosures	▪ Reduce regulatory and legal risks ▪ Mitigate the possibility of operational disruption or reputational damage
	▪ Encourage strong corporate governance and executive compensation programs ▪ Manage material sustainability-related issues with rigor and discipline	▪ Provide leadership and oversight to execute plans and meet targets ▪ Improve business resilience ▪ Reduce legal and reputational risks

2023–2024 Company Engagement Summary

Theme	Example Requests	Companies
Climate Risk	Set science-based targets, undertake transition planning and disclose or improve water strategies	Align Technology, Inc. (ALGN), Advanced Micro Devices, Inc. (AMD), D.R. Horton, Inc. (DHI), IDEXX Laboratories, Inc. (IDXX), Intel Corp. (INTC), KLA Corp. (KLAC), Micron Technology, Inc. (MU), Teradyne, Inc. (TER), Taiwan Semiconductor Manufacturing Company Ltd. (TSM)
Environmental Justice	Assess and mitigate operational pollution and related human health and environmental impacts	Avantor, Inc. (AVTR), Ball Corp. (BALL), Baxter International Inc. (BAX), Becton, Dickinson and Co. (BDX), Cummins Inc. (CMI), Linde plc (LIN), Nutrien Ltd. (NTR), Republic Services, Inc. (RSG), The Sherwin-Williams Company (SHW), Waste Management, Inc. (WM)
Responsible AI	Develop and implement AI risk assessment, strategy, governance and disclosure	The Cigna Group (CI), Equifax Inc. (EFX), Intuit Inc. (INTU), Microsoft Corp. (MSFT), NVIDIA Corp. (NVDA), The Progressive Corp. (PGR), TransUnion (TRU), Verisk Analytics, Inc. (VRSK), Workday, Inc. (WDAY)

Charts represent a sampling of engagements with companies in 2023 and 2024. Referenced engagements may be collaborative, via email only, on multiple topics, or represent a continuation of prior year engagements.

Theme	Example Requests	Companies
Materiality Assessments	Conduct and publish materiality assessments	Ross Stores, Inc. (ROST), The Trade Desk, Inc. (TTD), Align Technology, Inc. (ALGN), Marsh & McLennan Companies, Inc. (MMC)
Governance	Implement strong corporate governance practices	Avantor, Inc. (AVTR), Broadridge Financial Solutions, Inc. (BR), The Cigna Group (CI), CME Group Inc. (CME), Salesforce, Inc. (CRM), CoStar Group, Inc. (CSGP), Deere & Company (DE), D.R. Horton, Inc. (DHI), Fiserv, Inc. (FI), Gilead Sciences, Inc. (GILD), IDEXX Laboratories, Inc. (IDXX), IQVIA Holdings, Inc. (IQV), Mondelez International, Inc. (MDLZ), Xylem Inc. (XYL)
Company-Specific	Address company-specific topics	Apple Inc. (AAPL), Amazon.com, Inc. (AMZN), Cboe Global Markets, Inc. (CBOE), J.B. Hunt Transport Services, Inc. (JBHT), LVMH Moet Hennessy Louis Vuitton SE (LVMUY), Mondelez International, Inc. (MDLZ), Marsh & McLennan Companies, Inc. (MMC), Otis Worldwide Corp. (OTIS), The Procter & Gamble Company (PG), Pentair plc (PNR), SBA Communications Corp. (SBAC), S&P Global Inc. (SPGI), UnitedHealth Group Inc. (UNH), Union Pacific Corp. (UNP), Verizon Communications Inc. (VZ)

THEME

Climate Risks

The potential impacts from the changing global climate remain one of the most pressing issues facing companies and their stakeholders. There is a growing imperative to address a dual set of risks related to climate change: The risks involved in adapting to increasing instances of extreme weather impacts (physical impacts) and those related to a rapid transition to a low-carbon economy (transition impacts). Alongside the risks, there are also climate-related opportunities, particularly in helping companies to transition to a low-carbon economy. The goal is for our portfolio companies to be ready to take advantage of opportunities as well as to minimize the risks.

Engaging on Net-Zero Emissions

Avoiding the worst and irreversible effects of global warming requires companies to act now to reach net-zero carbon emissions by 2050 at the latest, to limit a long-term rise in average global temperatures to no more than 1.5°C above pre-industrial levels. In 2023, Parnassus announced its goal of achieving net-zero carbon emissions across all our funds by 2050. Accordingly, we expect all our fund holdings to have science-based emissions-reduction targets by 2040 or sooner.

In pursuit of this goal, we engage companies to set science-based emission-reduction targets, and we consult with and support them on their efforts to establish them. Our approach aligns with Science Based Targets initiative (SBTi), a global climate action organization that has established a framework and best practices along with standards, tools and guidance to enable companies to set targets in line with the latest climate science.

As of June 30, 2024, 40% of Parnassus Funds' assets under management (AUM) have a science-based target approved by SBTi. Another 13% have committed to set a target for review by SBTi, for a total of 53%.

Water Risk Management

We engage companies on climate and environmental risks in order to help improve business resilience. The goal is to reduce the likelihood of future business disruptions from climate events and better manage operational costs and efficiency over the long term. Parnassus engages companies on climate and environmental risks in order to help improve the business's resilience by reducing the likelihood of future business disruptions from climate events and to better manage operational costs and efficiency over the long term. This season, we initiated a new focus within our physical risk engagements to understand and improve water risk management at semiconductor companies. Semiconductor manufacturing requires large amounts of water, and several foundries are located in areas that are already under water stress. We plan to use insights from our engagements to inform our understanding of the risks facing our portfolio companies, identify potential weaknesses and encourage improvement toward best practices.

CASE STUDY

Advanced Micro Devices—Managing Supply-Chain Water Risks

Material Issue

Demand for semiconductors is rising as chips power everything from household appliances to datacenters. The fabrication plants that manufacture semiconductors can demand millions of gallons of water a day, and climate change will likely stress the water sources necessary for chip production. What's more, in regions where water is scarce, chipmakers should collaborate with local communities on water usage and develop solutions to conserve water. Water-reclamation processes also play a key role in sustainable practices because treating water to repurpose it for use reduces the demand for fresh water.

Advanced Micro Devices (AMD) is a semiconductor company that designs and develops computer processors and graphics technologies. We targeted AMD because it did not have a water-risk-management strategy. AMD is a fabless semiconductor company, so its water risk sits within its supply chain, which means that AMD needs to work closely with suppliers to understand and mitigate water availability risks and impacts.

Our Engagement

We engaged members of AMD's management team to learn more about the company's climate-risk and water-management strategies. We were interested in understanding the company's goals for reducing water use from suppliers that manufacture wafers, which is one of the most water-intensive parts of the chip-manufacturing process, and how they are addressing water-reclamation processes among their manufacturing suppliers. We provided feedback to improve their supplier practices, including assurance and community engagement. We also engaged AMD and other leaders in the industry to ensure that they are on track to achieve emissions targets.

Outcome

We believe that AMD is moving in the right direction on its efforts to address water risk. On the issue of emissions-reductions targets, we were pleased that AMD had already set a carbon-emissions reduction target that was approved by SBTi.

What's Next

We intend to review and provide feedback on AMD's climate-transition report once it is completed.

THEME

Responsible AI

Artificial intelligence offers investment opportunities through its promise of scientific innovation, efficient organizations and automation of tedious tasks. But it also can produce or worsen harmful outcomes if deployed without adequate safeguards. Predictive analytics that automate decisions on healthcare, housing, credit and education may amplify inequalities. Social media algorithms have been criticized for amplifying extremist, false and harmful content. And facial recognition technologies can exacerbate discriminatory profiling and intrusive surveillance. Overlooking these concerns can expose companies to financial and reputational risk through costly litigation, negative media and public attention and increased regulation.

Companies committed to responsible AI practices are better positioned to provide safe, accurate, fair, accountable and transparent AI systems. We believe this approach can help them attract and retain customers; earn public trust; mitigate regulatory, legal, and reputational risks; and protect and promote long-term shareholder value.

Engaging on Safe and Responsible AI Systems

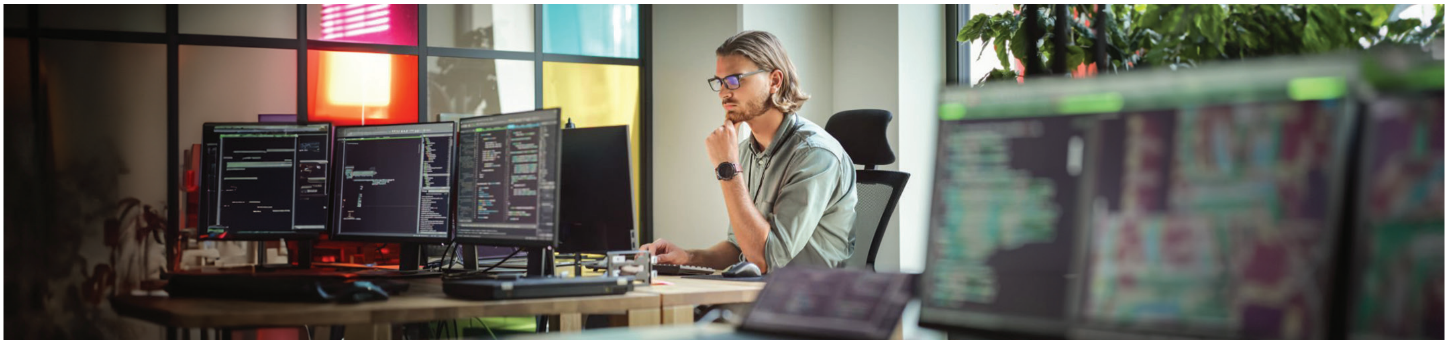
In the past year, we engaged with eight companies on their governance and management of AI risks. We sought to understand companies' existing efforts to develop safe, fair, accountable and transparent AI systems in sensitive or critical domains such as healthcare, credit, insurance, employment and housing, and press for stronger practices and transparency. Specific asks varied by company but generally included encouraging the establishment of governance structures to oversee AI risk management, developing and implementing processes to identify, assess and mitigate human rights risks posed by using AI throughout product development lifecycles, and providing public disclosure on these efforts.

For example, as part of a shareholder group, Parnassus engaged with NVIDIA, the world's dominant maker of graphics processing units (GPUs) that power AI models. Our engagement stemmed from concerns about the end use of the company's AI chips and platforms potentially enabling or contributing to human rights violations, such as mass surveillance and use in wars and conflict regions. The investor group met with the company's head of ESG and requested specific actions to improve the company's management of human rights risks—an important commitment as the world encounters new uses and abuses of AI technology.

NVIDIA responded positively and is making progress. It formed an executive-level sustainability steering committee with explicit oversight of human rights throughout its business and has added staff resources specifically to address human rights topics. The company is conducting its first human rights impact assessment, which will help strengthen its human rights policy and other human rights due diligence processes. We provided input for the scope and focus of the impact assessment and intend to continue engaging constructively with the company.

CASE STUDY

Verisk Analytics—Improving AI Outcomes



Material Issue

While the public launch of ChatGPT in late 2022 marked a major advancement in artificial intelligence capabilities, our stewardship team has engaged companies on algorithmic biases for years. The insurance industry is increasingly incorporating AI technologies, including machine learning and generative AI, into underwriting, claims handling, marketing and other critical functions. Investors are concerned that increased reliance on AI and big-data analytics to inform insurance decisions without proper risk management may exacerbate unfair discrimination or introduce new harms to consumers, exposing companies to financial and reputational risks. Insurers' use of data and socioeconomic factors, including income, occupation, credit score and education level, raise concerns about discrimination against certain groups of customers. Available data often reflect historical and structural disparities, which may then be amplified by AI systems.

Our Engagement

We spent almost two years engaging with Verisk Analytics (VRSK), an insurance data analytics provider, on various aspects of responsible AI. We were concerned about how the company's predictive analytics and other AI-driven or AI-assisted products may perpetuate or reinforce deep-seated disparities within the insurance industry.

Although Verisk was aware of these issues, we urged the company to formalize and strengthen its practices to address these risks with greater urgency and transparency. We decided to elevate our requests by filing a shareholder proposal.

Outcome

We withdrew the shareholder proposal following a successful negotiation. Verisk agreed to publish disclosures describing its policies, practices and governance regarding the responsible use of AI. This disclosure will include information about the company's efforts to reduce the risks of disproportionately affecting marginalized groups.

What's Next

We intend to continue working with the company to encourage robust governance and disclosure regarding its development and deployment of AI.

ADDITIONAL THEMES

Sustainable Workplaces
Environmental Justice
Governance

Sustainable Workplaces

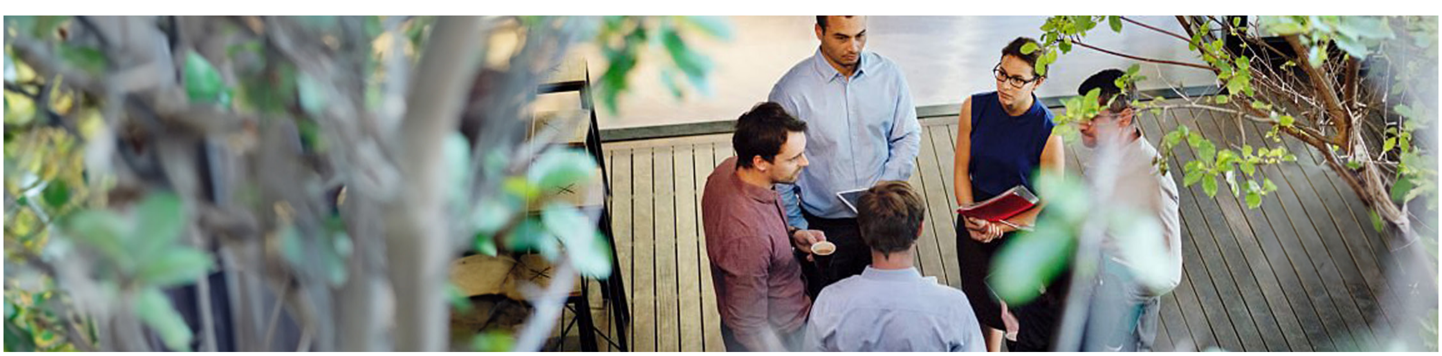
We believe that companies with more engaged and productive workers are better positioned to deliver long-term returns to shareholders. Sustainable workplaces can help attract and retain top talent, and employees are more likely to be productive and innovative when they feel a connection to the work and the company's success. Companies that attract high-performing, diverse talent are also best positioned to be resilient in uncertain markets. We engage companies about cultivating sustainable workplaces through two primary areas of focus—adherence to worker rights commitments (including paid sick leave) and improving disclosures of workplace data.

In December 2023, Apple Inc. published a third-party assessment of the company's adherence to its own Human Rights Policy, with a focus on the rights of workers to organize and bargain collectively. The assessment was published in exchange for the withdrawal of a shareholder proposal that we co-filed with other investors earlier in the year. Shortly after Apple published its assessment, we prepared a public review of the work to provide Apple with feedback and to serve as a resource for other companies and investors pursuing best practice worker rights assessments. We plan to continue engaging the company as it continues its progress in implementing the assessment's recommendations.

Environmental Justice

Manufacturing and other intensive industrial activities can emit pollution that negatively impacts surrounding communities, leading to higher rates of chronic health problems and mortality. Research shows that localized industrial pollution in the U.S. is disproportionately borne by low-income communities and communities of color. Lawmakers have increased their attention on these issues, along with the public. Companies that do not proactively aim to mitigate these issues may encounter business impacts, including increased risk of regulatory and legal action, operational disruption, and brand or reputational damage.

Our environmental justice engagement efforts cover operational pollution, chemical use and toxicity, environmental health, and operational safety and efficiency. We aim to understand whether companies



have posed heightened health and environmental risks to adjacent communities. Where there are concerns, we aim to help the company develop strategies to identify and rectify any existing and past harm and mitigate future risks. We also pursue strong governance structures and oversight. One potential outcome is working with the company to establish or improve disclosures.

We engaged nine companies on their environmental justice impacts, yielding several positive outcomes. For example, we successfully withdrew our shareholder proposal with Becton Dickinson after the company agreed to disclose its efforts to identify and reduce any heightened health and environmental impacts from its operations on adjacent marginalized communities.

We were also proud to lead an Investor Working Group this past year on environmental justice. The working group was co-managed by the Interfaith Center on Corporate Responsibility and the Investor Environmental Health Network and included more than 20 investor organizations. In partnership with the Investor Working Group, we published "The Business Case for Addressing Environmental Justice" as a guide for investors and companies to better incorporate this increasingly material issue into investment and business decision making.

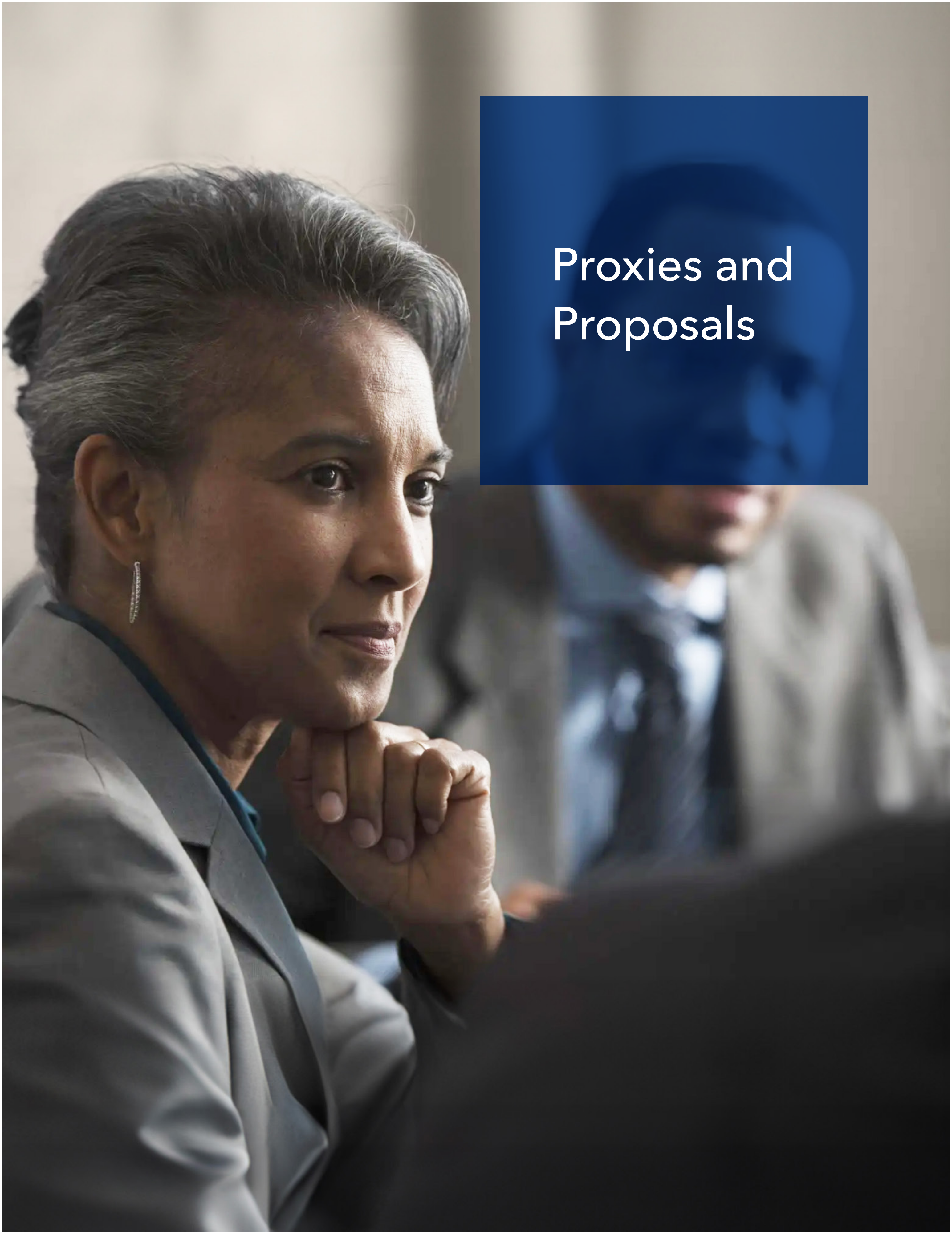
Governance/Materiality Assessment

Strong corporate governance is a core Parnassus Principle supporting our belief that good companies make good investments. All of the sustainability issues our stewardship team evaluates and pursues depend on solid governance for execution. A strong management team is one of the key indicators of business quality. An experienced and independent board of directors can provide oversight to strengthen a company's business.

A materiality assessment is intended to identify areas of risk and opportunity for the company's sustainable business practices, though the form and quality may vary. It typically involves identifying key stakeholders and the sustainability issues important to them and the issues that are likely to have the biggest impact on a company's future performance.

Once the assessment is completed, we typically meet with company leaders and the board of directors to review and discuss its findings. It's often helpful when we provide current best practices and relevant examples that we draw from our experience working with a range of companies and industries. When performed effectively, these assessments can be used to inform governance structures, strategies and resource allocations, and they can create a method of accountability.

In June 2024, following two years of engagement, Align Technology completed its first materiality assessment, with results to be published in 2025. This assessment included surveying key stakeholders to prioritize issues that will impact Align Technology's current and long-term success and to help inform its social and sustainability strategy, goal-setting and reporting.



Proxies and Proposals

Proxy Voting Summary

Proxy voting is an important tool to promote best practices in corporate governance. We develop and apply our Proxy Voting Policies and Procedures[1] to guide our voting decisions for every company in our funds. These policies are publicly available on our website. We do not delegate our proxy voting authority or rely solely on third-party recommendations to vote our shares.

The proxy committee, composed of senior members of the investment team and other key staff, regularly reviews and enhances our approach and practices.

2023–2024 Results

135	1,833	22%
MEETINGS VOTED	PROPOSALS VOTED	VOTES AGAINST MANAGEMENT

CASE STUDY

Walt Disney Proxy Battle

In 2024, Disney faced a proxy contest from two separate activist investors who put forth their own slates of director nominees and proposals for strategic and operational improvements. The vote was unusually high profile, in part because of Disney's significant percentage of retail investors, and featured advertisements, newspaper interviews and a 130-page white paper in which the activist outlined preferred changes at the company.

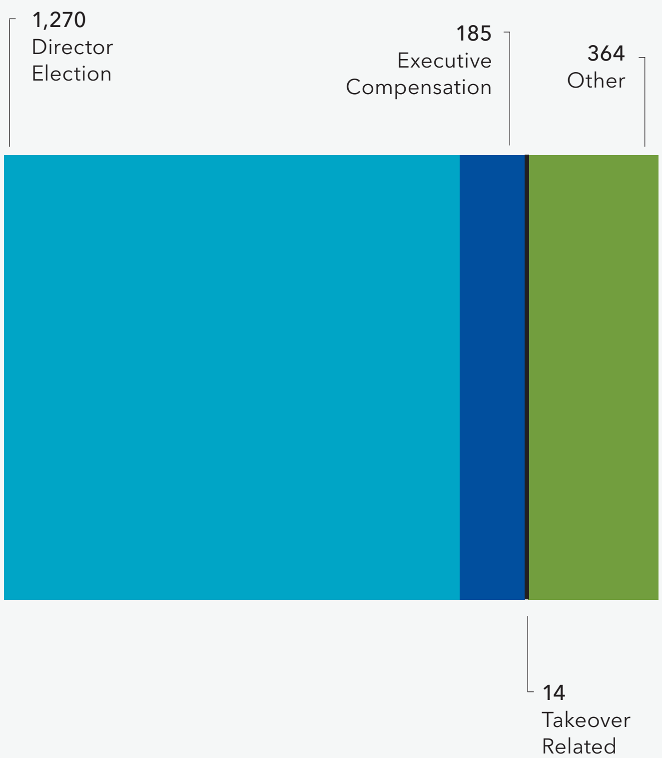
Based on our own analysis, we did not support any dissident nominees because the company had made recent board changes, and we did not believe the competing slates offered strong candidates. However, we opposed the re-election of the incumbent Compensation Committee chair who also served on the Governance and Nominating Committee, due to the continuation of misaligned compensation practices and poor succession planning.

After a contentious battle for proxy votes, Disney's preferred board slate was elected.

[1]For the the full Proxy Voting Policies and Procedures visit: https://www.parnassus.com/sustainability/stewardship/proxy-voting

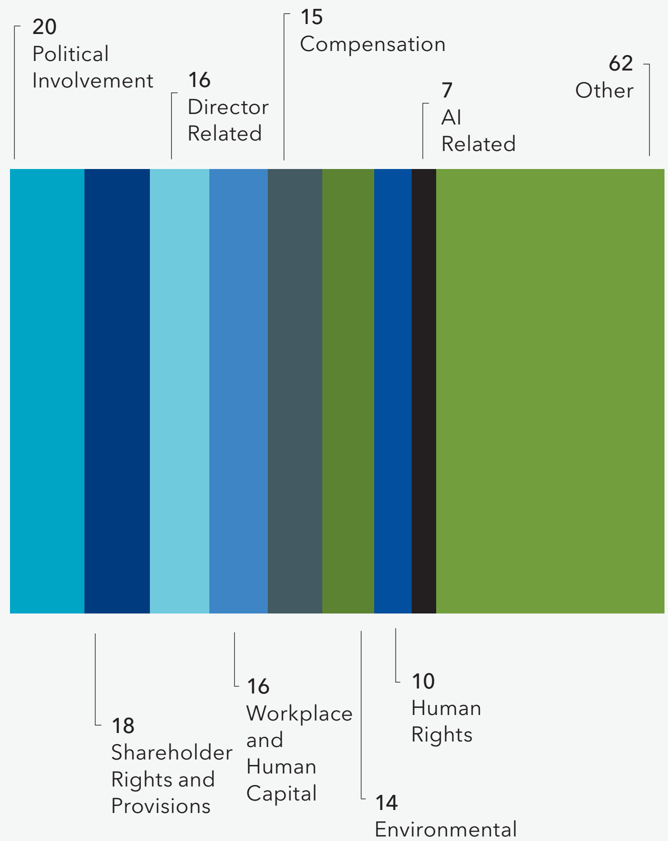
Management Proposal Breakdown

Number and Types of Proposals by Category

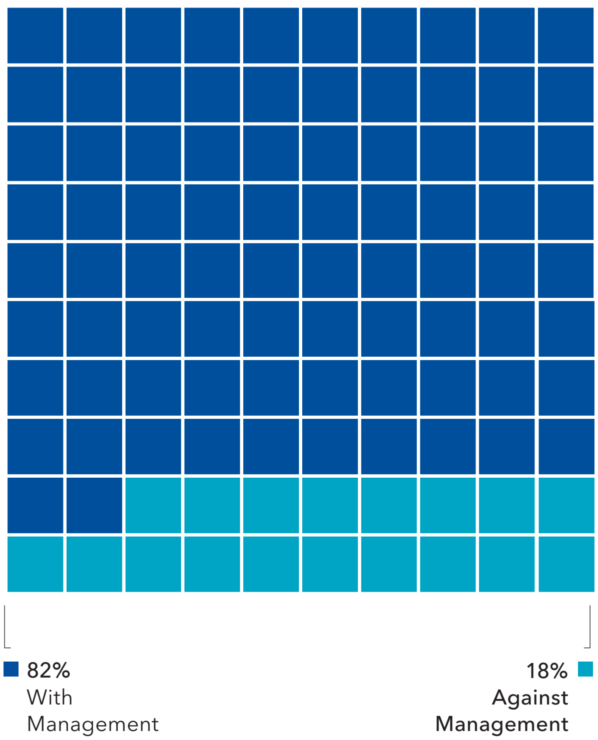


Shareholder Proposal Breakdown

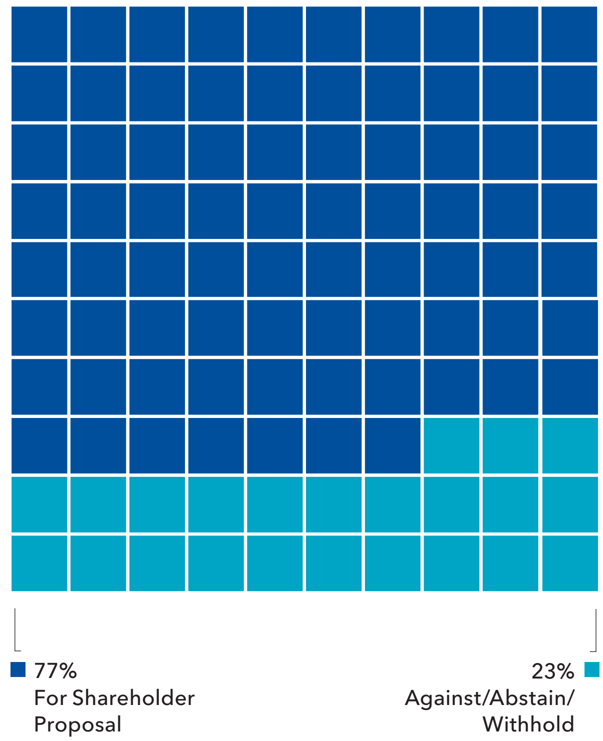
Number and Types of Proposals by Category



Votes for Management Proposals



Votes for Shareholder Proposals



Note: Votes are expressed as a percentage of voted proposals. The shareholder proposal count excludes anti-ESG proposals.

Voting on Incentives Aligned With Shareholder Interests

When we vote against management proposals, it's typically due to structure or approach to executive compensation or because of governance issues. We consider how the proposals will serve shareholder interests. For example, incentive structures that are not conditioned upon meeting certain performance goals or that have weak or unclear performance targets and "double-dipping" don't create strong alignment between executive pay and company performance. Additionally, we compare pay packages among the company's peers. As shareholders, we don't support packages that are significantly higher or have excessive perquisites and inappropriate peer benchmarking.

Examples of Shareholder Proposals We Supported

- AI-related proposals requesting disclosure regarding companies' use of AI in their operations and products, risks posed to human rights and user safety by AI systems, such as the spread of misinformation and disinformation, privacy violations and mass surveillance, and weapons and military applications
- Proposals requesting disclosure on corporate lobbying and political involvement activities and improved political accountability, which saw a year-over-year increase due to the election year
- Proposals to replace supermajority voting requirements with simple majority voting to amend corporate bylaws, which is often a prerequisite for making other corporate governance improvements, such as declassifying the board
- Proposals encouraging companies to examine or improve their human rights policies and impacts, including regarding child rights and labor, product end use, operations in high-risk regions and Indigenous peoples' rights

Capitalizing on Shareholder Proposals

We engage companies in alignment with our Principles, to build long-term value and to mitigate potential risks. Methods of engagement include speaking or meeting with company management teams or other company representatives, letters from Parnassus to management or boards of directors, or participating in collaborative efforts with industry peers such as sign-on letters or working groups.

We exercise patience throughout our engagements, recognizing that companies may require flexibility and creativity to implement what is requested of them. If engagements are unsuccessful or companies are insufficiently responsive, we may use escalation tools, including filing shareholder proposals.

2023–2024 Shareholder Proposals

Company	Theme	Request	Status
Becton Dickinson	Environmental Justice	We requested that the company issue a report describing its efforts to identify and reduce heightened health and environmental impacts from its operations on adjacent communities of color and low-income communities.	We co-filed this shareholder proposal in the third quarter of 2023 after almost two years of engagement. We withdrew the proposal in the first half of 2024 after Becton Dickinson agreed to disclose quantitative and qualitative environmental-justice data, information about how these data inform business decisions and efforts to strengthen their policies and practices.
Union Pacific	Sustainable Workplaces	We asked the company to adopt and publicly disclose a policy that all employees are able to use paid sick leave benefits without being subject to discipline under employee attendance policies.	We co-filed this proposal in December 2023 and withdrew it three months later when Union Pacific agreed to publicly commit that it will not discipline employees for taking sick leave. We believe this commitment will benefit the railroad, its workers and its investors.
Verisk Analytics	Responsible AI	We sought disclosures about the governance of and practices related to the responsible use of AI to avoid negatively impacting disadvantaged groups and protected classes.	We withdrew a 2023 shareholder proposal following a successful negotiation and agreement. Verisk agreed to publish disclosures describing its policies, practices and governance regarding the responsible use of AI.

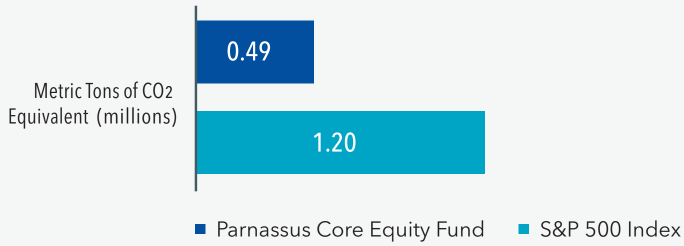
Portfolio Updates

Parnassus Core Equity

Environment–Greenhouse Gas Emissions[1]

Scope 1 is direct emissions and Scope 2 is indirect emissions from purchased energy. Lower is better.

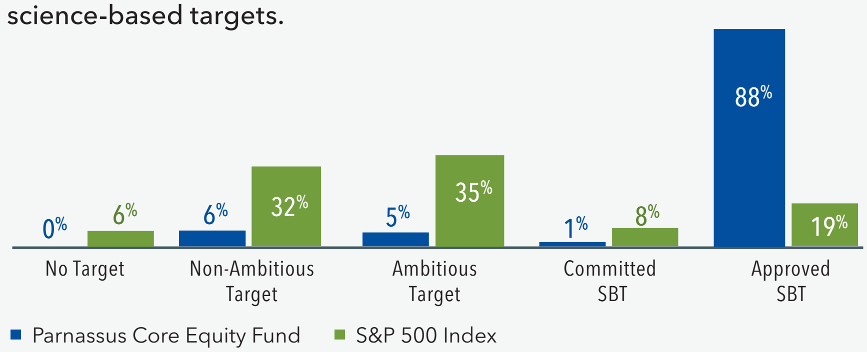
Portfolio company emissions were 59% lower than the benchmark.



Environment–Emissions-Reduction Targets[2]

We encourage companies to set robust science-based emissions-reduction targets.

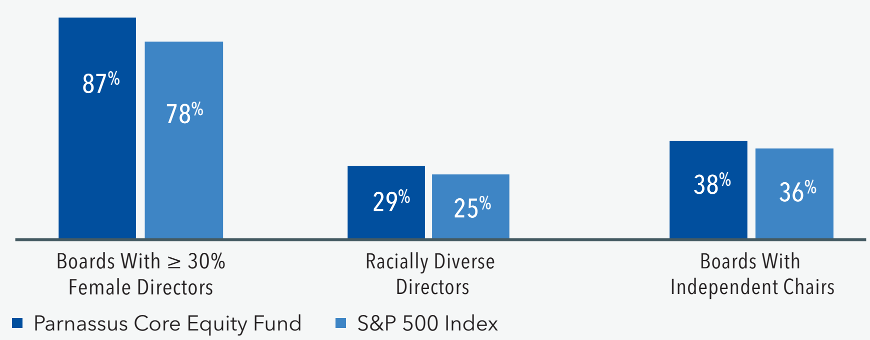
Nearly 90% of portfolio emissions are under science-based targets.



Governance–Quality Boards

We believe corporate boards are likely to make better decisions if they have an independent chair and consider diverse points of view.

Portfolio companies bring more diversity to the boardroom than the benchmark.



As of 6/30/2024. Sources: Institutional Shareholder Services (ISS), Factset MSCI, Parnassus Investments.

[1]GHG Emissions are calculated by Parnassus using ISS and FactSet MSCI data and are based on the assets under management of the fund at portfolio weights (ex-cash). GHG Emissions for the Index are calculated for Index holdings at Index weights. Emissions data are updated annually on a one-year lag so 12/31/22 is the most recent data available. Parnassus Investments calculates the aggregate percentage difference between the fund and the Index. Scope 1 Emissions are the direct emissions that occur from sources controlled or owned by the company. Scope 2 Emissions are the indirect greenhouse gas emissions associated with the purchase of electricity, steam, heat or cooling. [2] Emissions Reduction Targets are provided by ISS, data are updated quarterly for science-based targets and on an ongoing basis for other target categories.

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CASE STUDY

Intuit—Identifying and Managing AI Risks

Intuit is a financial software provider that offers personal and professional tax solutions and accounting software. The company's TurboTax and QuickBooks products lead the U.S. market for personal tax solutions and small-business accounting. Small- and medium-sized businesses rely on Intuit's products to support their operations—making them mission-critical products for many businesses. The company's competitive advantages are built off of a variety of product offerings that provide consistent recurring revenue and typically have high switching costs to transfer the imbedded information from the software to a new system.

Our Analysis

We believe Intuit is among the best-positioned software providers to capture the economic value of generative AI services for this market, despite the challenging high-interest-rate environment that makes it more difficult for many smaller businesses to make improvements. We opened a position in Intuit in August 2023 after our investment team saw an underappreciated opportunity to invest in a company with exposure to AI.

Since integrating AI across its product platforms is a pillar of Intuit's core business strategy, we engaged the company on AI governance and risk management. Our sustainability and stewardship team believes that it's important for Intuit to establish rigorous governance and safeguards around how it develops and deploys AI because its products could affect the livelihoods of many business owners and consumers.

Through our engagement, we sought to understand the governance and practices the company has in place, how it identifies and manages specific risks to the rights of users and consumers and where there may be gaps or weaknesses to encourage improvement. We provided the company with best practices and suggestions and encouraged increased transparency to build accountability with stakeholders.

Sustainability Outcomes

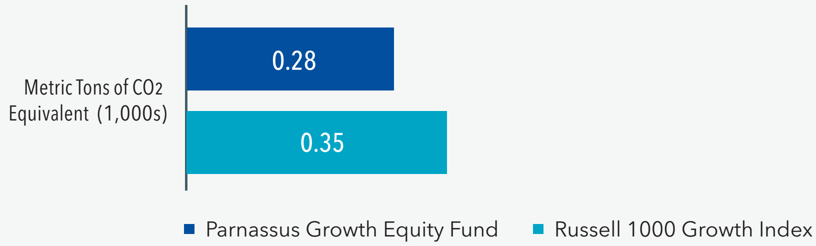
The company has been receptive, as it recognizes the importance of this topic. It was evident to us that Intuit had considered some of our requests, including strengthening consideration of human rights risks within its AI governance framework. In response to engaging with us, Intuit is planning for public disclosure on AI governance and risk management practices in early 2025.

Parnassus Growth Equity

Environment—Greenhouse Gas Emissions[1]

Scope 1 is direct emissions and Scope 2 is indirect emissions from purchased energy. Lower is better.

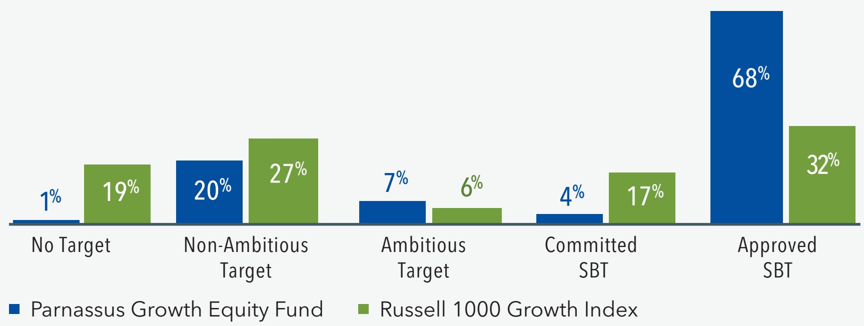
Portfolio company emissions were 20% lower than the benchmark.



Environment—Emissions-Reduction Targets[2]

We encourage companies to set robust science-based emissions-reduction targets.

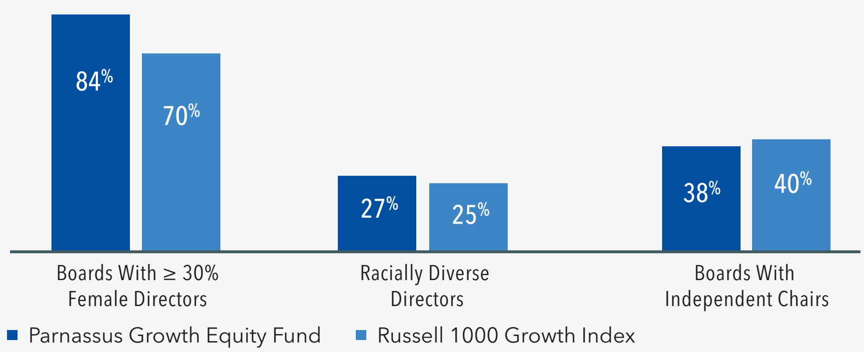
More than 70% of portfolio emissions are under science-based targets.



Governance—Quality Boards

We believe corporate boards are likely to make better decisions if they have an independent chair and consider diverse points of view.

Portfolio companies bring more diversity to the boardroom than the benchmark.



As of 6/30/2024. Sources: Institutional Shareholder Services (ISS), Factset MSCI, Parnassus Investments.

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CASE STUDY

Salesforce—Sustainability Leader Meets Market Headwinds

Our investment team aims to build conviction in high-quality stocks that are standard bearers in sustainable business practices but that are underappreciated in the broader market. Salesforce (CRM) is one example. The pioneer in cloud-based enterprise software is a longtime leader in environmental efforts and is consistently considered a great place to work.

Our Analysis

From a sustainability perspective, Salesforce manages multiple business practices we admire. For starters, the company accomplished an impressive feat for its operations: achieving 100% renewable energy for operations and net-zero residual emissions in 2021. Additionally, its famed "ohana" culture emphasizes its commitment to a well-trained workforce—with training provided to all permanent employees—and strong relationships with company stakeholders. Salesforce also has a strong track record of managing data security and privacy. The company has a computer security incident response team operating 24/7 that brings a rapid response approach to security incidents. Moreover, Salesforce's security controls and processes are evaluated regularly, and its security practices are assessed by a third party biannually.

In November 2022, Salesforce's stock declined, along with most software companies, during a tech selloff. The stock was weighed down by disappointing near-term earnings results and news of top-level executive departures. While investor sentiment grew increasingly negative on Salesforce, our analysts had conviction in the company's business quality. This was due to its durable competitive advantages and its commitment to margin and expense discipline, and also partly because of its strong sustainability practices. We initiated a position in December 2022 that we increased throughout 2023.

Sustainability Outcomes

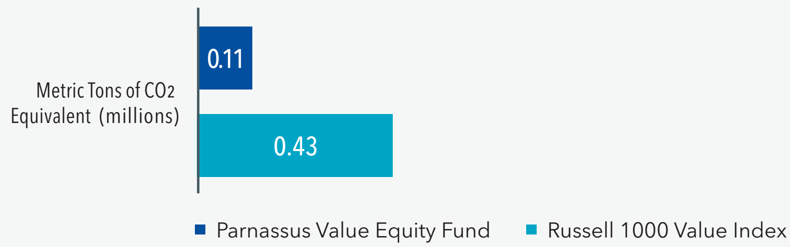
Salesforce's stock recovered as the company demonstrated expense discipline and positioned itself as a beneficiary of AI technology. In 2023, Salesforce built on its existing AI principles by issuing guidelines for the responsible development and implementation of generative AI. We will pay close attention to the company's governance and management of AI-related risks. Our overarching goal is to enhance shareholder value by avoiding practices that could increase financial or reputational risk.

Parnassus Value Equity

Environment—Greenhouse Gas Emissions[1]

Scope 1 is direct emissions and Scope 2 is indirect emissions from purchased energy. Lower is better.

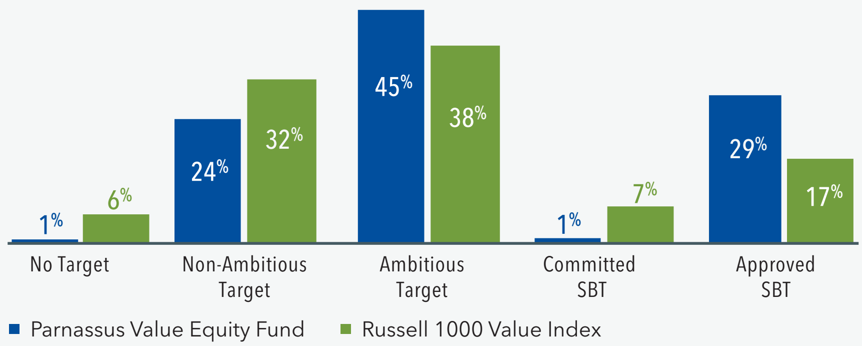
Portfolio company emissions were 73% lower than the benchmark.



Environment—Emissions-Reduction Targets[2]

We encourage companies to set robust science-based emissions-reduction targets.

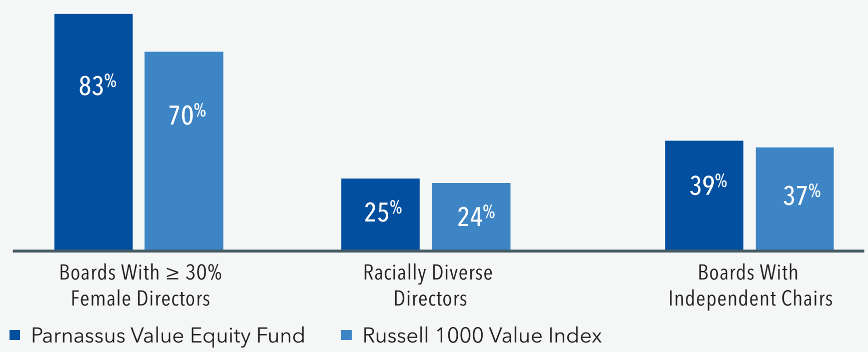
30% of portfolio emissions are under science-based targets.



Governance—Quality Boards

We believe corporate boards are likely to make better decisions if they have an independent chair and consider diverse points of view.

Portfolio companies bring more diversity to the boardroom than the benchmark.



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CASE STUDY

Brookfield Renewable Corp.— Investing in a Decarbonized World

Brookfield Renewable Corp. (BEPC) operates one of the largest pure-play renewable energy platforms, managing a portfolio of hydropower, wind, solar and storage facilities. Because the company provides governments and businesses with solutions toward meeting decarbonization goals, it's positioned as a more climate-friendly alternative to carbon-based power-generation.

Our Analysis

Much like a REIT, Brookfield is designed for dividend distribution, as its assets generate predictable cash flows through long-term power purchase agreements. However, its business is sensitive to higher interest rates. As the Federal Reserve raised rates in recent years, Brookfield's stock slumped. Our Value Equity strategy initiated a position in Brookfield in September 2023, after the stock had retreated from its 2021 high.

The global decarbonization trend creates relevancy for the business and the opportunity to increase market share. Additionally, global demand for electricity typically remains steady—even in recessions—and is projected to outpace GDP growth as the use of electric vehicles and AI datacenters continues to grow.

Brookfield also has goals for biodiversity, water management, health and safety and gender diversity that are aligned with the UN Sustainable Development Goals. The company reports progress on its various goals in its yearly sustainability report. The company was also one of the first in the industry to adopt a Green Financing framework in 2018.

Sustainability Outcomes

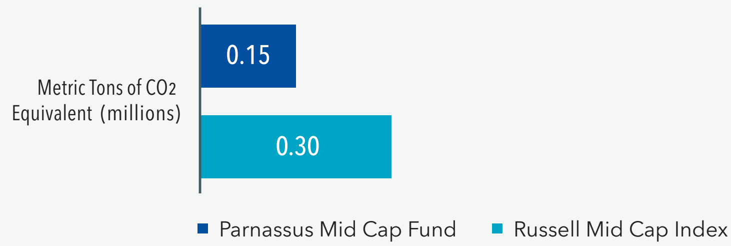
Brookfield is increasing its capital deployment to meet the rising demand for clean energy solutions. In the second quarter of 2024, for example, Brookfield announced a $10 billion agreement with Microsoft to expand its renewable power capacity. The agreement is the largest corporate clean energy deal to date, focusing largely on wind and solar. We expect the buildout to help address the rising electricity demand from data centers.

Parnassus Mid Cap

Environment–Greenhouse Gas Emissions[1]

Scope 1 is direct emissions and Scope 2 is indirect emissions from purchased energy. Lower is better.

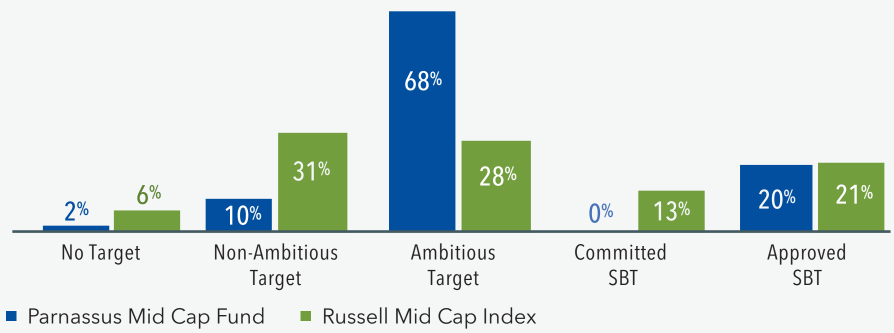
Portfolio company emissions were 51% lower than the benchmark.



Environment–Emissions-Reduction Targets[2]

We encourage companies to set robust science-based emissions-reduction targets.

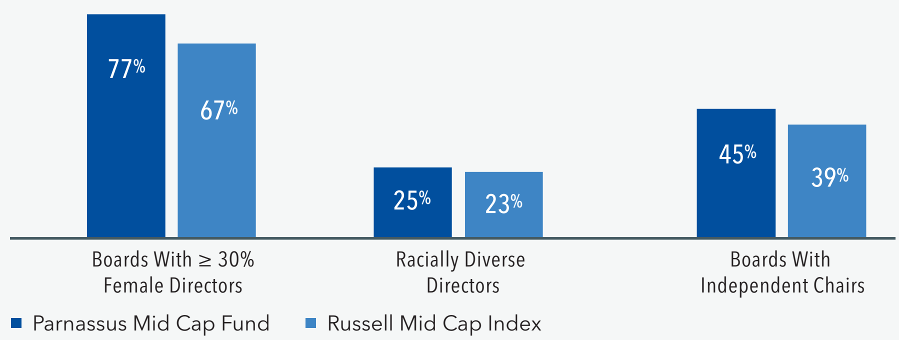
20% of portfolio emissions are under science-based targets.



Governance–Quality Boards

We believe corporate boards are likely to make better decisions if they have an independent chair and consider diverse points of view.

Portfolio companies bring more diversity to the boardroom than the benchmark.



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CASE STUDY

Xylem Corporation—Providing the World With Clean Water

Xylem Corporation (XYL) is a global provider of equipment, technology and services to transport, treat and test water in a diverse range of settings. Xylem offers expertise to tackle difficult water and wastewater problems and help customers reduce water consumption and improve efficiency.

Our Analysis

Xylem is a market leader in water management for public utilities and residential usage. Population growth, ongoing urbanization, middle-class growth in emerging markets and general water scarcity have been increasing the demand for water treatment and pumps. Additionally, heightened regulations and performance standards, including energy efficiencies, are further contributors to Xylem's long-term revenue growth potential and ability to generate compelling long-term cash flow.

The company's sustainability leadership is closely linked with its operations. In 2019, Xylem set quantitative sustainability goals for 2025 that included reducing the environmental impact of operations, helping customers reduce water consumption and increase access to clean water, and engaging supply-chain partners. Xylem reports its progress annually and is on track for most of its goals.

We took advantage of market volatility to purchase Xylem in the third quarter of 2022. At the time, Xylem was affected by supply-chain challenges and chip shortages for its technology solutions. However, we believed the company was poised to grow as it benefited from a healthy order backlog and long-term secular drivers, including the need to replace aging water infrastructure in developed countries.

Sustainability Outcomes

In April 2024, the EPA announced the first-ever legally enforceable drinking water standards for six types of PFAS, a synthetic chemical that can contaminate drinking water. According to the rules, public water systems have three years to complete initial monitoring (by 2027), followed by ongoing compliance monitoring. Public water systems have five years (by 2029) to implement solutions that reduce these PFAS if monitoring shows that drinking water levels exceed maximum levels.

As the result of a 2023 acquisition, Xylem has a leading position in PFAS treatment solutions for municipal and commercial applications. Common treatment solutions include reverse osmosis, granular activated carbon and ion exchange resin. Xylem is also working on innovations in PFAS destruction and real-time sensing. We believe that Xylem stands to benefit from PFAS-related applications over the next three to five years.

Parnassus Mid Cap Growth

Environment–Greenhouse Gas Emissions[1]

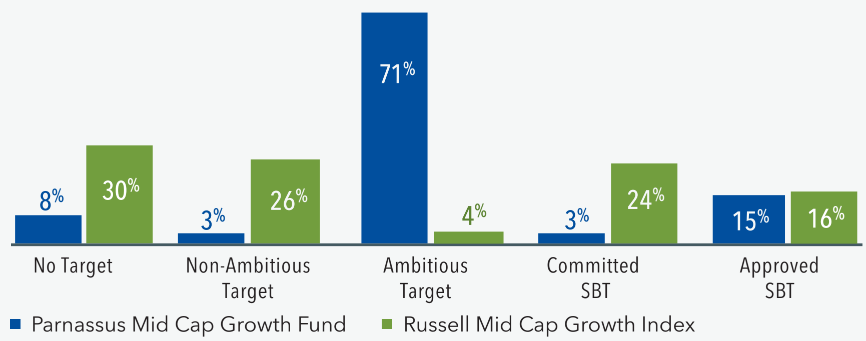
Scope 1 is direct emissions and Scope 2 is indirect emissions from purchased energy. Lower is better.

Portfolio company emissions were 62% lower than the benchmark.

Environment–Emissions-Reduction Targets[2]

We encourage companies to set robust science-based emissions-reduction targets.

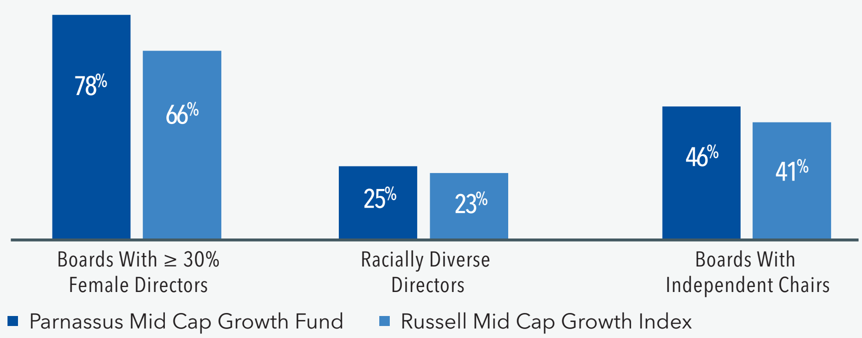
18% of portfolio emissions are under science-based targets.



Governance–Quality Boards

We believe corporate boards are likely to make better decisions if they have an independent chair and consider diverse points of view.

Portfolio companies bring more diversity to the boardroom than the benchmark.



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CASE STUDY

Agilent–Making the World Safer and Healthier

Agilent Technologies (A) is a leader in life sciences tools, offering instruments, software, services and consumables for laboratories. Supported by a central research group, the company serves clients across the medial diagnostics, pharmaceutical, environmental and energy industries. The company's products help make the world safer and healthier through drug quality control and assurance and by identifying air, soil and food contaminants.

Our Analysis

Agilent manufactures electronic measurement and analysis equipment that is critical for healthcare research and development. The company's business relevancy is tied to increased regulatory requirements and consumer expectations around testing in areas like pharmaceuticals and water. It has durable competitive advantages from its leading market share positions in large and growing markets such as gas/liquid chromatography and mass spectrometry. Strong management has contributed to its quality, as it has enabled market share gains while returning cash to shareholders via stock buybacks.

We first purchased Agilent in the first quarter of 2020, taking advantage of an indiscriminate market sell-off to add a great business at an attractive price. Throughout our holding period, Agilent has benefited from several positive tailwinds, such as lithium battery testing for electric vehicles. The company's business mix continues to improve over time toward faster-growth, higher-margin businesses like consumables and services. Product safety is key in the testing industry and Agilent boasts a strong internal quality management system, with robust audit programs in place.

Sustainability Outcomes

As a leader in environmental testing, Agilent stands to benefit from the recent Environmental Protection Agency rules aimed at limiting the presence of PFAS chemicals in public water systems, which will increase water testing demands. In addition, the company is consistently ranked as a great place to work, with an employee turnover rate below that of its peers. Agilent also performs well with talent development, which helps the company execute at a high level.

Parnassus Fixed Income

Our Fixed Income portfolio held approximately 24% of its portfolio in Green and Sustainability Bonds as of June 30, 2024. Green bond proceeds are ring-fenced for qualified projects, such as energy efficiency, sustainable land use or clean water. Sustainability bonds combine the environmental elements of green bonds with social initiatives.

The managers may buy such bonds from companies that are on the Caution List, making those companies eligible for engagement.

Fixed Income Fund Green and Sustainability Bond Holdings (as of 6/30/2024)

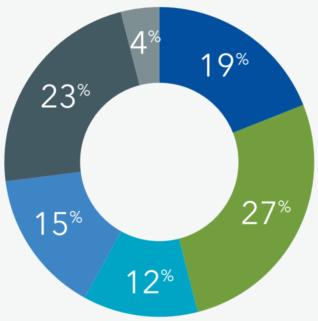
Issuer	Weight	Green Bond Project Categories
International Finance Corp.	3.5%	Natural Resource Management, Renewable Energy, Energy Efficiency, Sustainability
International Bank for Reconstruction & Development	2.9%	Biodiversity, Natural Resource Management, Clean Transportation, Renewable Energy, Sustainable Water, Climate Change Adaptation, Sustainability, Food Security, Green Buildings, Pollution Control
American Express Co.	1.2%	Renewable Energy, Energy Efficiency, Green Buildings, Sustainability
Xylem Inc.	1.2%	Sustainable Water, Circular Economy
European Investment Bank	1.2%	Renewable Energy, Energy Efficiency
Micron Technology Inc.	1.2%	Pollution Control, Renewable Energy, Sustainable Water, Energy Efficiency, Green Buildings, Sustainability
Public Service Oklahoma	1.2%	Renewable Energy
Citigroup Inc.	1.1%	Affordable Housing
Sysco Corp.	1.1%	Biodiversity, Natural Resource Management, Clean Transportation, Renewable Energy, Sustainable Water, Energy Efficiency, Sustainability
Intel Corp.	1.1%	Pollution Control, Renewable Energy, Sustainable Water, Energy Efficiency, Green Buildings, Sustainability
Prologis LP	1.0%	Clean Transportation, Pollution Control, Renewable Energy, Sustainable Water, Energy Efficiency, Green Buildings, Sustainability
Autodesk Inc.	1.0%	Pollution Control, Renewable Energy, Sustainable Water, Energy Efficiency, Green Buildings, Sustainability
Merck & Co Inc.	1.0%	Pollution Control, Renewable Energy, Sustainable Water, Energy Efficiency, Green Buildings, Sustainability
Salesforce Inc.	0.9%	Natural Resource Management, Pollution Control, Renewable Energy, Sustainable Water, Climate Change Adaptation, Green Buildings, Sustainability
Verizon Communications	0.9%	Renewable Energy
Dominion Energy Inc.	0.9%	Renewable Energy
Alexandria Real Estate Equities Inc.	0.7%	Green Buildings
European Bank for Reconstruction & Development	0.7%	Clean Transportation, Pollution Control, Renewable Energy, Sustainable Water, Energy Efficiency
Bank of America Corp.	0.5%	Clean Transportation, Pollution Control, Renewable Energy, Sustainable Water, Energy Efficiency, Green Buildings, Sustainability
Alphabet Inc.	0.3%	Clean Transportation, Renewable Energy, Energy Efficiency, Green Buildings, Sustainability

Source: Parnassus Investments and Bloomberg, as of 6/30/2024. Weights are expressed as a percentage of Total Net Assets (TNA).

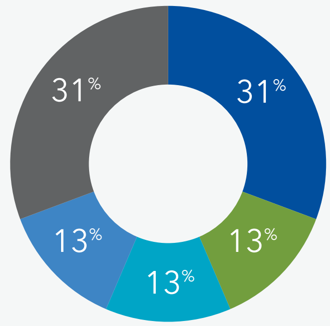
Engagement Themes by Investment Strategy

Parnassus engaged 57 companies across our thematic, individual and proxy workstreams during the year, touching companies owned by all six of our strategies. Some companies were engaged collaboratively, via email only or on multiple topics, or represent a continuation of prior year engagements.

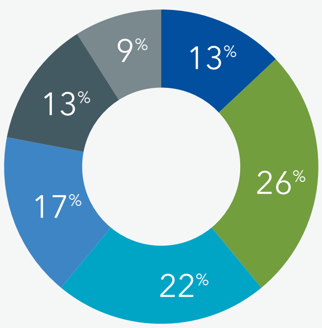
Core Equity Engagement Focus



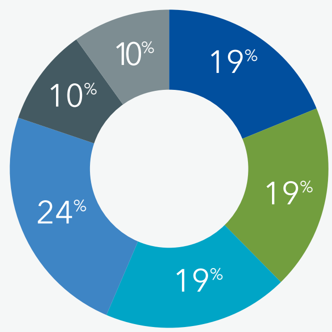
Growth Equity Engagement Focus



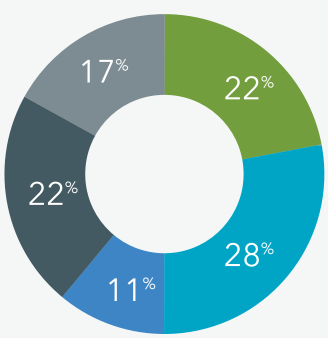
Value Equity Engagement Focus



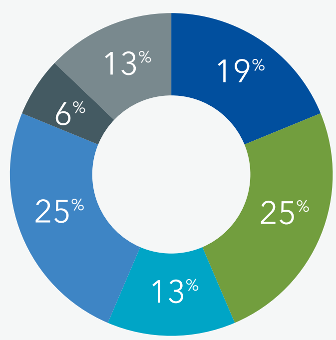
Mid Cap Engagement Focus



Mid Cap Growth Engagement Focus



Fixed Income Engagement Focus



- Company-Specific
- Governance
- Climate Risk
- Environmental Justice
- Responsible AI
- Materiality Assessments

Important Information

Science-based targets provide a clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels.

Scope 1 emissions are the direct emissions that occur from sources controlled or owned by the company. Scope 2 emissions are the indirect greenhouse gas emissions associated with the purchase of electricity, steam, heat or cooling. Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly affects in its value chain. An organization's value chain consists of both its upstream and downstream activities.

Risks: The Funds' 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 U.S. 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 Funds' 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDELINES The Funds evaluate ESG factors as part of the investment decision-making process, considering a range of impacts they may have on future revenues, expenses, assets, liabilities and overall risk. The Funds also utilize active ownership to encourage more sustainable business policies and practices and greater ESG transparency. Active ownership strategies include proxy voting, dialogue with company management and sponsorship of shareholder resolutions, and public policy advocacy. There is no guarantee that the ESG strategy will be successful.

The Russell Midcap® Index measures the performance of the mid cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap® Index represents approximately 26% of the total market capitalization of the Russell 1000® companies. The Russell Midcap Index is constructed to provide a comprehensive and unbiased barometer for the mid cap segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid cap opportunity set.

The Russell Midcap® Growth Index measures the performance of the mid cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium term (2 year) growth and higher sales per share historical growth (5 years). The Russell Midcap® Growth Index is constructed to provide a comprehensive and unbiased barometer of the mid cap growth market. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid cap growth market.

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The Russell 1000® Value Index measures the performance of the large cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years). The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

The Russell 1000® Growth Index measures the performance of the large cap growth segment of the U.S. equity universe. An individual cannot invest directly in an index. An index reflects no deductions for fees, expenses or taxes, but mutual fund returns do.

Green Bonds are fixed income instruments designed to support climate-related or environmental projects. Sustainability Bonds are fixed income instruments designed to support a combination of environmental and social projects. Supranational Green Bonds are fixed income instruments issued by a global organization such as The World Bank. These bonds are designed to support climate-related or environmental projects.

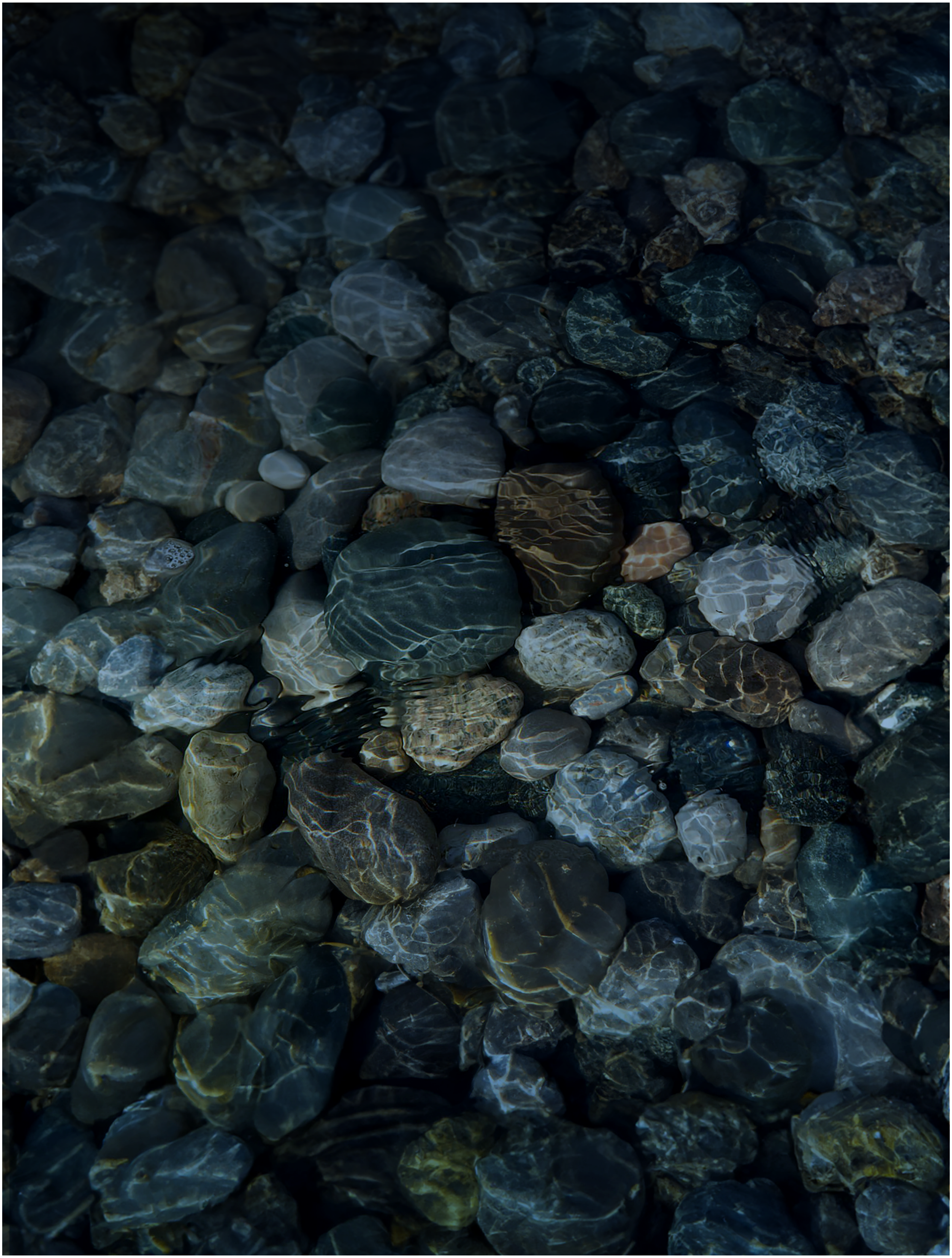
A shareholder resolution is a proposal put forth by shareholders for a company's management or board requesting a specific action. A shareholder proposal needs 5% support in its first year, 15% after the second attempt and 25% after the third year to be eligible for resubmission.

For the current holdings of the Parnassus Core Equity Fund, the Parnassus Growth Equity Fund, the Parnassus Value Equity Fund, the Parnassus Mid Cap Fund, the Parnassus Mid Cap Growth Fund and the Parnassus Fixed Income Fund, please visit each Fund's individual holdings page. Fund holdings are subject to change at any time.

Fund holdings are not intended to represent future portfolio composition. Fund holdings are subject to change and should not be considered a recommendation to buy or sell any securities. The views expressed are subject to change at any time in response to changing circumstances in the markets and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally, or the Parnassus Funds. Mutual fund investing involves risk and loss of principal is possible.

The Parnassus Funds are 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.



About Parnassus Investments

Parnassus Investments is a research-driven investment boutique founded in 1984 on the belief that a well-managed responsible investment strategy could outperform traditional approaches. We offer a focused set of six highly active U.S. equity and fixed income funds. Our investment team carefully selects a small number of companies for our portfolios, investing in high-quality businesses they believe have increasingly relevant products or services, durable competitive advantages, strong management teams and sustainable business practices. Headquartered in San Francisco, Parnassus has 77 employees and $46.5 billion assets under management as of June 30, 2024.

PARNASSUS INVESTMENTS®