



PARNASSUS  
INVESTMENTS®

SUSTAINABLE INSIGHTS

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## Creating Confidence in Clean Products

Last year, we initiated a sustainability theme centered around one of our main Principles: promoting product responsibility. We expect companies to respect consumers' rights to safe and healthy products and services. This approach benefits not only consumers, but also the companies themselves.

We all want to trust that what we use in our homes and what we put on our bodies is fine. After all, that's what regulations help to accomplish. Yet, unlike the highly regulated pharmaceutical industry, synthetic chemicals are brought to market in everyday products with minimal prior assessment of their hazard and almost no post-marketing surveillance for longer-term adverse health effects. Among the estimated 350,000 chemical products globally, fewer than 20% have been tested. This means that many everyday items made with complex chemical inputs may inadvertently include substances that are poorly understood or linked to serious health impacts.

For our portfolio companies, this is important for a few reasons that are material to the business. Our paper "[Chemical Risks in Consumer Products](#)" outlines how companies that proactively address chemical product safety in their long-term strategy and decision making are better positioned to mitigate exposure to regulatory and legal action, operational disruption, consumer pushback and brand damage. These practices help protect shareholder value and support the development of more innovative, resilient businesses.

Companies are also seeing increasing consumer interest in product-ingredient details for the purpose of avoiding toxic or harmful ingredients. The abundance of information has opened many consumers' eyes to the opportunity to reduce their own health risks by buying safer products. A 2024 survey by PwC found that 80% of consumers were willing to pay an average of 9.7% more for sustainable products.<sup>1</sup> Exhibit 1 shows how the global market for sustainable products will exceed \$800B in the next decade.<sup>2</sup> Companies that recognize and capitalize on these trends will be better positioned to meet consumer demand and build trust.

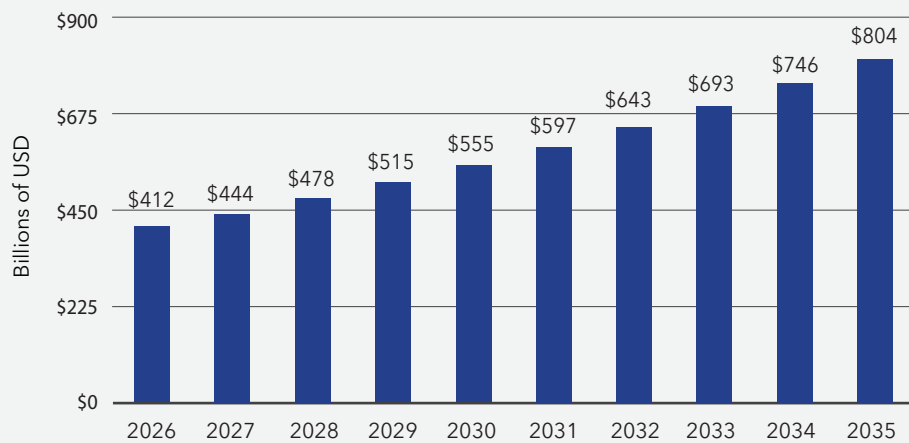


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## EXHIBIT 1: RISING CONSUMER DEMAND FOR SUSTAINABLE PRODUCTS

Global Sustainable Products Market Forecast, 2026-2035



Source: Business Research Insights, Parnassus Investments.

### How Leading Companies Are Addressing Product Safety

The best companies embrace the opportunity to manage the product lifecycle holistically, including adopting a comprehensive chemical management policy, conducting a full chemical-risk inventory and prioritizing safer chemical compositions. They not only view regulatory compliance as a minimum standard, they also set goals for minimizing hazards rather than allowing certain exposure thresholds. These practices are integral to the business strategy and also cover their operations and supply chains.

The Investor Environmental Health Network (IEHN), an investor collaboration that includes Parnassus, has documented comprehensive frameworks and tools that companies can use, including chemical hazard assessment platforms like ChemFORWARD's hazard database. Conducting a hazard inventory and disclosing chemical footprints can help companies ensure human and environmental safety, build consumer trust and protect against brand damage and litigation caused by the use of hazardous chemicals.

### Case Studies: Leading the Transition

Leading companies are demonstrating how this approach works in practice.

- **Costco (COST)** has implemented a smart screening program with a hazard-based approach. The company uses ChemFORWARD hazard data to screen ingredients for intentionally added chemicals in cleaning and beauty-aid products sold under both its private-label Kirkland Signature and third-party brand products. This allows Costco to assess whether products contain chemicals of concern and identify safer alternatives, an essential step toward identifying safer alternatives and reducing hazardous chemicals.

- **Walmart** (WMT) has established one of the most comprehensive chemical-management programs among retailers. The company discloses a Priority Chemicals list that identifies ingredients targeted for reduction, restriction or elimination from private and third-party products sold in its stores. Walmart has set a chemical footprint-reduction target with clear metrics and definitions, demonstrating accountability to investors and consumers. The company engages suppliers to encourage safer chemistry innovation and has been recognized as a leader in the retailer chemical-safety space by advocacy organizations including Toxic-Free Future's Mind the Store campaign.
- **Apple** (AAPL) uses hazard-based assessment methodologies to rate chemicals and has committed to phase out PFAS ("forever chemicals") entirely. They have also succeeded in replacing harmful substances such as PVCs, phthalates and flame retardants in almost all markets. Apple's customers may not think of chemical safety as a key concern, but the company has been a leader in considering chemicals in products that are near people's bodies constantly, as well as their packaging.

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## The Path Forward

At Parnassus, we approach chemical safety as both a risk and resilience issue that can impact a company's financial performance over the long term. Through multi-year engagements, we encourage companies to improve their understanding, management and transparency around chemicals of concern. This process starts with conducting hazard inventories and disclosing chemical footprints, adopting hazard-based chemical management plans (including restricted substances lists and time-bound phaseout goals) and investing in safer chemistry solutions where feasible.

Chemical safety represents a fundamental shift in evaluating corporate responsibility and long-term value creation. Companies that use a hazard-based approach to transparently and proactively get a handle on what's in their products, identify hazards and work to reduce them are better positioned to mitigate exposure to regulatory and legal action and brand damage.

## CLEAN PRODUCT GUIDANCE

Products that are developed with the least harmful, most sustainable practices may also attain the following certifications that generally come with third-party verifications that the products are safe:

Certification	Objective	Website
EWG Verified®	Certifies personal care products, cleaning products and other consumer goods that meet the Environmental Working Group's strictest standards for health. Products must be free from EWG's chemicals of concern and provide full ingredient transparency, including fragrance components.	<a href="http://www.ewg.org/ewgverified/">www.ewg.org/ewgverified/</a>
Cradle to Cradle Certified®	Multi-attribute certification assessing products across material health, material reuse, renewable energy and carbon management, water stewardship and social fairness. Products at Gold or Platinum level demonstrate the highest standards for safety and sustainability.	<a href="http://www.c2ccertified.org/the-standard">www.c2ccertified.org/the-standard</a>
MADE SAFE®	Certifies products made without known harmful chemicals or substances. Screens for more than 6,500 chemicals known or suspected to harm human health, animals or ecosystems and covers personal care, baby, household and pet products.	<a href="http://www.madesafe.org/">www.madesafe.org/</a>
OEKO-TEX® Standard 100	Certifies textiles as harmless to human health. Sets the benchmark for textile safety, from yarn to finished product. Every item with the label has passed safety tests for the presence of harmful substances.	<a href="http://www.oeko-tex.com/en/our-standards/oeko-tex-standard-100/">www.oeko-tex.com/en/our-standards/oeko-tex-standard-100/</a>

To learn more, visit [www.parnassus.com](http://www.parnassus.com).

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<sup>1</sup> PwC. "Consumers willing to pay 9.7% sustainability premium, even as cost-of-living and inflationary concerns weigh," May 15, 2024.

<sup>2</sup> Business Research Insights. "Sustainable Products Market Size," Jan. 19, 2026.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) GUIDELINES: The Fund evaluates 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 Fund also utilizes 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. There are no assurances the Funds will meet their investment objectives and or that their ESG strategies will be successful.

Mutual fund investing involves risk, and loss of principal is possible.

ETFs are subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an ETF's shares may trade at a premium or discount to its net asset value, an active secondary trading market may not develop or be maintained, or trading may be halted by the exchange in which they trade, which may impact an ETF's ability to sell its shares. Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. Brokerage commissions will reduce returns.

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](#), the [Parnassus International Equity Fund](#), the [Parnassus Core Select ETF](#), and the [Parnassus Value Select ETF](#), please visit each fund's individual holdings page. Fund holdings are subject to change at any time.

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