

# Annual Stewardship Report

Principles *and* Performance® in Action

2023



PARNASSUS  
INVESTMENTS®



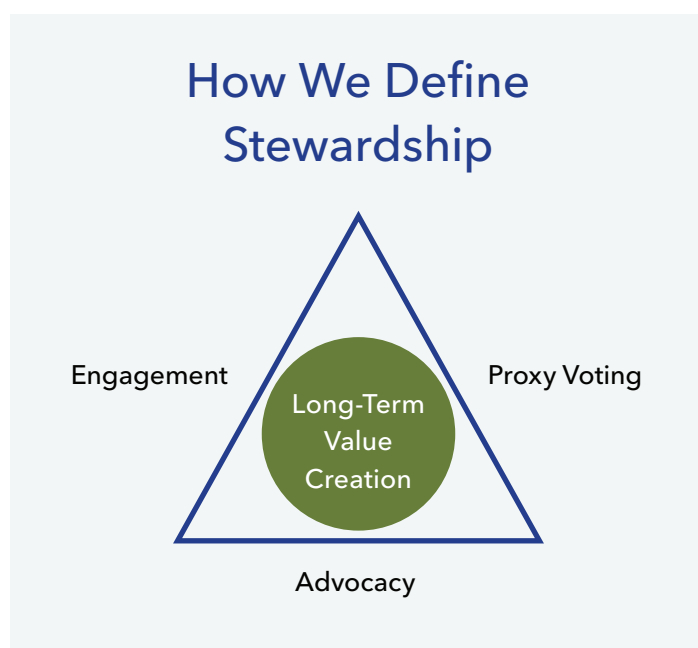
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# Our Forward-Looking Approach: Good Companies Make Good Investments

Parnassus Investments was founded in 1984 with the belief that good companies make good investments. That is, companies that consider their environmental impact, treat their employees well, have good relations with local communities, customers and the supply chain, and have strong corporate governance policies and ethical business dealings are poised to be successful and increase in value over the long term.

For 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 portfolio companies. We press companies to widen the aperture of stakeholders they consider when making business or operational decisions. When environmental, social and governance (ESG) factors are integrated, companies can better understand and manage risks, build more resilient businesses and better identify long-term opportunities for leadership and innovation. We also seek high-quality company disclosures on material ESG issues so our investment team can make better informed decisions about what does (and doesn't) belong in our portfolios.



# Pursuing Stronger, More Resilient Businesses

## Principles *and* Performance®

We are pleased to share our annual Stewardship Report, highlighting the accomplishments and progress of our investment stewardship activities this past year. Evaluating a potential investment's opportunities and risks through environmental, social and governance factors has been an integral part of the Parnassus investment process for nearly 40 years.

Our analysts draw upon a number of tools and methods to evaluate companies on material ESG topics. Once a company is strong enough to meet our stringent quality standards, we evaluate the effectiveness of our portfolios at accomplishing positive sustainability outcomes with the data we report on our funds. These data allow our portfolio managers to more easily see and better manage how the portfolios are performing on key ESG metrics relative to their benchmarks. Our portfolios consistently generate strong performance across material ESG metrics, including delivering lower emissions, more attractive workplaces and diverse board leadership.

Parnassus investment analysts collaborate closely with our stewardship analysts in evaluating the risks and opportunities for each investment and considering the dynamics of each sector in their analysis. These discussions often lead to areas of focus for our engagements.

Our most meaningful impacts came through our thematic impact engagement program, working with over 60 companies representing 55% of our assets.

Through our engagements, we seek constructive dialogues that lead to demonstrable improvements, recognizing that companies may require flexibility and creativity to implement what is requested of them. We are known for the business-driven approach we take, considering the business case for how ESG factors could impact a company's bottom line, valuation and stakeholders. ESG factors are one of the four main criteria—in addition to competitive advantages, relevancy and strong management teams—we assess to select high-quality companies in support of our mission of building wealth responsibly for long-term investors.

Our 2022–2023 engagement program has driven impacts in four key areas: climate change, sustainable workplaces, environmental justice and materiality assessments. In addition, we engage companies on an as-needed basis when we believe there are areas of opportunity for improvement. This year, our stewardship team connected with nearly every company held in our six investment portfolios—in person, virtually or via email.

Our most meaningful impacts came through our thematic impact engagement program, working with over 60 portfolio companies representing 55% of our assets under management as of 6/30/2023. The case studies in this report highlight some of our proudest accomplishments for the year. Many of our engagements are about making progress, and often it can take several months—or even years—to address the opportunities. We approach every engagement with the goal of collaborating with the company and a focus on long-term value creation.

On an annual basis, we review and update our proxy voting policies, re-evaluating the themes and strategies we think will best support our mission. Our most recent policy, updated in January 2023, is



available on our [website](#). We shared this updated policy with almost every company across our equity funds and held subsequent discussions with some about our expectations. You can also view our proxy voting record on our [website](#).

From an advocacy perspective, we collaborate with other organizations and institutions to share ideas and learn from diverse groups of investors and experts. This year, we were pleased to bring together 23 investor organizations to form a working group on environmental justice. The working group's objectives include supporting investor and company education on the material impacts created by these issues, and building out a long-term engagement strategy to address them. Additionally, our investment team members serve on advisory boards and participate in industry events.

The interest and support we receive from our clients about the importance of this ESG and stewardship work fuel our optimism, as we continue to face economic and geopolitical uncertainty and extreme weather events across the U.S. and around the world. The summer of 2023 has seen heat records broken in all corners of the U.S. and tragic floods and fires in other parts of the world. These extreme weather events take a toll on communities and businesses. From an investment standpoint, resilient businesses are in the best position to endure these types of challenges. We pursue this work focused on the future, so that our portfolio companies will not only be able to deliver strong investment results, but also so that they can thrive and flourish for the benefit of their employees, their customers, their communities and the world we inhabit.

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



**Robert Klaber**

Director of ESG Research,  
Portfolio Manager

**Marian Macindoe**

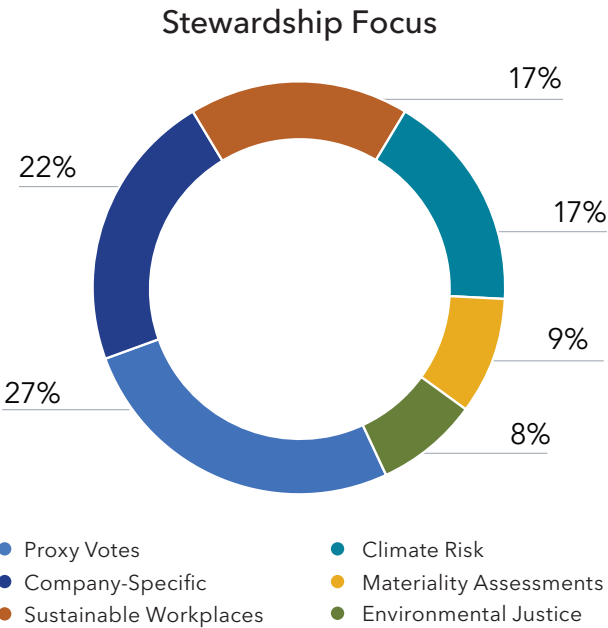
Head of ESG Stewardship

# 2022-2023: The Year in Review

Helping Companies Thrive for the Long Term

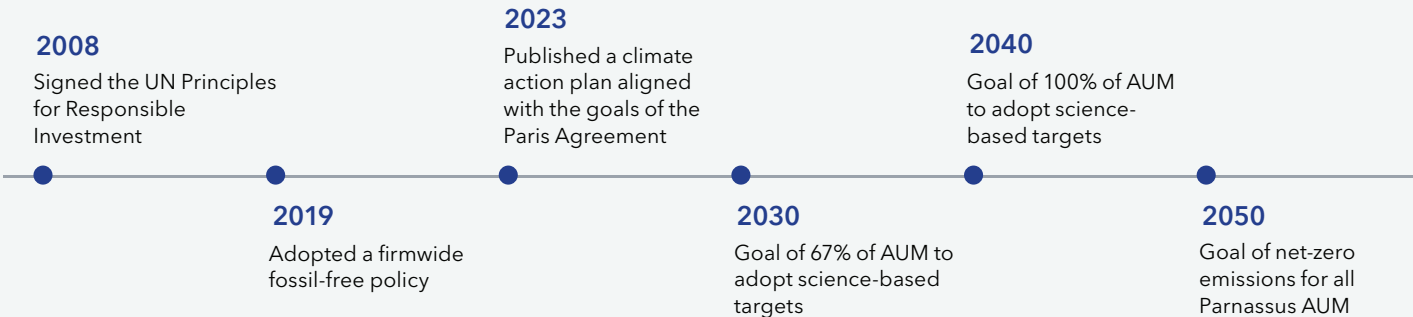
64  
companies engaged

- 17 Proxy Votes
- 14 Company-Specific
- 11 Sustainable Workplaces
- 11 Climate Risk
- 6 Materiality Assessments
- 5 Environmental Justice



## Climate Action

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.



Source: Parnassus Investments, for the period 7/1/2022 - 6/30/2023.

Theme	Objectives	Long-Term Value Creation Opportunity	Companies We Engaged
 <h3>Climate Risk</h3> <p>We worked with 11 companies around two main objectives.</p>	<ol style="list-style-type: none"> <li>1. Setting science-based emission reduction targets</li> <li>2. Providing climate disclosures through CDP, the global environmental disclosure system</li> </ol>	<ul style="list-style-type: none"> <li>• Improving the durability of the business</li> <li>• Preparing for business and financial impacts resulting from climate change</li> <li>• Reducing the potential for negative impacts on the environment and the business</li> </ul>	<ul style="list-style-type: none"> <li>• CoStar Group, Inc. (CSGP)</li> <li>• FedEx Corp. (FDX)</li> <li>• IDACORP, Inc. (IDA)</li> <li>• Idexx Laboratories, Inc. (IDXX)</li> <li>• Match Group, Inc. (MTCH)</li> <li>• Micron Technology, Inc. (MU)</li> <li>• Old Dominion Freight Line, Inc. (ODFL)</li> <li>• O'Reilly Automotive, Inc. (ORLY)</li> <li>• Progressive Corp. (PGR)</li> <li>• Pool Corp. (POOL)</li> <li>• The Trade Desk, Inc. (TTD)</li> </ul>
 <h3>Sustainable Workplaces</h3> <p>We worked with 11 companies around three distinct objectives.</p>	<ol style="list-style-type: none"> <li>1. Conducting a worker rights assessment</li> <li>2. Publishing key workplace disclosures</li> <li>3. Offering paid sick leave</li> </ol>	<ul style="list-style-type: none"> <li>• Improve ability to hire and retain productive employees</li> <li>• Reduce operational disruptions and costs from high turnover, labor shortages, etc.</li> <li>• Mitigate related reputational and legal risks</li> <li>• Reduce operational disruptions from impaired workers interacting with other employees in a sensitive environment</li> </ul>	<ul style="list-style-type: none"> <li>• Americold Realty Trust, Inc. (COLD)</li> <li>• Apple, Inc. (AAPL)</li> <li>• APTIV, Plc (APTV)</li> <li>• Comcast Corp. (CMCSA)</li> <li>• Canadian Pacific Kansas City, Ltd. (CP)</li> <li>• Otis Worldwide Corp. (OTIS)</li> <li>• Starbucks Corp. (SBUX)</li> <li>• T-Mobile US, Inc. (TMUS)</li> <li>• Thomson Reuters Corp. (TRI)</li> <li>• Union Pacific Corp. (UNP)</li> <li>• Verizon Communications, Inc. (VZ)</li> </ul>
 <h3>Environmental Justice</h3> <p>We engaged with 5 companies primarily around the following objectives.</p>	<ol style="list-style-type: none"> <li>1. Investigating how pollution from company operations or products/services may inflict disproportionate harm on marginalized communities</li> <li>2. Setting goals and action plans for rectifying existing and past pollution impacts</li> </ol>	<ul style="list-style-type: none"> <li>• Reduce reputational, legal, brand and regulatory risks</li> <li>• Improve ability to hire and retain local employees</li> <li>• Improve community and local government relationships, which helps the firms operate efficiently</li> </ul>	<ul style="list-style-type: none"> <li>• Becton, Dickinson &amp; Co. (BDX)</li> <li>• Cummins, Inc. (CMI)</li> <li>• Nutrien Ltd. (NTR)</li> <li>• Republic Services, Inc. (RSG)</li> <li>• Waste Management, Inc. (WM)</li> </ul>

Note: Parnassus Investments engaged each company on at least one of the stated objectives, not necessarily on all of the objectives.

# Moving the Needle on Climate Impacts

## Theme: Climate Change and Investment Risk

We believe that the changing climate and the associated need for a swift transition to a low-carbon economy are among society's most pressing risks. More severe and frequent storms, droughts and wildfires increase the likelihood that company operations will see disruption. Responding to extreme natural disasters in the U.S. alone has cost over \$500 billion in the last five years.<sup>1</sup>

Current scientific projections indicate that, to avoid the worst and irreversible impacts of global warming, our societies must limit any increase in average global temperatures to 1.5°C above pre-industrial levels. This requires us to reach net-zero carbon emissions by 2050 or sooner. To meet these climate goals, companies must individually act to meet them, even in the absence of widespread regulation and enforcement.

### Why We Engage

Companies face two main types of climate risk: Those from the physical impacts of climate change on their assets and operations, and those related to the transition away from fossil fuels and toward a low-carbon economy. Both risks can be financially material to companies. Best practices to mitigate these risks include setting emission-reduction targets below 1.5°C, incorporating climate change into strategic planning and business decisions, and publishing regular climate disclosure to remain transparent and accountable to investors.

To this end, Parnassus Investments declared its intention to be net zero across all assets under management by 2050 and expects all portfolio companies to have science-based emissions-reduction targets by 2040. We continue to engage companies that have not set science-based emission-reduction targets and work collaboratively to help companies set them.

### What We Accomplished

During our engagement season through June 30, 2023, our stewardship team engaged 11 portfolio companies on climate change and climate risk and sent notice of our climate expectations to more than 150 companies across all our portfolios. Our engagement work focused on making progress through portfolio companies setting science-based emission-reduction targets and publishing standardized climate disclosures. These disclosures are an important first step in increasing transparency with investors and furthering dialogue about best practices in managing climate risks.

Among our successes were insurer Progressive and online-dating company Match Group, which disclosed environmental data through CDP for the first time. Two other companies from our previous engagement season fulfilled our requests to pursue our emissions-reduction targets: Avantor, a healthcare supply company, and Monolithic Power Systems, a maker of semiconductor-based power electronics. (See more details in the case study.)

Some of our most productive engagements are with transportation companies grappling with the need for technological innovation to reduce their emissions. Old Dominion Freight Line published last year its inaugural ESG report, including scope 1, 2 and 3 emissions. FedEx, which has set a goal to be carbon neutral by 2040, is evaluating how to help lower emissions beyond its operations. Both companies are open to engagement, but face limitations in available technology to take strong action on climate change. For example, a full transition by FedEx to an EV fleet would lower scope 1 emissions but could increase scope 2 emissions from electricity generated by carbon fuels. We will continue to engage both companies on advancing climate progress, as well as other companies that were open to engagement but are not taking immediate action.

<sup>1</sup>Adam B. Smith, "2022 U.S. billion-dollar weather and climate disasters in historical context," Climate.gov, published January 10, 2023. URL: <https://www.climate.gov/news-features/blogs/2022-us-billion-dollar-weather-and-climate-disasters-historical-context>.



# Case Study

## Monolithic Power Systems

### Material Issue

Monolithic Power Systems (MPS) makes semiconductor-based equipment that converts and controls electricity in ways that reduce energy consumption in appliances, cars and data centers. Chip manufacturing demands heavy power usage, with the industry's energy consumption doubling every three years, according to the U.S. Department of Energy. As a smaller company in the industry, MPS was experiencing fast growth but had limited transparency on climate governance for its own operations. We believe more efficient energy consumption can reduce MPS operating expenses and strengthen its brand as a company that promotes energy efficiency.

### Our Engagement

We initiated engagement with MPS in late 2021 with a letter that encouraged the company to strengthen its governance of climate-related issues, set greenhouse gas (GHG) emission reduction targets and improve data management and transparency. Company representatives, including the company's CFO, responded with a series of phone calls to hear our concerns and discuss stronger climate commitments.

### Outcome

MPS made significant improvements to its climate management and disclosure, creating a steering committee and tying environmental performance to a portion of executive bonuses. The company also set a goal to reduce GHG emissions by 40% by 2030 from its baseline in 2022, with an interim goal of cutting emissions by 25% in three years. The company also set a target to be powered by 75% renewable electricity across its global operations and committed to reporting its progress annually.

### What's Next?

MPS will work toward these targets by reducing its reliance on refrigerant gases in cooling systems and increasing energy efficiency in its manufacturing systems. We will continue to monitor the company's disclosures and progress through ongoing dialogue and due diligence.

# Building a Strong and Productive Workforce

## Theme: Sustainable Workplaces

We believe workers who are treated well are more engaged and productive and less likely to leave, contributing to long-term returns. Companies rely on consistent and dependable workers to run their operations productively, produce quality goods and services and innovate in evolving markets. A strong and loyal workforce is a competitive asset. In today's tight labor economy, companies that can hire and maintain high-performing, diverse talent are better positioned to remain resilient in uncertain markets and deliver long-term value for shareholders.

There are several key factors we can use to evaluate a company's workplace. Examples include compensation and benefits practices, diversity and inclusion programs, and employee engagement, retention rates, and health and safety. We look for robust governance and workplace disclosures and stated protections for supply-chain employees and contractors to signal the company considers the well-being of its staff. Controversies that can lead to lawsuits or worker rights disputes are important considerations for potential investment risks.

### Why We Engage

In the past several years, workplace-related concerns have increasingly captured public and media attention. In this rapidly changing and reactive landscape, companies that fail to respond to evolving demands may face significant reputational and financial risk. This includes operational disruptions and costs incurred from high turnover, employee unrest and labor shortages; reputational erosion and loss of consumer confidence and trust; worsening product and/or service quality; and litigation and regulatory action.

Our stewardship team's engagements with portfolio companies often focus on the impacts of workforce stability, diversity and culture. Engagements typically begin with requests for more transparent data on the employee base of a company's direct operations and supply chains, as well as an assessment of how the company's policies align with their stated commitments.

We seek disclosures about the size and costs of a company's employee base—full-time, part-time and contract staff—along with attrition rates and diversity data.

### What We Accomplished

During the past engagement season, we worked with 11 companies on sustainable workplace issues such as worker rights and paid sick leave. One of our most notable engagements was with technology company Apple. Parnassus co-filed a shareholder proposal with Apple that sought a review of its adherence to its stated commitments on worker rights. We had several substantive conversations that led to the proposal's withdrawal. (See more details in the case study.)

Our team also engaged several companies to expand and improve key workplace disclosures. This enabled us to establish stronger relationships with portfolio companies and gain a better understanding of their human capital management strategies and policies. For example, mobile carrier T-Mobile expanded its workplace disclosures to include diversity and inclusion data. We also offered feedback to both Aptiv, an Irish automotive component maker, and mobile carrier Verizon Communications to help them improve their disclosures.

Additionally, following the costly and hazardous derailment of a Norfolk Southern train in February, 2023, we began direct engagements with two railway companies in our portfolios, Union Pacific and Canadian Pacific Railway, on their sick leave policies. We discussed railway worker health, safety and training and benefits such as paid sick leave. Importantly, we aimed to understand their disaster response plans and handling of hazardous materials, with the goal of improving safety and avoiding incidents that can affect surrounding communities.



# Case Study

Apple

## Material Issue

Apple commits to upholding workers' rights as defined by the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work through its Human Rights Policy. Apple corporate employees began airing concerns about pay disparities, discrimination and worker benefits. Retail employees staged a walkout and took steps to unionize. Workers reported experiencing intimidation tactics to deter labor organizing, including retaliatory firings and threats of eliminating benefits.

## Our Engagement

In September 2022, our stewardship team, working with a small group of concerned investors that collectively held \$7 billion in Apple stock, filed a shareholder proposal urging the board of directors to commission and oversee an independent, third-party assessment of Apple's adherence to its stated commitment to workers' rights to freedom of association and collective bargaining. Misalignment between management and employees about their rights, their concerns and how to address them can create meaningful reputational, legal and operational risks that could negatively affect the company's long-term value. This can potentially hurt Apple's ability to hire and retain talented workers and diminish its brand with consumers.

## Outcome

Apple ultimately agreed to negotiate an agreement that would avoid the proposal being taken to shareholders for a vote. After a series of substantial conversations, Apple announced in its 2023 proxy statement its plans to conduct an assessment to review its management practices when employees seek to exercise their rights to form or join or refrain from joining a union, as well as outline any actions needed to remedy any inconsistent practices.

## What's Next?

Our investor group continues to engage with Apple about the assessment and its findings. Importantly, the precedent set with Apple's agreement may help support similar engagements with other companies such as Starbucks and Amazon.



# Improving Lives by Being a Good Neighbor

## Theme: Environmental Justice

High-polluting facilities can be linked to higher rates of chronic health problems, disease and mortality for “fenceline” communities located near major operational facilities. People living near these facilities often have significantly higher incidences of health problems, including cancer, respiratory illness, diabetes and other conditions that make them especially vulnerable to any new health threat, like COVID-19.

Environmental justice calls for the equitable distribution of environmental burdens and benefits across all communities, regardless of demographic characteristics. A 2021 study by the Environmental Protection Agency showed that people of color have higher levels of exposure to pollutants that can cause lung and health problems from industry, agriculture, construction and transportation vehicles in nearly all regions of the U.S., regardless of income.<sup>2</sup>

### Why We Engage

Inadequate action on environmental justice poses regulatory, reputational and competitive risks. The long-term sustainability of any business depends on creating and maintaining strong relationships with the communities in which it operates. Poor community relations and negative public sentiment can directly affect companies’ brands and their ability to attract and retain workers.

Moreover, toxic emissions from facilities can lead to more direct impacts, such as regulatory scrutiny, legal fines and litigation, remediation costs and an inability to win or retain contracts or permits for expanding operations. These eventualities can in turn decrease revenues, increase costs and limit the company’s ability to do business. In some cases, plants that emitted toxins to communities have been permanently shut down.

We believe companies can proactively prepare for regulation, especially as local governments have started

indicating a preference for companies that demonstrate strong management of environmental concerns. As more companies act on the issue, their peers that do not may face mounting competitive risk. Reputational damage may be greater among companies that fail to live up to their stated commitments to racial and social justice.

### What We Accomplished

Our stewardship team’s environmental justice engagements involved five companies, some of which we had also worked with in the previous year. We also continue to lead an investor working group on environmental justice, joined by 23 investor organizations, to establish a consensus on expectations and a business case that can buttress future engagements on this topic.

Engagements have been fruitful. Nutrien, a Canadian fertilizer manufacturer, acted on our request to assess its U.S. operations for environmental justice impacts as an important first step. Our investment and stewardship team members have had multiple meetings to offer feedback and guidance on addressing the topic. In 2022, we also began engaging Cummins, an engine manufacturer, about environmental justice concerns and continue to work with them. Finally, following our engagement, medical technology company Becton Dickinson (BD) committed to an environmental justice screening for communities located near its facilities.

Last year, we reported on our engagement with waste disposal company Republic Services, which agreed to conduct a third-party civil rights audit following the successful shareholder proposal vote. In the past year, we met with the company’s management, providing feedback on ways to integrate environmental justice into the audit. Engagements can occur over several years, and we await results of audits from Republic Services, as well as Waste Management to help define next steps.

<sup>2</sup>“Study Finds Exposure to Air Pollution Higher for People of Color Regardless of Region or Income,” United States Environmental Protection Agency, [Epa.gov](https://www.epa.gov/sciencematters/study-finds-exposure-air-pollution-higher-people-color-regardless-region-or-income), published September 20, 2021. URL: <https://www.epa.gov/sciencematters/study-finds-exposure-air-pollution-higher-people-color-regardless-region-or-income>.

# Maximizing the Business Impact of ESG Strategies

## Theme: Materiality Assessments

We believe that if a company doesn't take care of the natural and human capital on which its business relies, it will not be successful in the long term. We assess opportunities and risks as investors with an eye toward potential impacts on long-term value. We evaluate environmental and social factors alongside other fundamental attributes to help us select high-quality companies for our portfolios. Over the years, we have seen firsthand that good businesses are forward looking. They anticipate risks and opportunities that have a long-term impact, not just on their business operations and profitability, but also on their employees, their customers, their communities and the world around them.

This year, Parnassus began engaging companies on conducting materiality assessments to inform their ESG strategies. A materiality assessment is a tool used by organizations to identify the topics and impacts most important to the business and its key stakeholders, in order for company resources to be allocated as effectively as possible. Following dialogue with companies, we typically provide additional materials on current best practices and relevant examples. When performed effectively, these assessments can be used to inform governance structures, strategies and resource allocations and create a method of accountability.

### Why We Engage

Materiality assessments can help formalize ESG strategies through policies and programs that are integrated into the way the company makes critical resourcing, operational and other decisions. This is especially valuable for companies that are relatively new to public markets, have a smaller market capitalization (and subsequently a smaller business) or are not primarily consumer facing and less exposed to public pressure. One of the best practices for effective ESG strategies is to use and incorporate materiality assessments, which can lead to productive conversations that address a company's most salient risks and opportunities in order to protect and promote long-term shareholder value.

Our goal is to see all engaged companies conduct a rigorous materiality assessment that identifies a company's most salient risks and opportunities and undertake actions to address them in ways that contribute to long-term performance and a more sustainable future.

### What We Accomplished

We launched our engagements on materiality assessments in January 2023 and have approached six companies as of the end of our engagement reporting period on June 30, 2023. We asked the companies to perform the assessment, disclose the results and describe the methodology used to conduct the materiality assessments within one reporting cycle. Disclosing the results gives our investment team visibility into the issues that are most important to the company's long-term business success.

Examples of this engagement include Align Technology and BioMarin Pharmaceuticals. Align Technology, a maker of dental aligners, and BioMarin Pharmaceuticals, a maker of therapies for rare diseases, have both committed to conducting materiality assessments. We have also participated in dialogues with apparel retailer Gap and life-science software provider Veeva Systems as they continue to update and follow materiality assessment best practices.

# Proxy Voting Summary

Proxy voting is the most common way we communicate with boards of the companies in which we invest. We use our policies and our votes to improve board composition, to advance shareholder rights, to align executive pay with company performance and to promote ESG performance and the availability and quality of ESG data.

We believe companies can best create value for shareholders over the long term and minimize potential risks when they consider stakeholder impacts alongside financial metrics in business planning and strategic decision making.

We place our votes in a manner that we believe is consistent with the firm's Principles and is in the best interests of clients and fund shareholders for the creation of long-term value.

More information about our Proxy Voting Policy and our full voting record are available on our [website](#).

## 2022-2023 Results

**139** Meetings

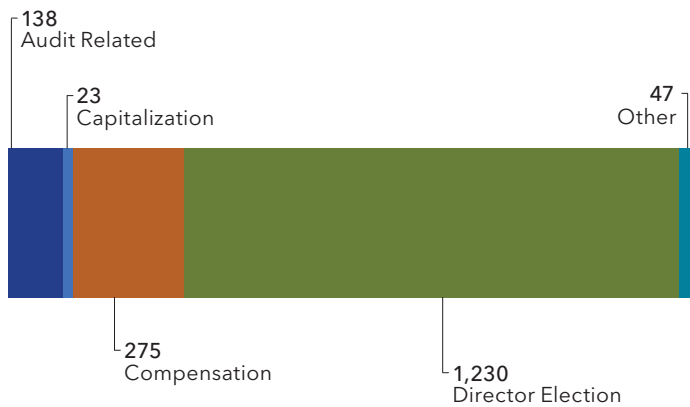
**1,878** Votable Proposals

**22%** Votes Against Management



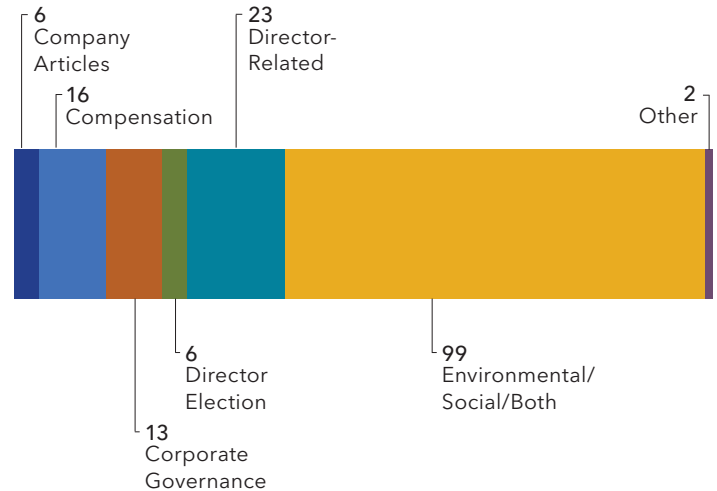
## Management Proposal Breakdown

Number and Types of Proposals by Category

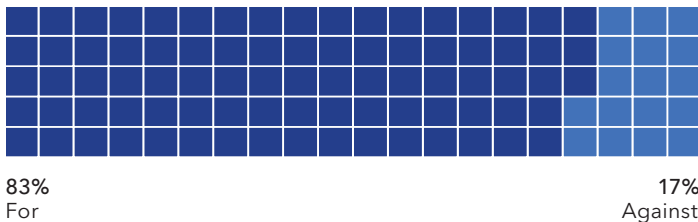


## Shareholder Proposal Breakdown

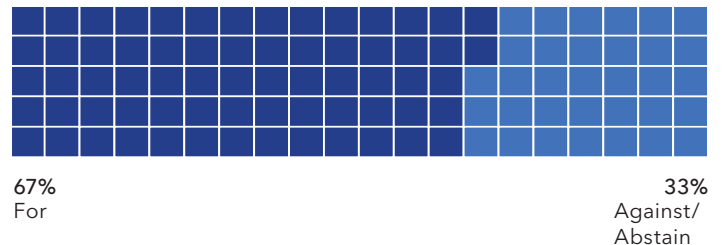
Number and Types of Proposals by Category



## Votes for Management Proposals



## Votes for Shareholder Proposals



## Reasons for Voting Against Compensation

Of 131 companies with executive compensation proposals, we voted against 38 of them. Reasons include:

- Weak alignment between pay and performance, including lack of performance-conditioned and long-term oriented awards, inappropriate use of discretionary awards, weak or undisclosed performance targets and "double-dipping"
- Outsized pay relative to performance and peers, including excessive perquisites and inappropriate peer benchmarking

## Examples of Shareholder Proposals We Supported

- Conduct independent civil rights or racial equity audits
- Set science-aligned greenhouse gas emission-reduction targets and/or develop transition plans
- Disclose lobbying payments and political contributions and alignment with stated commitments
- Respect and uphold workers' rights and well-being, including paid sick leave, pay equity and freedom of association
- Adopt and implement policies to respect human rights through supply chain and selling practices
- Strengthen consumer data privacy practices

# Portfolio Impacts

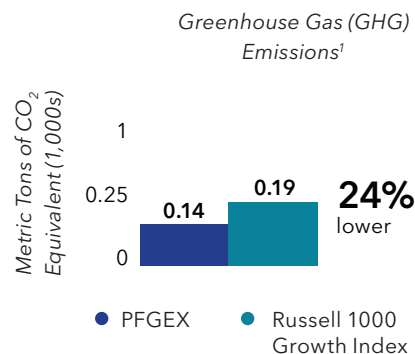
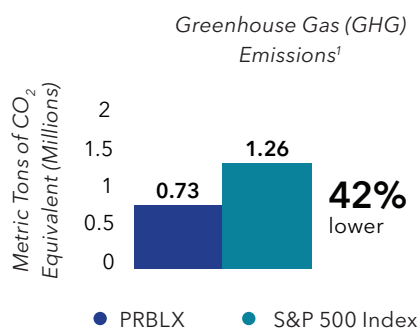
## Core Equity PRBLX

## Growth Equity PFGEX



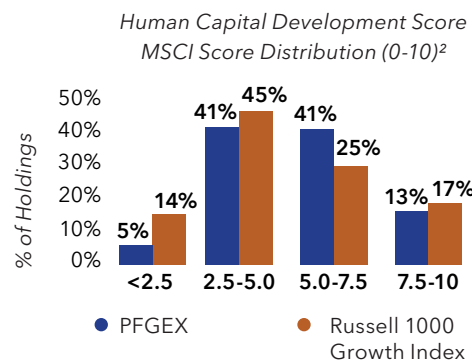
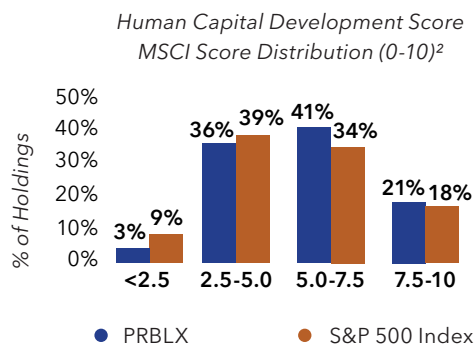
### Environment Climate Risk

Greenhouse Gas Emissions. Scope 1 and 2 – Direct and indirect emissions. Lower is better.



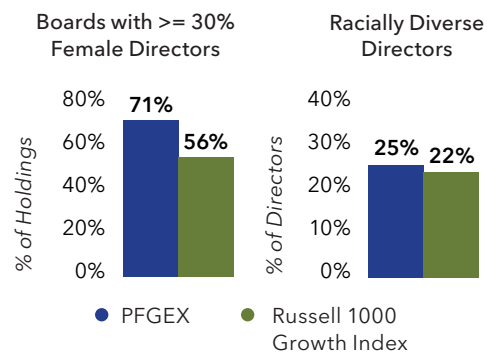
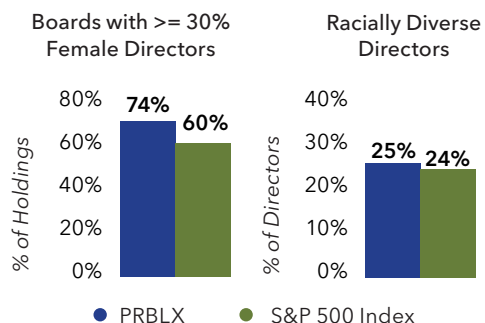
### Social Good Workplaces

MSCI Human Capital Development Scores. Measure a company's ability to attract, develop and retain employees. Scores range from 0-10, where 10 is best.



### Governance Quality Boards

Diversity on Corporate Boards. We believe corporate boards are likely to make better decisions if they consider diverse points of view.

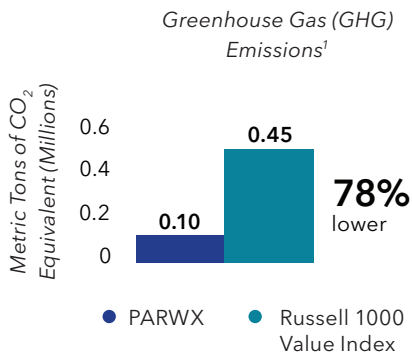


As of 6/30/2023. Sources: Institutional Shareholder Services (ISS), Factset MSCI, Parnassus Investments.

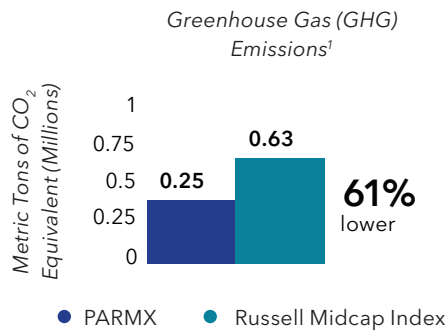
<sup>1</sup>GHG Emissions are calculated by Parnassus using ISS and FactSet MSCI data and are based on the assets under management of the fund at portfolio weights (ex-cash). GHG Emissions for the Index are calculated for Index holdings at Index weights. Emissions data are updated annually on a one-year lag so 12/31/21 is the most recent data available. Parnassus Investments calculates the aggregate percentage difference between the fund and the Index. <sup>2</sup>MSCI Human Capital Development Score (0-10; higher number indicates a better score); MSCI provides scores for all companies in the Core Equity Fund.

At Parnassus, we invest in a relatively small number of high-quality companies that we believe have four key characteristics: increasing relevancy to customers, sustainable competitive advantages, strong management teams and positive ESG factors. Throughout our holding period, we continually assess our portfolio companies across numerous material ESG metrics, including their GHG emissions profile, how positive and sustainable their workplace is at attracting and retaining talent and the presence of diverse perspectives to help guide the company to a successful future.

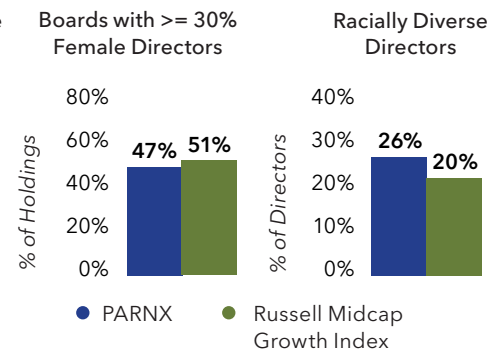
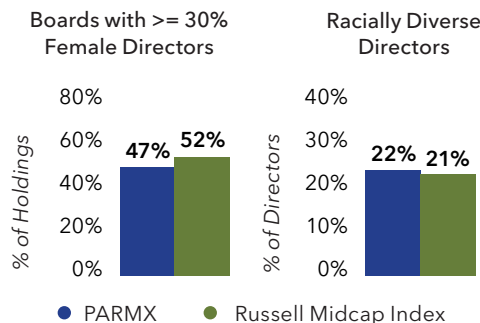
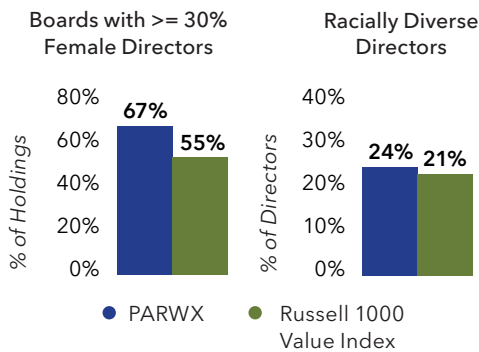
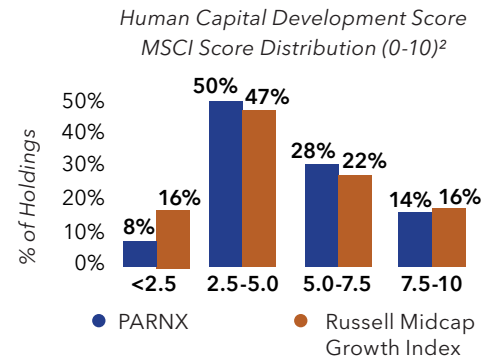
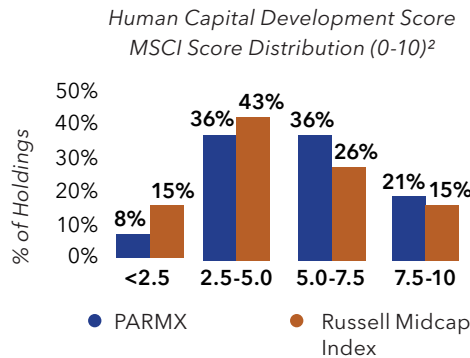
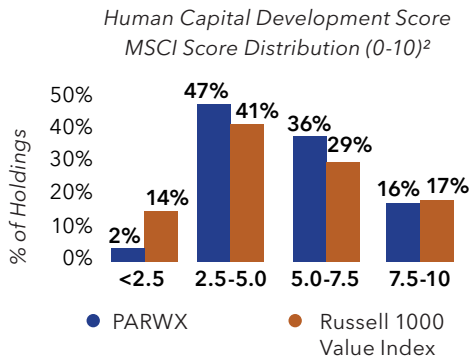
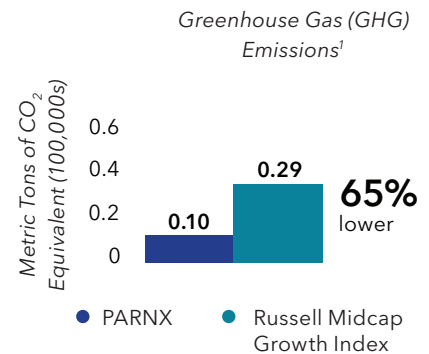
### Value Equity PARWX



### Mid Cap PARMX



### Mid Cap Growth PARNX



MSCI does not provide scores for 1.77% of companies in the Growth Equity Fund. MSCI does not provide scores for 2.03% of companies in the Value Equity Fund. MSCI does not provide scores for 2.44% of companies in the Mid Cap Fund. MSCI provides scores for all companies in the Mid Cap Growth Fund. MSCI does not provide scores for every company in the index. Companies without scores are excluded from the chart. MSCI Human Capital Development Score evaluates a company's ability to attract, retain and develop employees based on its benefits, training and development programs, and employee engagement. For important information about MSCI data, visit: <https://www.msci.com/notice-and-disclaimer-for-reporting-licenses>.



# Bonds With a Purpose

## Parnassus Fixed Income Fund (PRFIX/PFPLX)

Green bonds were born during the Global Financial Crisis in 2008. The World Bank was the first institution to support lending for eligible climate-focused projects in response to investors seeking projects to address the impacts of climate change.<sup>1</sup> Since then, the market for these specialized bonds has grown considerably, as the bonds expanded their remit to address other sustainability goals.

The Parnassus Fixed Income Fund invests primarily in two types of sustainability bonds: those issued by supranational organizations and those issued by corporations. Below is a listing of the green bond holdings comprising 23% of total net assets as of June 30, 2023.

Total Green Bond Allocation: **22.8%**











Issuer	Position (% of Total Net Assets)	Funding Initiatives
International Bank for Reconstruction & Development (IBRD)	2.9	Mitigate climate change
International Finance Corp.	2.1	Climate-related
Sysco Corporation	1.7	Reduce carbon footprint, support sustainable fisheries and responsible agriculture, expand organic produce offering and increase the diversity of its suppliers
Citigroup, Inc.	1.4	Renewable energy, sustainable transportation, water quality and conservation, energy efficiency and green building
Xylem	1.2	Water accessibility, water affordability and water systems resilience
American Express Company	1.2	Circular economy, green buildings, energy efficiency and renewable energy
Micron Technology	1.2	Renewable energy, green buildings, energy efficiency, sustainable water and wastewater management, pollution prevention and control and circular economy-related
European Investment Bank	1.2	Climate-related
Autodesk	1.1	Environmental and social initiatives
Merck & Co., Inc.	1.0	Company priority ESG areas and United Nations Sustainability Development Goals
S&P Global, Inc.	1.0	Sustainability goals, including emissions reduction and supplier diversity
Salesforce, Inc.	1.0	Green and social projects
Alexandria Real Estate Equities, Inc.	0.8	Corporate purposes and green projects
Visa Inc.	0.8	Environmental sustainability and a sustainable payments ecosystem
Public Service Company of Oklahoma	0.8	Wind and solar renewable energy production
Alphabet Inc.	0.8	Energy efficiency, clean energy, green buildings, clean transportation, circular economy and design, affordable housing, commitment to racial equity and support for small business and COVID-19 response
Regency Centers	0.7	LEED certification properties
Bank of America Corporation	0.7	Advance racial and gender equality, economic opportunity and environmental sustainability
European Bank for Reconstruction & Development	0.7	Environmental sustainability, climate resilience, green transition
Verizon Communications	0.5	Renewable energy

<sup>1</sup>The World Bank. <http://treasury.worldbank.org/greenbonds>. Last updated Dec 13, 2022.

# Setting Standards and Broadening Our Circle

## Advocacy and Industry Affiliations

Our stewardship team collaborates externally to share with and learn from diverse groups of investors, companies and other practitioners. We lead working groups and speak at conferences, webinars and forums large and small. We also advocate on behalf of our clients to regulators when an issue (like climate-risk reporting) may affect us or the companies we invest in. Finally, and importantly, we advocate to companies, sharing our views on long-term value creation and our expectations for managing impacts on stakeholders, the environment and society.

	Organization	Relationship Since
	Forum for Sustainable and Responsible Investment – US SIF	1985
	Ceres Investor Network	1989
	Principles for Responsible Investment (PRI)	2008
	Investor Environmental Health Network (IEHN)	2011
	CDP (formerly known as the Carbon Disclosure Project)	2012
	Council of Institutional Investors (CII)	2018
	IFRS Sustainability Alliance (previously SASB Alliance)	2019
	Task Force on Climate Related Financial Disclosures (TCFD)	2019
	Interfaith Center on Corporate Responsibility (ICCR)	2019
	Access to Medicine	2020

We are active members, collaborating and contributing to most network calls. IEHN is also a supporting network of the investor-led working group that Parnassus started on environmental justice, along with ICCR.

Parnassus has also been an active member of CDP's annual Non-Disclosure Campaign since 2019, leading engagements with companies that do not yet respond to CDP.

We are active members of multiple working groups within ICCR, including those focused on Advancing Worker Justice, Health Equity and Health Tech, Climate, Just Transition and Racial Equity. ICCR is also a supporting network of the investor-led working group that Parnassus started on environmental justice, along with IEHN.

# The People Behind Our Analysis

Parnassus investment analysts are primarily responsible for conducting research on the ESG-related opportunities and risks that could be material to a company. They collaborate and consult with our experienced ESG stewardship team on company policies, practices and disclosures to assess potential future impacts on the company's performance. The ESG research assessments also help identify areas to potentially engage the company once it's added to a portfolio.



**Todd Ahlsten**

Chief Investment Officer,  
Portfolio Manager

Years of experience/at the firm: 29/29



**Benjamin Allen**

Chief Executive Officer,  
Portfolio Manager, Trustee

Years of experience/at the firm: 24/18



**Minh Bui**

Portfolio Manager,  
Senior Research Analyst

Years of experience/at the firm: 19/19



**Krishna Chintalapalli**

Portfolio Manager,  
Senior Research Analyst

Years of experience/at the firm: 11/2



**Andrew Choi**

Portfolio Manager,  
Senior Research Analyst

Years of experience/at the firm: 11/5



**Matthew Gershuny**

Deputy Chief Investment Officer,  
Portfolio Manager

Years of experience/at the firm: 26/17



**Billy Hwan, CFA, CPA**

Portfolio Manager,  
Senior Research Analyst

Years of experience/at the firm: 22/11



**Lori Keith**

Director of Research,  
Portfolio Manager

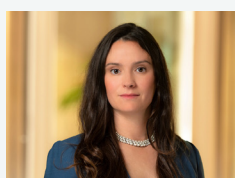
Years of experience/at the firm: 29/18



**Robert Klaber**

Director of ESG Research,  
Portfolio Manager

Years of experience/at the firm: 15/11



**Samantha Palm**

Portfolio Manager,  
Senior Research Analyst

Years of experience/at the firm: 17/10



**Ian Sexsmith, CFA**

Portfolio Manager,  
Senior Research Analyst

Years of experience/at the firm: 19/13



**Shivani Vohra**

Portfolio Manager,  
Senior Research Analyst

Years of experience/at the firm: 10/4



**Marian Macindoe**

Head of ESG Stewardship

Years of experience/at the firm: 19/1



**Marissa LaFave**

Manager of ESG Stewardship

Years of experience/at the firm: 8/5



**Rachel Nishimoto**

Manager of ESG Stewardship

Years of experience/at the firm: 11/11



**Simar Kaur**

ESG Stewardship Analyst

Years of experience/at the firm: 4/3



**Michael Beck, CFA**

Senior Research Analyst

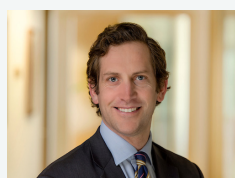
Years of experience/at the firm: 7/2



**John Bogle, CFA**

Senior Research Analyst

Years of experience/at the firm: 7/1



**Robert Burmeister**

Head Equity Trader

Years of experience/at the firm: 16/14



**Isaac Macieira-Kaufmann, CFA**

Senior Research Analyst

Years of experience/at the firm: 6/5



**Shaun Raja**

Senior Research Analyst

Years of experience/at the firm: 8/<1



**Grant Wei**

Research Analyst

Years of experience/at the firm: 3/1



**Jake Yoon**

Research Analyst

Years of experience/at the firm: 3/1





## 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, sustainable competitive advantages, strong management teams and positive environmental, social and governance factors. Headquartered in San Francisco, Parnassus has 70 employees and \$44.8 billion assets under management as of June 30, 2023.



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

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDELINES** The funds evaluate financially material 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 Parnassus Funds are fossil fuel-free funds, meaning they do not invest in companies that derive significant revenues from the extraction, exploration, production or refining of fossil fuels; the funds may invest in companies that use fossil fuel-based energy to power their operations or for other purposes. The fund defines "significant revenues" as being 10% or greater.

The Bloomberg U.S. Aggregate Bond Index is a widely recognized index of fixed income security prices. An investor cannot invest directly in an index. An index reflects no deductions for fees, expenses or taxes. Returns shown for the fund do not reflect the declaration of taxes a shareholder would pay on the fund distributions or the redemption of fund shares. Investments in fixed income securities are subject to interest rate risk, credit risk and market risk, each of which could have a negative impact on the value of the fund's holdings. Performance shown prior to the inception of the Institutional Shares reflects the performance of the Parnassus Fixed Income Fund - Investor Shares and includes expenses that are not applicable to and are higher than those of the Institutional Shares. The performance of Institutional Shares differs from that shown for the Investor Shares to the extent that the classes do not have the same expenses.

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.

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 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 © 2022 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](http://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. One cannot invest directly in an index.

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.

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**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](http://www.parnassus.com), or by calling (800) 999-3505.**

