



2020 Parnassus Stewardship Report

Dear Responsible Investor:

2020 will be remembered as the year environmental and social issues were widely revealed to be inextricably linked to the well-being of people, companies and our society. Interest in ESG is now higher than we've seen at any time in our 35 years of investing for Principles and Performance®.



Like other socially responsible managers, Parnassus set our annual agenda at the beginning of 2020 by assessing the top concerns of our investors and the opportunities and challenges presented by the companies held in our portfolios. Our plans included deep and broad engagements on climate change, data privacy and security, and the gender pay gap.



Then, in March, COVID-19 upended our plans. Our investment team sharply pivoted to address the epidemic and its fundamental and ESG impacts on our holdings. Workplace concerns, including encouraging companies to avoid layoffs and protect workers' health and safety, became our top ESG priorities.



While COVID-19 persisted throughout the year, in late May, racial equity took center stage following the videotaped killing of George Floyd. Parnassus publicly joined those calling for an end to racial injustice, and many companies in our portfolios also made statements and donations. For corporate America, racial diversity in the workforce, management and boards became a pressing ESG issue.

By summer, much of the western United States was on fire, reminding us that climate change continues to rapidly rise in urgency. Hot, dry conditions coupled with atypical lightning storms sparked many of these fires, with some continuing to burn for months. These catastrophes made our ongoing efforts to



From left: Benjamin Allen and Iyassu Essays pictured in a photo from 2019.

encourage companies to prioritize disclosing and shrinking their carbon footprints more important than ever.

In the midst of this very busy year, we also refined our ESG analysis to better home in on the key sector issues and topics that are most significant to a company's operations. This enhancement is helping our team more efficiently identify the qualities of companies that can move their stock prices or create reputational risks.

Lastly, you may have read that our chairman, Jerome Dodson, stepped back from the Parnassus Funds at the end of the year. Jerry is an industry pioneer who had an idea that he tested in 1984 by founding Parnassus. He believed that people could invest according to their values and still beat the market. His remarkable career as an investor has proved that his idea was right, and his determination to stick to his conviction will continue to serve as an inspiration in the years ahead.

Thank you for investing responsibly.

Benjamin E. Allen
President and CEO

Iyassu T. Essayas
Director of ESG Research

Parnassus's Approach to Engagement

We define engagement as meaningful dialogue with company representatives for the purposes of better understanding the company's operations and sharing our views about relevant environmental, social and governance topics. We define impact engagements as in-depth interactions with a company where we advise company leaders to adopt preemptive measures to address important environmental, social or governance issues.

The ultimate goal of both types of engagements is to encourage action on matters that are material to the company and important to investors. Parnassus's engagement style is collaborative, with the goal of increasing the enterprise value and sustainability of the business based on our intimate knowledge of the firm and similar companies. Engagements may be initiated with any company held in the Parnassus stock or bond funds.

Encouraging Company Progress in 2020

2020 was not a typical year for company engagements. The year was dominated by momentous events that shook the country and the world: the COVID-19 pandemic, calls for racial justice and increasingly extreme climate disasters. Although we had set our engagement priorities at the beginning of the year, we abruptly shifted gears to focus on these historic events as they unfolded.

Unlike in past years, where we identified a specific issue at a particular company to pursue, this year we took a broader approach. Our engagement work in 2020 focused on three elements. First, as a socially responsible investment company, we publicly shared our views on the pandemic, racial equity and climate threats. Second, we directly engaged some Parnassus holdings on ESG topics. Third, we supported those companies in our funds

that were making decisions to maintain the health of their businesses by protecting their workforces, improving their diversity and inclusiveness, and taking steps to mitigate the environmental impacts of their operations.

In 2020, we participated in 238 engagements.

In the pages that follow, we report on this extraordinary year.

2020 was not a typical year for company engagements. The year was dominated by the COVID-19 pandemic, calls for racial justice and increasingly extreme climate disasters.



COVID-19 Response

Our Approach

COVID-19 created enormous challenges for the global economy, businesses and workers. The virus exposed the deep disparity between low-wage and high-wage workers. To address these broad challenges, Parnassus quickly pivoted to put workplace issues high on our agenda. This decision was based on our belief that companies that support their employees will emerge stronger from the pandemic than others. We called on businesses to invest in their workforces and retain talent, as the virus elevated the importance of workplace safety, compensation, benefits and employee retention.

Parnassus, along with many other ESG investors, signed a public statement initiated by the Interfaith Center on Corporate Responsibility (ICCR) urging companies to provide emergency paid leave, prioritize health and safety and maintain employment. The statement also urged companies to honor agreements with suppliers, assist customers facing financial challenges, suspend share buybacks and limit executive compensation.

Parnassus's engagements:

Parnassus sent letters or emails to 58 companies held in our portfolio at the outset of the pandemic.

We organized our COVID-19 engagements into four segments. We prioritized contacting companies that were lagging, followed by the largest positions in our funds, then companies that are not typically engaged by ESG investors. Finally, we identified

companies that were leaders, so we could recognize their efforts to protect their workforces and, by extension, their businesses.

Company Progress

The following portfolio companies made significant progress in 2020:

Amazon set aside \$10 billion for hazard pay and network investments to support its customers. \$3 billion of this amount was allocated to bonuses and incentives, including a one-time bonus to frontline employees. Parnassus, along with other investors, had questioned Amazon about its warehouse workers and drivers, specifically about health and safety, illness rates, productivity requirements and protections for contractors.

VF Corporation ensured 100% pay and benefits for retail employees during the early part of the pandemic despite widespread store closings. The company also reduced executive and board pay, suspended buybacks and maintained strong relationships with its suppliers by honoring all existing orders.

Verizon developed a work-from-home strategy for 90% of its workforce, along with extra compensation for field technicians and retail workers. The company also offered generous paid leave for employees afflicted by COVID-19.

Agilent pledged no layoffs, leaving it better positioned than its competitors for recovery.

Micron was an early adopter of increased facility sanitation and staggered shifts. The company also paid a one-time bonus to 70% of its employees.



Racial Equity

Our Approach

The death of George Floyd rocked our country and led to unprecedented protests for racial justice. Like many other businesses, community organizations and individuals, Parnassus spoke out against police violence and for racial equity. In addition to making public statements, we launched several initiatives related to racial justice.

Parnassus's racial equity engagement initiatives for 2020 and 2021, include:

- Communicating with portfolio companies with an initial goal of including at least one person of color on all corporate boards
- Encouraging companies to disclose their EEO-1 data, which includes racial/ethnic and gender data by job category, as a first step toward improving diversity and inclusion
- Asking ESG research providers to request EEO-1 data from the companies they evaluate
- Engaging companies on environmental justice and technology bias, and specifically pressing them to incorporate racial equity initiatives into their operations, products and services

In addition, Parnassus is investing \$6 million via the Parnassus Funds in community development financial institutions (CDFIs) that are Black-owned, Black-led or predominantly serve Black communities.

Company Progress

Parnassus's engagement efforts contributed to the following results:

In 2020, we sent 19 letters to companies held in our funds requesting disclosure of EEO-1 data as a first step toward establishing measurable goals and timelines. **Mondelez, Masco, Hologic** and **IDACORP** responded with commitments to release their EEO-1 data in 2021, either via their existing integrated or sustainability reports or as a separate item.

The following portfolio companies took a stand for racial equity without direct engagement:

FedEx's and **Guidewire's** CEOs, Frederick W. Smith and Mike Rosenbaum, were among the first business leaders to make public statements on their earnings calls about the deaths of George Floyd, Ahmaud Arbery and Breonna Taylor that included calls to reject racism.

MasterCard, Micron, McCormick & Co. and **Adobe** executives took the highly unusual step of setting aside time during their earnings calls to address systemic racism.

The North Face, Lululemon Athletica, Verizon and many other companies banded together to participate in the #StopHateForProfitCampaign, a call to action led by the NAACP, the Anti-Defamation League and other organizations. This campaign's mission is to pull advertising dollars off digital platforms that have policies that allow hate speech to flourish.

Several companies promised millions of dollars to help address systemic racism, including **The Walt Disney Company, Alphabet** and **Apple**.

Some companies exited businesses that negatively impact Black Americans and other minority groups. **IBM** shut down its facial recognition business and **Microsoft** announced that it would stop selling its facial recognition software to the police until this type of software becomes federally regulated.



Climate Change

Our Approach

With much of the western U.S. on fire over the summer, ESG investors were reminded of the significant operational risks of climate events on companies across all sectors. Parnassus is participating in the long-term drive to decarbonize our economy. Not only are our funds fossil fuel free, we also invest in companies that are taking steps to decarbonize their operations, and we frequently speak out publicly on the importance of businesses taking steps to address climate-related risk.

We support the recommendations of The Task Force on Climate-Related Financial Disclosures (TCFD), which include physical and transition risk assessments, disclosure and plans to bring businesses in line with a 1.5 degree warming scenario. Physical risks include disruptions to the physical business and its supply chain due to extreme temperatures, droughts, floods, sea level changes, wildfires and winds. Transition risks are roadblocks to adjusting to climate change, which may be due to deficiencies in technology or strategic planning.

Company Progress

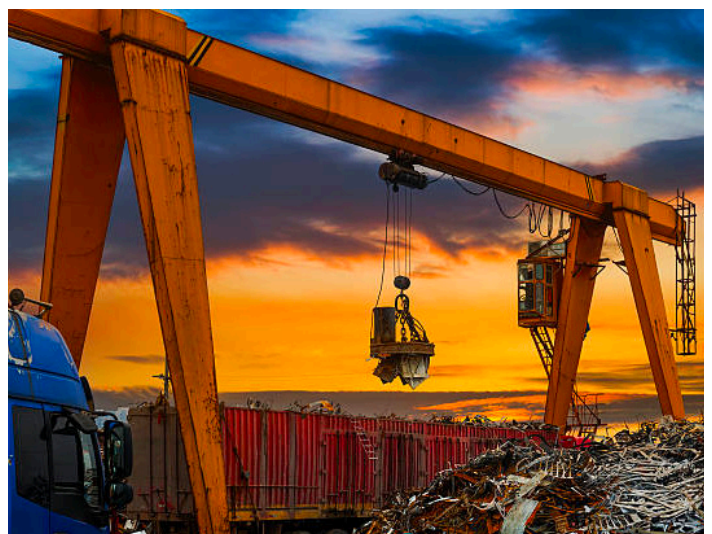
Republic Services became the first recycling and solid waste services provider in the U.S. to set Scope 1 and Scope 2 goals designed to cap temperature increases at 1.5 degrees. Scope 1 addresses direct emissions by the company and Scope 2 addresses

emissions from purchased energy. Parnassus initiated multiple discussions with Republic Services about the importance of setting these goals.

Micron committed 2% of the company's annual capital expenditures to environmental and social stewardship, amounting to \$1 billion over the next five to seven years. Within the past year, Micron has also set water and emissions goals.

Microsoft announced that they will be carbon negative by 2030. Moreover, by 2050, Microsoft plans to remove an amount of carbon from the atmosphere equal to all the carbon the company has emitted, either directly or by electrical consumption, since they were founded in 1975.

Parnassus is participating in the long-term drive to decarbonize our economy. Not only are our funds fossil fuel free, we also invest in companies that are taking steps to decarbonize their operations.





Sustainability Reporting

Our Approach

We encourage companies to publish sustainability reports as a framework for establishing goals for improvement and as a means of providing important information to investors and customers. The number of companies issuing reports is growing, and many of Parnassus's holdings have asked us for guidance about best practices for these reports.

Company Progress

Parnassus's engagement efforts contributed to these results:

Parnassus reached out to a number of companies that then responded with requests for advice about their reports. Among these companies were

Nuance Communications, Veeva Systems, Maxim Integrated Products, Trade Desk, Western Digital and **KLA**.

Hologic published its first sustainability report in January, following numerous discussions with Parnassus.

Public Storage published its first sustainability report in July. At our suggestion, the report covered material risks, such as transition risks related to climate change. Public Storage also released a CDP report in 2020.

Parnassus suggested improvements to the following companies' existing reports:

We worked with **Xylem's** senior manager of global sustainability to include best practices for their business.

We spoke with **Kansas City Southern** about how to best report on diversity and climate issues.

We consulted with **Burlington** about upgrades to their report.



Parnassus Core Equity Fund (PRBLX | PRILX)

Morningstar Rating™ and Designation*



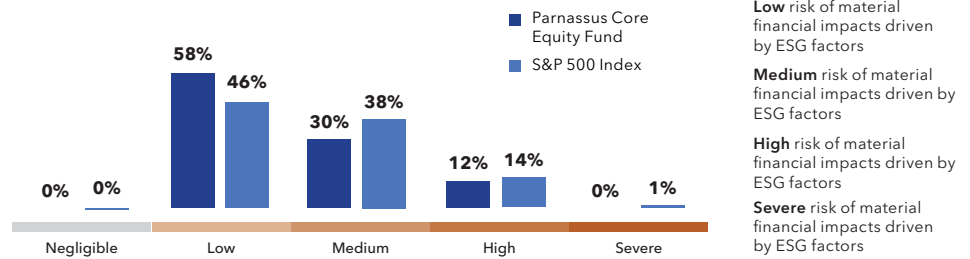
Sustainalytics ESG Risk Rating*

The portfolio's ESG risk is **9%** lower than the benchmark.

Overall ESG Risk Rating

Sustainalytics' Overall Risk Rating measures the risk of material financial impacts driven by ESG factors for companies in the portfolio compared to the benchmark.

*ESG Risk in the Core Equity Fund vs Benchmark
(by aggregate portfolio weight)*

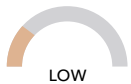


Sustainalytics ESG Risk Rating*

Parnassus Assessment of Material ESG Risks for Top Three Holdings**

What We Like

What We're Paying Attention To



Microsoft (MSFT)

Microsoft develops and markets enterprise software, hardware, cloud and personal computing products.

Microsoft has strong workplace, community and supply chain practices. The company announced that it will offset all of its carbon emissions since its inception by 2050.

- Contractor workforce policies
- Diversity and gender pay equity
- Compliance with data-privacy regulations



Amazon.com (AMZN)

Amazon is one of the largest tech firms in the world, with a focus on ecommerce and cloud services.

The company offers a wide range of products, including products for customers with limited access to brick and mortar stores. Amazon pledged to achieve net zero carbon by 2040 and 100% renewable energy by 2030.

- Legal and reputational risks related to workplace safety and labor-management practices
- Cybersecurity disclosure
- Data-privacy practices that lag industry peers



Comcast Corporation (CMCSA)

Comcast Corporation is a telecommunications and media company. It offers television, internet access and phone services.

Comcast has good data-security, workplace and environmental practices. The company has committed to reducing its fleet emissions to zero and to powering all its NBCUniversal buildings with renewable energy.

- Regulatory and reputational risks related to net neutrality and anti-trust matters
- Human capital risks
- Environmental disclosures

For current assessments of portfolio companies, please visit [parnassus.com](https://www.parnassus.com).

Sustainability Rating is as of 10/31/20 based on 100% of AUM for US Equity Large Cap Blend funds. Low carbon metrics are as of 09/30/20 based on 99% of AUM for Large Blend funds. *Sustainalytics ESG Risk Rating as of 11/30/20. **Parnassus assessment of material ESG risks for the top three fund holdings as of 11/30/20.

Parnassus Mid Cap Fund (PARMX | PFPMX)

Morningstar Rating™ and Designation*



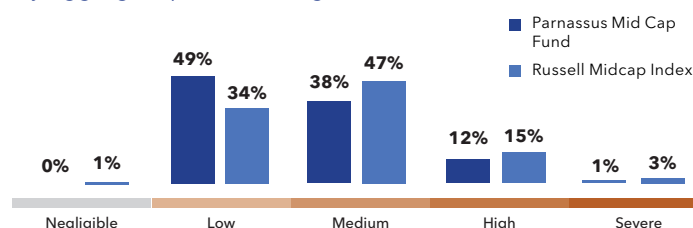
Sustainalytics ESG Risk Rating*

The portfolio's ESG risk is **9%** lower than the benchmark.

Overall ESG Risk Rating

Sustainalytics' Overall Risk Rating measures the risk of material financial impacts driven by ESG factors for companies in the portfolio compared to the benchmark.

*ESG Risk in the Mid Cap Fund vs Benchmark
(by aggregate portfolio weight)*



Negligible risk of material financial impacts driven by ESG factors

Low risk of material financial impacts driven by ESG factors

Medium risk of material financial impacts driven by ESG factors

High risk of material financial impacts driven by ESG factors

Severe risk of material financial impacts driven by ESG factors

Sustainalytics ESG Risk Rating*

Parnassus Assessment of Material ESG Risks for Top Three Holdings**

What We Like

What We're Paying Attention To



Nuance Communications (NUAN)

Nuance Communications is a leading provider of conversational and cognitive artificial intelligence, with a focus on improving patient records in the healthcare industry.

Nuance has strong data-governance and corporate-governance practices. Its workplace initiatives emphasize employee engagement and diversity. Management is increasing transparency and communication.

- Disclosure about mitigation of the risks of known biases in AI conversation tools
- Workforce diversity
- Environmental reporting and disclosure



Republic Services (RSG)

Republic Services is one of the largest providers of non-hazardous solid waste collection and recycling services in the United States.

The company has a positive workplace with good safety practices and training opportunities. Republic Services has established science-based targets on climate risks.

- Environmental contamination concerns
- Driver and community safety
- Workforce management



Xylem (XYL)

Xylem provides equipment, technology and services to transport, treat, test and efficiently use water in public utilities, residential and commercial buildings, and industrial and agricultural settings.

Xylem promotes a strong culture of transparency and ethics and maintains rigorous safety goals. The company meets or exceeds its water, waste and greenhouse gas emission goals.

- Implementation and disclosure of diversity initiatives

For current assessments of portfolio companies, please visit [parnassus.com](https://www.parnassus.com).

*The Sustainability Rating as of 10/31/20 is based on 100% of AUM for US Equity Mid Cap funds. Low carbon metrics as of 09/30/20 are based on 96% of AUM for Mid Cap Blend funds. Source: Sustainalytics as of 11/30/20. **Parnassus assessment of material ESG risks for the top three fund holdings as of 11/30/20.

Parnassus Endeavor Fund (PARWX | PFPWX)

Morningstar Rating™ and Designation*



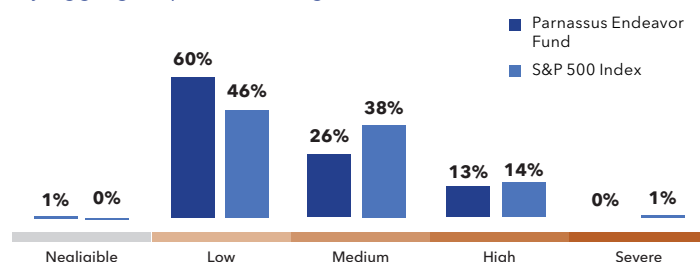
Sustainalytics ESG Risk Rating*

The portfolio's ESG risk is **10%** lower than the benchmark.

Overall ESG Risk Rating

Sustainalytics' Overall Risk Rating measures the risk of material financial impacts driven by ESG factors for companies in the portfolio compared to the benchmark.

*ESG Risk in the Endeavor Fund vs Benchmark
(by aggregate portfolio weight)*



Negligible risk of material financial impacts driven by ESG factors

Low risk of material financial impacts driven by ESG factors

Medium risk of material financial impacts driven by ESG factors

High risk of material financial impacts driven by ESG factors

Severe risk of material financial impacts driven by ESG factors

Sustainalytics ESG Risk Rating*

Parnassus Assessment of Material ESG Risks for Top Three Holdings**

What We Like

What We're Paying Attention To



HIGH

Micron Technology (MU)

Micron is a semiconductor company that offers the industry's broadest portfolio of memory and storage devices.

The company is improving its environmental and supply chain initiatives, while maintaining industry-leading safety performance.

- Regulatory concerns in China
- The implementation of companywide water stewardship goals



MEDIUM

Applied Materials (AMAT)

The company offers materials engineering solutions that are used in chips and display applications globally.

Applied Materials maintains a competitive workplace, including tuition assistance, ongoing training and other benefits.

- Diversity initiatives, particularly disclosure practices
- Efforts to improve its environmental profile



LOW

Charles Schwab (SCHW)

Charles Schwab is one of the largest investment companies in the world, offering funds, brokerage, banking and asset management services.

The company has strong workplace and community initiatives that include financial education programs, community investing and charitable contributions.

- Sustainability reporting
- Response to shareholder proposals regarding proxy access, diversity and lobbying disclosure
- Board refreshment and succession planning

For current assessments of portfolio companies, please visit [parnassus.com](https://www.parnassus.com).

*Sustainability Rating is as of 10/31/20 based on 100% of AUM for US Equity Large Cap Growth funds. Low carbon metrics are as of 09/30/20 based on 98% of AUM for Large Blend funds. Source: Sustainalytics as of 11/30/20. **Parnassus assessment of material ESG risks for the top three fund holdings as of 11/30/20.

Parnassus Mid Cap Growth Fund (PARNX | PFPRX)

Morningstar Rating™ and Designation*



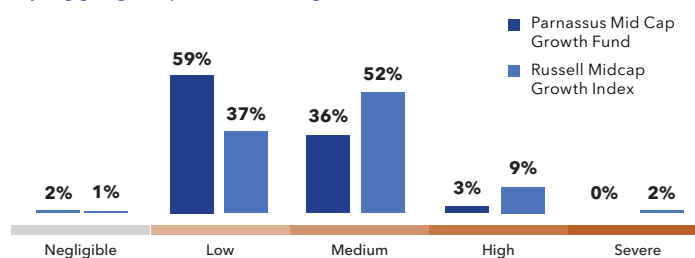
Sustainalytics ESG Risk Rating*

The portfolio's ESG risk is **14%** lower than the benchmark.

Overall ESG Risk Rating

Sustainalytics' Overall Risk Rating measures the risk of material financial impacts driven by ESG factors for companies in the portfolio compared to the benchmark.

*ESG Risk in the Mid Cap Growth Fund vs Benchmark
(by aggregate portfolio weight)*



Negligible risk of material financial impacts driven by ESG factors

Low risk of material financial impacts driven by ESG factors

Medium risk of material financial impacts driven by ESG factors

High risk of material financial impacts driven by ESG factors

Severe risk of material financial impacts driven by ESG factors

Sustainalytics ESG Risk Rating*

Parnassus Assessment of Material ESG Risks for Top Three Holdings**

What We Like

What We're Paying Attention To

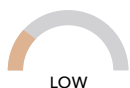


Square (SQ)

Square facilitates financial transactions. Its signature product can be used by merchants in person or online, and its Cash App allows individuals to send and receive money.

Square has established robust data-security practices. The company has notable diversity and inclusion efforts, as well as competitive pay and benefits.

- Lack of disclosure on data privacy
- Customer diversity disclosure and discrimination risks
- Governance practices



Autodesk (ADSK)

Autodesk is a leading provider of computer-aided design software.

The company has been recognized as an outstanding workplace, with strong data-security and environmental policies. Autodesk has science-based environmental goals and achieved 100% renewable energy in 2016.

- Underinvesting in its software while raising prices and changing subscription terms



Agilent Technologies (A)

Agilent Technologies is a leader in electronic measurement technologies, as well as life sciences and chemical analysis.

The company has a good workplace and employs rigorous quality management and environmental standards. Agilent's comprehensive environmental initiatives include carbon, water and waste reduction goals.

- Diversity and inclusion in the workplace and management
- Board member election policies

For current assessments of portfolio companies, please visit [parnassus.com](https://www.parnassus.com).

*Sustainability Rating is as of 1/31/21 based on 94% of AUM | Global Category: US Equity Mid Cap. Low carbon metrics as of 09/30/20 based on 90% of AUM for Mid Cap Growth funds. Source: Sustainalytics as of 11/30/20. **Parnassus assessment of material ESG risks for top three fund holdings as of 11/30/20.

Parnassus Fixed Income Fund (PRFIX | PFPLX)

The Fund has integrated ESG factors into its investment process since inception. Holdings are compliant with the firm's exclusionary screens, and corporate issuers undergo deep fundamental and ESG research. As part of our stewardship efforts in 2020, 50% of the corporate issuers in the portfolio were engaged by Parnassus on material ESG risks.

Green Bonds – Total Allocation Approximately 8% as of 11/30/20

Corporate Green Bonds

These bonds are issued by companies to advance environmentally sustainable projects related to energy efficiency, renewable energy sources and waste management.

Sustainability Bonds

These bonds may fund a combination of environmental and social goals. Proceeds may be used for projects like educational opportunities for employees or funding affordable housing.

Supranational Green Bonds

These bonds are usually issued by the World Bank or another supranational bank to fund work on climate change projects in the most economically vulnerable parts of the world.

Sustainalytics ESG Risk Rating*

Parnassus Assessment of Material ESG Risks for Top Three Corporate Issuers in the Portfolio**

What We Like

What We're Paying Attention To



Kansas City Southern
Kansas City Southern is a Class I railroad. The company connects commercial and industrial markets in the Central and Southern U.S. with industrial cities in Mexico.

Kansas City Southern has strong workplace, data-security and corporate governance practices. The board is diverse and has mixed tenures.

- Higher accident/incident rate than industry peers
- Long-term risks posed by climate change, including potential physical risks and fossil fuel reliance



Agilent Technologies
Agilent is a leader in electronic measurement technologies, as well as life sciences and chemical analysis.

The company has a good workplace and employs rigorous quality management and environmental standards. Agilent's comprehensive environmental initiatives include carbon, water and waste reduction goals.

- Diversity and inclusion in the workplace and management
- Board member election policies



Comcast Corporation
Comcast Corporation is a telecommunications and media company. It offers television, internet access and phone services.

Comcast has good data-security, workplace and environmental practices. The company has committed to reducing its fleet emissions to zero and to powering all its NBCUniversal buildings with renewable energy.

- Regulatory and reputational risks related to net neutrality and anti-trust matters
- Human capital risks
- Environmental disclosures

For current assessments of corporate issuers, please visit [parnassus.com](https://www.parnassus.com).

*Sustainalytics ESG Risk Rating is as of 11/30/20. **Parnassus assessment of material ESG risks for the top three issuers as of 11/30/20.

Proxy Voting

Why we vote

Proxy voting has the power to influence corporate behavior, by, for example, mandating progress on environmental goals or remediating controversies facing the company. Knowing which resolutions other shareholders are raising at annual company meetings may also help investors pinpoint emerging issues before they become major problems.

How we vote

Parnassus's proxy votes are guided by the firm's ESG values, materiality and research, as illustrated on the following pages. Further details on our proxy voting policies are contained in the Parnassus Funds Statement of Additional Information. You can view our full voting record on [parnassus.com](https://www.parnassus.com).

2020 Proxy Voting Industry Trends

Record Level of Majority Support for Environmental and Social Proposals

Although political spending continues to be the topic most frequently addressed by shareholder proposals, more environmental and social proposals garnered majority shareholder support in 2020 than at any time in the past¹. Twenty proposals reached that goal—67% more than the prior year. Environmental and social proposals continue to comprise the majority of all shareholder proposals filed at U.S. companies.

The Marquee Issues of 2020: COVID-19 and Racial Equity

Three workplace and two diversity proposals achieved majority support in 2020, a year dominated by worker health and safety concerns and calls for racial equity.

Parnassus's Proxy Policy on Board Diversity

Parnassus advocates for diverse boards, because people with a variety of experiences and views can provide better risk management and decision-making than homogenous groups. Currently, it is Parnassus's policy to vote against nominating committee slates for company boards that include fewer than three female directors. Our policy initially specified at least one woman, but that number has increased as companies have made progress on this issue. We have also established a new policy that mandates at least one person of color on the board, and we look forward to being able to raise this target over time.



Independent Parnassus Funds

Board Chairperson Alecia DeCoudreaux

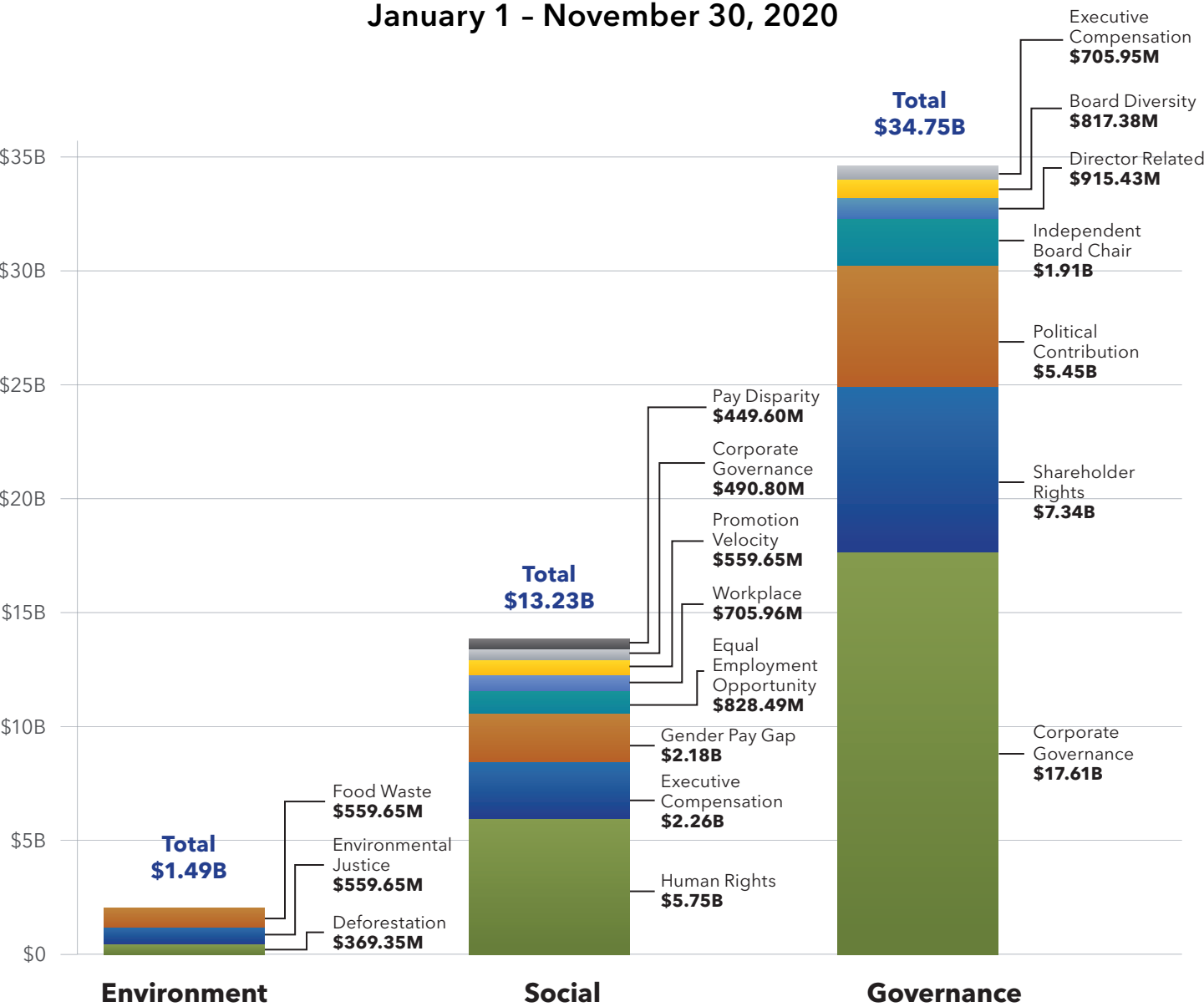
Alecia A. DeCoudreaux was appointed chairperson of the Parnassus Funds Board of Trustees on January 1, 2021, after serving as an independent trustee for the Funds since 2013. She is also a director of CVS Health. Prior to serving as President of Mills College, Ms. DeCoudreaux held a number of executive leadership positions at Eli Lilly and Company.

A key benefit of the mutual fund industry is that funds are overseen by independent directors who ensure that fund shareholders' interests are well served. Ms. DeCoudreaux is passionate about the value of good governance stating, "as a senior-level leader in business and academia, I've pursued thoughtful, effective governance throughout my career. I am very happy to have the opportunity to work on behalf of Parnassus's investors as board chair."

¹Source: Institutional Shareholder Services (ISS).

How Parnassus Voted Its Proxies to Support ESG Issues

January 1 - November 30, 2020



Parnassus voted **\$49.47B** worth of stock to support shareholder proposals regarding ESG issues.

Of the shareholder resolutions focused on ESG topics, Parnassus **disagreed with management’s recommendation 84%** of the time.

Parnassus voted against management’s recommendation for ratifying executive compensation **8.5%** of the time.

Notes: Proxy Voting dates: 1/1/20 – 11/30/20. Management Proposals on routine matters and to ratify Executive Compensation have been removed. “Executive Compensation” relates to Shareholder Proposals regarding Executive Compensation issues.

How We Voted in 2020

Below, we offer insight into some of the specific objectives we are pursuing with our votes.

Procter & Gamble: Addressing Deforestation and Environmental Risk

We voted shares valued at more than \$369 million in favor of a resolution asking the company to issue a report on its efforts to eliminate deforestation. The resolution was supported by 68% of shareholders.

Why it matters

Procter & Gamble harvests palm oil and forest pulp. Rainforests are cleared to make way for palm trees, significantly increasing global greenhouse gas emissions, biodiversity loss, soil erosion, disrupted rainfall patterns, land conflicts and forced labor. According to the resolution, in 2019, two of Procter & Gamble's top-tier suppliers were implicated in illegal deforestation, creating a reputational risk for the company.

O'Reilly Automotive: Disclosing Human Capital Risks

We voted shares worth nearly \$15 million in favor of a resolution asking the company to create a report to shareholders on human capital risk using the Sustainability Accounting Standards Board's materiality criteria. The resolution was supported by 65% of shareholders.

Why it matters

Low wages in the retail sector are an indicator of labor-controversy risk. Underrepresentation of minorities and women in management positions can also result in less robust decision-making, litigation and reputational risks. This is a material issue for O'Reilly, as its current leadership does not reflect the makeup of the company's customers.

Thomson Reuters: Disclosing Human Rights Risk

We voted nearly \$25 million worth of shares in favor of a resolution asking the company to produce a report on human rights risk, including how it evaluates its role in human rights abuses by its customers. The resolution was supported by almost 8% of shareholders.

Why it matters

CLEAR® software facilitates background checks on individuals, including court and DMV histories, healthcare provider information, business data, live cell phone records and other information. It has the potential to be used in a manner that violates human rights, yet Thomson Reuters has not formally committed to providing remedies to the adverse impacts created by its customers' uses of CLEAR.

Amazon: Reviewing the Efficacy of Measures to Block Products that Fuel Hate Speech

We voted shares worth \$560 million in favor of a resolution asking the company to issue a report on the effectiveness of its existing policies to block products advocating hate speech. Hate speech targets people based on their race, ethnicity, sexuality or religion. The resolution was supported by 35% of shareholders.

Why it matters

While Amazon has policies in place to block products promoting hate speech and offensive content on its e-commerce platform, they do not appear to be rigorously and consistently applied. Lapses in the enforcement of these policies may expose the company to brand risk and loss of customer trust as it looks to expand further into diverse markets.

Expeditors International: Improving Diversity at the Top

We voted shares valued at nearly \$212 million in favor of a resolution asking the company to adopt policies to improve diversity in top management. The resolution, supported by almost 53% of shareholders, urged the company to consider qualified women and racially and ethnically diverse candidates for CEO and director positions.

Why it matters

Diverse leadership groups are more likely to make thoughtful and innovative decisions, because they include people with broader mixes of leadership skills, viewpoints and life experiences than non-diverse teams.



Our Proxy Voting Guidelines

Environment

For increased disclosure, elimination of toxins in products and reducing negative operational impacts

Philanthropy

For increased disclosure and more philanthropy

Diversity

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

Corporate Governance

For integrating ESG measures into executive compensation decisions

Election of Directors

For increasing diverse perspectives at the board level, including those of qualified women and minorities

Employees and Supply Chain

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

Business Practices

For promotion of ethical business practices

Community Relations

For good corporate citizenship and community sensitivity



The Parnassus ESG Research Team

While all members of our investment team share responsibility for implementing the firm's responsible investment policies, our ESG research team is dedicated to environmental, social and governance activities. The ESG team closely collaborates with the portfolio managers and participates in the full investment team's research meetings. ESG analysts also scrutinize the ESG profiles of all companies under consideration for investment, spearhead our company engagements and lead our proxy voting activities.

Iyassu T. Essayas, *Director of ESG Research*



Iyassu Essayas is the director of ESG research and chair of the firm's proxy committee. He oversees the development and implementation of Parnassus's responsible investment policy and integration of ESG research into the firm's investment process. Mr. Essayas currently serves on the board of The US Forum for Sustainable and Responsible Investment (US SIF).

Rachel X. Nishimoto, *Senior ESG Research Analyst*



Rachel Nishimoto is a senior ESG research analyst. She is the secretary of the Parnassus proxy voting committee and leads company engagements. Ms. Nishimoto is also responsible for evaluating community development financial institutions for purchase by the Parnassus Funds. CDFIs provide pathways for people from disadvantaged groups to improve their economic outcomes.

Marissa M. LaFave, *Senior ESG Research Analyst*



Marissa M. LaFave is a senior ESG research analyst. She is a member of the firm's proxy voting committee and leads company engagements. Prior to joining Parnassus Investments, Ms. LaFave worked as a shareholder advocate and served on two working group advisory committees for the UN Principles for Responsible Investment (UNPRI).

Important Information:

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 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.

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

The **Russell Midcap Index** is a market-capitalization-weighted index comprising 800 publicly traded U.S. companies with market caps of between \$2 billion and \$10 billion. It is a widely recognized index of common stock prices. An individual cannot invest directly in an index. The **S&P 500 Index** is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. It is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Parnassus Investments. Copyright © 2021 by S&P Dow Jones Indices LLC, a subsidiary of McGraw-Hill Financial, Inc., and/or its affiliates. All rights reserved. Redistribution, reproduction and/or photocopying in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices, please visit www.spdji.com. S&P® is a registered trademark of Standard & Poor's Financial Services LLC and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions or interruptions of any index or the data included therein.

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 3% support in its first year, 6% after the second attempt and 10% after the third year to be eligible for resubmission. The following is an outline of companies mentioned in the report. Each percentage listed represents the percentage of total net assets (TNA) as of 11/30/20. **Adobe Systems Inc.** represented 2.0% of the Parnassus Core Equity Fund and 1.0% of the Parnassus Fixed Income Fund. **Agilent Technologies** represented 2.4% of the Parnassus Mid Cap Fund, 3.6% of the Parnassus Mid Cap Growth fund, 3.7% of the Parnassus Endeavor Fund and 1.7% of the Parnassus Fixed Income Fund. **Alphabet Inc.** represented 3.0% of the Parnassus Core Equity Fund, 2.2% of the Parnassus Endeavor Fund and 0.8% of the Parnassus Fixed Income Fund. **Amazon.com Inc.** represented 5.2% of the Parnassus Core Equity Fund and 0.9% of the Parnassus Fixed Income Fund. **Apple Inc.** represented 1.3% of the Parnassus Core Equity Fund, 3.4% of the Parnassus Endeavor Fund and 1.6% of the Parnassus Fixed Income Fund. **Applied Materials** represented 3.8% of the Parnassus Core Equity Fund, 10.1% of the Endeavor Fund and 1.0% of the Parnassus Fixed Income Fund. **Autodesk** represented 2.2% of the Parnassus Mid Cap Fund and 3.8% of the Parnassus Mid Cap Growth Fund and 1.3% of the Parnassus Fixed Income Fund. **Burlington Stores Inc.** represented 2.5% of the Parnassus Mid Cap Fund and 2.7% of the Mid Cap Growth Fund. **Charles Schwab Corporation** represented 2.5% of the Parnassus Core Equity Fund, 6.2% of the Endeavor Fund and 1.2% of the Parnassus Fixed Income Fund. **Comcast Corporation** represented 4.3% of the Parnassus Core Equity Fund and 1.6% of the Parnassus Fixed Income Fund. **Expeditors International** represented 2.5% of the Parnassus Endeavor Fund. **FedEx Corp.** represented 3.6% of the Parnassus Core Equity Fund, 3.1% of the Parnassus Mid Cap Fund, 5.9% of the Endeavor Fund and 1.0% of the Parnassus Fixed Income Fund. **Fortive Corp.** was not represented in any of the Parnassus Funds as of 11/30/20. **Gilead Sciences Inc.** represented 0.9% of the Parnassus Core Equity Fund. **Guidewire Software Inc.** represented 1.6% of the Parnassus Mid Cap Fund. **Hologic Inc.** represented 3.0% of the Parnassus Mid Cap Fund. **IBM Corp.** was not represented in any of the Parnassus Funds as of 11/30/20. **Kansas City Southern** represented 1.3% of the Parnassus Core Equity Fund, 1.6% of the Parnassus Mid Cap Fund and 1.8% of the Parnassus Fixed Income Fund. **KLA Corporation** represented 2.9% of the Parnassus Mid Cap Fund and 2.9% of the Mid Cap Growth Fund. **Linde PLC** represented 3.2% of the Parnassus Core Equity Fund and 1.1% of the Parnassus Fixed Income Fund. **Lululemon Athletica Inc.** represented 1.4% of the Parnassus Mid Cap Growth Fund. **Mastercard Inc.** represented 3.2% of the Parnassus Core Equity Fund and 3.2% of the Parnassus Endeavor Fund and 1.5% of the Parnassus Fixed Income Fund. **Maxim Integrated Products** represented 2.4% of the Parnassus Mid Cap Fund. **McCormick & Co.** represented 2.5% of the Parnassus Mid Cap Fund and 1.4% of the Parnassus Fixed income Fund. **Micron Technology Inc.** represented 1.8% of the Parnassus Core Equity Fund and 12.3% of the Parnassus Endeavor Fund and 0.6% of the Parnassus Fixed Income Fund. **Microsoft Corp.** represented 5.6% of the Parnassus Core Equity Fund and 1.0% of the Parnassus Fixed Income Fund. **Nuance Communications** represented 4.1% of the Parnassus Mid Cap Fund and 2.7% of the Mid Cap Growth Fund. **O'Reilly Automotive Inc.** represented 2.1% of the Parnassus Mid Cap Fund, 2.8% of the Parnassus Mid Cap Growth Fund and 0.8% of the Parnassus Fixed Income Fund. **The Procter & Gamble Company** represented 1.7% of the Parnassus Core Equity Fund. **Public Storage** represented 1.5% of the Parnassus Mid Cap Fund and 1.1% of the Parnassus Fixed Income Fund. **Republic Services** represented 4.1% of the Parnassus Mid Cap Fund. **Square** represented 4.9% of the Parnassus Mid Cap Growth Fund. **The North Face, The Walt Disney Company** and **Thomson Reuters** were not represented in any Parnassus Fund as of 11/30/20. **The Trade Desk** represented 3.0% of the Parnassus Mid Cap Growth Fund. **Veeva Systems Inc.** represented 1.2% of the Parnassus Mid Cap Growth Fund. **Verizon** represented 3.9% of the Parnassus Core Equity Fund and 1.3% of the Parnassus Fixed Income Fund. **VF Corporation** represented 2.5% of the Parnassus Core Equity Fund, 2.0% of the Parnassus Mid Cap Fund and 1.3% of the Parnassus Endeavor Fund. **Western Digital Corporation** represented 2.0% of the Parnassus Mid Cap Fund, 2.2% of the Parnassus Mid Cap Growth Fund and 3.0% of the Parnassus Endeavor Fund. **Xylem Inc.** represented 1.5% of the Parnassus Core Equity Fund, 3.4% of the Parnassus Mid Cap Fund, 2.9% of the Mid Cap Growth Fund and 1.1% of the Parnassus Fixed Income Fund.

For the current holdings, please visit each fund's individual holdings web page: the Parnassus Core Equity Fund, the Parnassus Mid Cap Fund, the Parnassus Mid Cap Growth Fund, the Parnassus Endeavor Fund and the Parnassus Fixed Income Fund.

<https://www.parnassus.com/parnassus-mutual-funds/core-equity/investor-shares>
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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 **Morningstar® Sustainability Rating** is a measure of how well the portfolio holdings are managing their ESG Risk relative to the portfolio's Global Category peer group. The Morningstar Historical Sustainability Score is a weighted average of the trailing 12 months of Morningstar Portfolio Sustainability Scores. More recent portfolios are weighted more heavily than older portfolios. Based on their Morningstar Historical Sustainability Score, funds are assigned absolute category and percent ranks within their Morningstar Global Categories. Higher ratings are better and indicate that a fund has, on average, more of its assets invested in companies that have lower ESG risk as characterized by Sustainalytics. The Morningstar Sustainability Rating is depicted by globe icons where High equals 5 globes and Low equals 1 globe. Morningstar updates its Sustainability Ratings monthly and uses Sustainalytics' ESG scores from the same month as the portfolio as-of date. Visit <http://corporate1.morningstar.com/SustainableInvesting/> for more detailed information about the methodology and calculation frequency.

The **Morningstar Low Carbon Designation™** is given to portfolios that have low carbon-risk scores and low levels of exposure to fossil fuels. It is intended to allow investors to easily identify low-carbon funds across the global universe. The designation is an indicator that the companies held in a portfolio are in general alignment with the transition to a low-carbon economy. To receive the designation, a portfolio must meet two criteria: 1) a 12-month trailing average Morningstar Portfolio Carbon Risk Score below 10; such portfolios are considered to have low carbon risk, and 2) a 12-month trailing average exposure to fossil fuels less than 7% of assets, which is approximately a 33% underweighting to the global equity universe; a portfolio's fossil-fuel exposure is a key driver of its overall carbon intensity.

All Morningstar Portfolio Carbon Metrics, including the Morningstar Portfolio Carbon Risk Score, Morningstar Portfolio Fossil Fuel Involvement, and the Morningstar Low Carbon Designation, are calculated quarterly. To learn more about the methodology, please visit: <https://www.morningstar.com/content/dam/marketing/shared/research/methodology/859224-LowCarbonDesignation.pdf>.

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