Parnassus Investments

Approach to Responsible Investment

June 2022

PARNASSUS INVESTMENTS®

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Parnassus's Principles

At Parnassus, our mission is to build wealth *responsibly* for long-term investors.

To drive long-term value for our investors and in pursuit of a more sustainable future, Parnassus integrates environmental, social and governance (ESG) factors into investment decision making, proxy voting and engagement strategies.

We believe that companies best create value for shareholders and debt owners when they consider stakeholder impacts alongside financial metrics in business planning and strategic decision making. We expect companies to respect human, worker and community rights; invest in an engaged, diverse and inclusive workforce; provide safe, healthy and equitable products and services; operate ethically and transparently; minimize and mitigate environmental impacts; and hold their suppliers to similar standards. We believe that investors, companies and society prosper best when these conditions are met.

We encourage companies to integrate ESG considerations into their businesses so they can better manage and mitigate salient ESG risks, build more resilient and sustainable businesses and identify long-term opportunities for leadership and innovation. We believe that strong ESG practices and performance can be signs of a high-quality management team and long-term strategic orientation. We also believe it is the right thing to do.

The following Principles outline our expectations for how companies should manage their impact on stakeholders, the environment and society, and serve as the foundation for our ESG strategy.

Respect for Human, Worker and Community Rights

We believe that companies should respect human rights and strive to prevent, mitigate and remedy adverse human rights impacts associated with their operations. This includes respecting human and civil rights and reducing negative environmental and public health impacts in communities of operation.

Companies should respect workers' rights, such as the right to decent work, protection from discrimination and harassment, freedom of association and collective bargaining. We believe that companies should safeguard the health, safety and well-being of their employees and contractors at work. Furthermore, we believe that diversity, equity and inclusion, both within a company's workforce and leadership and as a lens applied to all business activities, is important to sustain and drive business success.

Company policies and actions should be consistent with globally accepted norms, including the UN Guiding Principles on Business and Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work (ILO Conventions).

Environmental Sustainability and Climate Change

A changing climate, the transition to a low carbon economy and environmental sustainability are among society's most pressing risks. We expect companies to recognize this, and as a result, continuously work to minimize and mitigate negative impacts on the environment and human health from their operations and supply chains. This includes reducing greenhouse gas emissions and the release of harmful pollutants as well as reducing exposure to climate- and water-related risk.

Companies should:

- Regularly disclose their environmental performance
- Align their businesses to meet global climate goals
- Prepare for the long-term impacts of climate change
- Promote a just transition
- Equitably reduce the impact of pollution and waste

Promote Product Responsibility

We believe that companies are responsible for the impact that their products and services have on customers and other stakeholders. We expect companies to respect consumers' rights to safe and healthy products and to consider equity and potential disparate impacts of their products and services on vulnerable or underrepresented people and communities. We expect companies to practice responsible, fair and ethical marketing and selling practices. Lastly, we expect companies to respect individual rights to privacy and digital safety.

Uphold Ethics and Transparency

We believe good corporate governance is critical to drive long-term business success. We expect companies to identify and regularly disclose information on material ESG issues, their actions to address them and related performance metrics. We expect companies to observe applicable laws and regulations to avoid resultant litigation and reputational risk. This necessitates strong compliance and ethics controls, leadership teams who model ethical conduct and reward systems that incentivize such behavior. We expect companies to align political contributions and direct and indirect lobbying activities with their publicly stated values and commitments.

ESG Investment Policy

I. Introduction

Parnassus Investments' mission is to build wealth responsibly for long-term investors. Our vision is to be the leading asset manager in the responsible investment industry by delivering a superior investor experience. This document sets out the policies used by Parnassus Investments, LLC (also referenced herein as "Parnassus Investments," "Parnassus" or the "Adviser") to select companies for investment in accordance with the Responsible Investment ("RI") Policy. For the Parnassus Funds (the "Funds"), the RI Policy is set forth in the Funds' prospectus. For our other advisory clients, the responsible investment guidelines are detailed in the advisory agreements. These policies are subject to change and may be changed without the approval of or notification to shareholders of the Funds.

II. Summary

Parnassus Investments follows an integrated investment process, analyzing companies based on fundamental, valuation and environmental, social and governance ("ESG") factors. Parnassus Investments integrates responsible investment research into its process to:

- Avoid material ESG risks that we believe can harm corporate financial performance over time;
- Pursue investments that may appreciate over time due to positive ESG characteristics;
- Invest in a responsible manner as described to our clients; and
- Inform our proxy voting, engagement strategy and other stewardship activities.

Parnassus Investments' responsible investment research occurs in three stages:
1) pre-investment, 2) deeper ESG analysis on securities of interest and 3) post-investment. Fixed income investments are subject to a similar responsible Investment process as our equity investments.

III. ESG Integration

A. Pre-Investment Stage – ESG Restricted List

Prior to investment, the Parnassus investment team utilizes the following process to decide which companies meet our ESG criteria. All decisions must be reviewed and approved by the chief investment officer ("CIO") prior to investment.

1. Restricted List ("RL")

The Parnassus investment team maintains a Restricted List of companies that cannot be considered for investment in any Parnassus portfolio for one or more of the following reasons:

- The company violates Parnassus's **exclusionary screens**
- The company violates the **spirit of Parnassus's screens**
- The company participates in **controversial business activities**
- The company has **deficient ESG practices** that run contrary to Parnassus's Principles, as evidenced by continuous involvement in ESG controversies.

The RL is reevaluated quarterly, and companies may be added or removed.

Exclusionary Screens

Parnassus Investments has established guidelines to trigger exclusions from our universe of potential investments:

1. Weapons

   Parnassus Investments does not invest in companies generating significant revenue from the manufacture or distribution of weapons or the sale of critical weaponry components and munitions.

   - "Weapons" are categories of conventional armed forces necessary to waging an offensive campaign: battle tanks, armored combat vehicles, artillery, combat aircraft, combat helicopters, warships, missiles and firearms. Defensive weapons may also be evaluated. Electronic products, like those used for surveillance, measurement, targeting, detecting, etc., that are defense grade and/or dual use will be considered according to use case, end client and degree of specification/modification by client, among other factors.

2. Gambling

Parnassus Investments does not invest in companies generating significant revenue[1] from operating gambling establishments or providing gambling equipment.

3. Manufacture of Alcohol Products

Parnassus Investments does not invest in companies generating significant revenue[1] from the manufacture of alcohol products, including the operation of wineries, breweries or distilleries.

4. Manufacture of Tobacco Products

Parnassus Investments does not invest in companies generating significant revenue[1] from the manufacture of tobacco products.

5. Generate Electricity from Nuclear Power

Parnassus Investments does not invest in companies generating significant revenue[1] from the generation of nuclear power, the reselling of electricity generated by nuclear power, or in supplying materials to or servicing the nuclear power industry.

6. Fossil Fuels

Parnassus Investments does not invest in companies generating significant revenue[1] from the extraction, exploration, production or refining of fossil fuels. We may invest in companies that use fossil fuel–based energy to power their operations or for other purposes.

We utilize third-party research providers to identify if a company has any involvement with activities prohibited by our exclusionary screens. Holdings are reviewed before investment and regularly after investment against the exclusionary screens.

For companies presenting unusual circumstances, the investment team will use its judgment to determine how a company conforms to this policy on a case-by-case basis.

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1. In this context, "significant revenue" is defined as generating revenues 10% or greater as a percentage of a company's total annual revenues.

Spirit of the Screen

Companies that do not explicitly exceed the "significant revenue" threshold but are either close to the threshold or violate the intent or "spirit" of the screen may be excluded from the investible universe. As an example, a company that is not involved in the extraction, exploration, production or refining of fossil fuels directly but develops software that is primarily used by the fossil fuel industry may be excluded.

Controversial Business Activities (CBAs)

Parnassus maintains a list of controversial business activities that we believe are not suitable for investment as an ESG investor because we believe the activities are inconsistent with Parnassus' ESG Principles, or that they present significant financial or reputational risks. Examples of CBAs include for-profit education and private prisons. Companies are restricted for CBAs if they derive meaningful revenues from any listed business involvement.

Deficient ESG Practices

Parnassus restricts investment in companies that we believe are operating their businesses contrary to Parnassus's Principles or have consistently been plagued by severe ESG controversies. These companies may introduce unnecessary risk or result in reputational damage. Companies may be removed from the Restricted List if they demonstrate meaningful improvement in the area(s) of concern, subject to approval by the CIO.

B. ESG Analysis on Securities of Interest

Within our investable universe, we seek to invest in high-performing companies with positive ESG profiles and to avoid companies with bottom-quartile ESG performance. We examine both the material and reputational risks and consider positive factors that may differentiate a company from its peers.

Parnassus evaluates a company's management and performance on the material ESG risks it faces. Analysts write an ESG Risk Report for each company prior to a Fund purchasing its stock. We assess key ESG risks and opportunities and assign scores for the company's materiality risk[2] and reputational risk[3]. ESG materiality and reputational risks

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2. Materiality risks are significant events or risks that may affect the financial performance and success of a company, typically over a three-year time frame.
3. Reputational risk is the likelihood of a company's public perception being impacted by its management of ESG topics.

are interconnected, as strong management of material risks often result in a positive reputation, and vice versa. We weight ESG factors differently for different industries, depending on that industry's exposure. For example, ESG research in the industrials sector may center on employee health and safety and environmental impact, whereas ESG research in the information technology sector may focus on data privacy and workplace policies.

Examples of factors we may consider in evaluating companies include:

- Access and Affordability
- Climate-Related Risk
- Competitive Behavior
- Corporate Governance
- Customer Relations
- Data Security and Privacy
- Environmental Impacts of Operations and Products
- Impact on Community
- Product Safety and Quality
- Supply Chain Practices
- Workplace

C. Approved Security List

Compliance rules have been established to allow investment only in securities which have been approved for investment by the CIO.

D. Post-Investment

ESG Risk Reports for all current holdings are reviewed and updated at least annually to ensure that they continue to meet our ESG criteria.

If Parnassus obtains information that may affect a company's eligibility to remain in the firm's portfolios, the firm will consider whether divestment is warranted. If Parnassus decides to divest, the company must be sold within six [6] months of the divestment decision.

Adherence to this Responsible Investment Policy is subject to compliance review on at least an annual basis.

IV. Exceptions to the ESG Investment Policy

Obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and government sponsored enterprises do not require ESG review. Similarly, supranational bonds which are obligations issued by entities formed by two or more central governments to promote economic development for the member countries, do not require ESG review. These are very similar to government bonds and tend to have a high credit rating.

V. Additional Considerations for ESG Research: Available Information

There is currently no regulated industry standard for ESG disclosure by companies in the United States. Therefore research providers and companies will present findings differently. For many companies—particularly small and mid cap companies, initial public offerings and spin-offs—ESG information and research can be limited or minimal. Companies in this category can be approved for investment by the CIO despite a lack of available ESG information. In those cases, the Parnassus analyst will provide a recommendation and the CIO will make a final determination using the best available information at the time. It is possible that information that Parnassus Investments would consider to be adverse may not be known to Parnassus Investments at the time of investment.

Engagement and Active Ownership Policy

Parnassus Investments integrates ESG Principles throughout our investment and engagement activities with the goals of investing in companies that demonstrate positive performance on ESG criteria and improving the ESG practices, policies and performance of the companies in which we invest.

This document describes the policies used by Parnassus in exercising active ownership. First, it addresses how the firm actively votes proxies; second, how we engage companies in dialogue about their business practices; and third, how we file shareholder resolutions when we determine that escalation is necessary in pursuing our impact and engagement goals. The actions outlined in this document are led by Parnassus's dedicated ESG Stewardship team.

I. Proxy Voting

Proxy voting is an important tool to promote best practices in corporate governance, executive compensation and other ESG topics. Parnassus maintains a separate set of Proxy Voting Policies and Procedures, which guides our voting decisions. These policies are publicly available on our website. Our Proxy Voting Policies and Procedures are reviewed and revised periodically by the Proxy Voting Committee, comprised of senior ESG Stewardship Team members, the Director of Research and other key staff. We vote all proxies in a manner consistent with Proxy Voting Policies and Procedures and our ESG Principles. We do not delegate our proxy voting authority or rely solely on third-party recommendations to vote our shares.

II. Engagement

A. Purpose of Engagement

We engage companies in alignment with Parnassus's Principles, to build value and to mitigate potential ESG risks. Engagements may be event-driven or represent ongoing concerns. We may also engage to better understand a company’s governance, strategy, risk management or metrics and targets around material ESG issues or to inform our Funds’ proxy votes.

We engage companies both individually and collaboratively with industry partners. 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. If engagements are unsuccessful or companies are insufficiently responsive, we may utilize escalation tools including organizing other investors to engage the company or filing shareholder proposals.

B. Methods of Engagement

Any of the following engagement methods may be utilized:

- Speaking or meeting directly with company management teams or other relevant representatives
- Letters from Parnassus to management or Boards of Directors
- Industry-wide responsible investing initiatives, such as sign-on letters and engagement working groups
- Filing shareholder resolutions
- Other methods of communication

III. Filing Shareholder Resolutions

Parnassus Investments may file shareholder resolutions as part of an engagement escalation strategy. This process requires filing a formal written request for action on a specific topic with a company following SEC guidelines. Topics are derived from Parnassus's annual engagement priorities and are approved by management.

Parnassus will utilize this process when we believe a company is insufficiently addressing or disclosing information on a significant ESG risk and is insufficiently responsive to our engagement attempts or requests for action.

Parnassus may coordinate with other like-minded responsible investors in filing or co-filing shareholder resolutions.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE GUIDELINES The Fund evaluates 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 Fund also utilizes active ownership to encourage more sustainable business policies and practices and greater ESG transparency. Active ownership strategies include proxy voting, dialogue with company management and sponsorship of shareholder resolutions, and public policy advocacy. There is no guarantee that the ESG strategy will be successful.

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.

There are no assurances the Funds will meet their investment objectives and/or that their ESG strategies will be successful.

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

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

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

PARNASSUS INVESTMENTS®

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