



2022 Stewardship Report: Principles *and* Performance[®] in Action

Active Ownership and ESG Integration

At Parnassus, we build wealth responsibly for long-term investors.

This means that in addition to vetting portfolio companies for strong fundamentals, management quality and relevance, we also consider environmental, social and governance (ESG) factors in our investment decision making, proxy voting and engagement strategies. We encourage companies to integrate leading ESG practices into their businesses to mitigate risks, increase sustainability and capture potential opportunities for leadership and innovation. We believe a stakeholder-centric approach, when successful, can make the companies we hold financially stronger and their activities better aligned with our ESG principles.



This report features our ESG stewardship team’s accomplishments over the past year. Our team led engagements with portfolio companies on climate risk, environmental justice, workers’ rights and the elimination of bias driven by artificial intelligence. These engagements built deeper relationships with company management teams and delivered tangible improvements in ESG performance and reporting. We also voted over 1,600 individual ballot items on proxies at 131 companies. And we collaborated with like-minded investors on critical ESG issues to have a broader and deeper impact on market participants. We filed our firm’s first shareholder proposals—one of which was successfully withdrawn—and we advocated for market-wide improvements in climate-related disclosure in a letter to the SEC.



In addition to our active stewardship program, analysts and portfolio managers take into account ESG principles when selecting companies for inclusion in—or exclusion from—Parnassus portfolios. In this report, we have included highlights from our newly developed ESG report cards. These report cards allow our portfolio managers to easily see and better manage how their portfolios are performing on key ESG metrics relative to their benchmarks.

Our research and stewardship teams are highly integrated and mutually reinforce Parnassus’s strong commitment to delivering exceptional performance in alignment with our values. Investors can expect to see continued rigor and accountability in our approach, as well as a redoubling of our commitment to build wealth responsibly for our investors.

Sincerely,

A handwritten signature in blue ink that reads "Benjamin Allen". The signature is written in a cursive, flowing style.

Benjamin E. Allen
President and CEO

Year in Review

Outcome-oriented impact engagements drive ESG improvement at portfolio companies

Source: Parnassus Investments
As of 07/31/2021-06/30/2022

21 Impact engagements

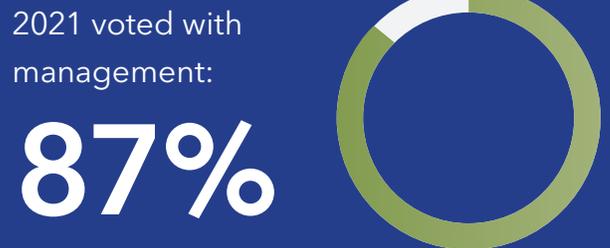


2 Shareholder resolutions

Parnassus's strengthened proxy voting holds boards and management teams accountable

Source: Parnassus Investments
As of 07/01/2021-06/30/2022

1,679 Ballot items for 131 companies



Advocacy and Industry Collaboration



Co-leaders of working groups within the Interfaith Center on Corporate Responsibility (ICCR) and the Investor Environmental Health Network (IEHN) on health technology and environmental justice.



Members of working groups on worker rights, racial equity, just transition and climate risk.

ESG Performance in Parnassus Equity Funds

Sources: FactSet, Institutional Shareholder Services (ISS), Parnassus Investments
As of 06/30/2022

Parnassus
Core Equity Fund

58% 

lower carbon emissions
than the S&P 500 Index

Parnassus
Mid Cap Fund

58% 

lower carbon emissions than
the Russell Mid Cap Index

Parnassus
Endeavor Fund

80% 

lower carbon emissions than
the Russell 1000 Value Index

Parnassus
Mid Cap Growth Fund

81% 

lower carbon emissions than the
Russell Mid Cap Growth Index

Green Bonds in Parnassus Fixed Income Fund

Source: FactSet, Parnassus Investments
As of 06/30/2022

8%

Green Bond
Allocation



Our Approach to ESG Stewardship



Marian Macindoe
Head of ESG Stewardship

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, because we believe that when ESG is integrated into decision making, companies can better 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 that our investment team can make better informed decisions about what does (and doesn't) belong in our portfolios.

This report shares the stories of our engagements, as well as the resultant progress made by our companies over the past year. For the period covered by this report, the team identified environmental justice, climate risk, algorithmic bias and the furtherance of workers' rights as critical ESG topics where we could make a substantive difference for our clients, our companies and their

stakeholders. In particular, I'd like to point to our successful and ongoing collaboration with WM (Waste Management) on environmental justice, as well as similarly positive and productive discussions on algorithmic bias at health information technology company Cerner (acquired by Oracle).

The report also covers our approach to proxy voting and outcomes from proxy votes in the last twelve months. Proxy voting is the primary way we communicate with the 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.

Finally, on advocacy, our ESG 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.

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

Engagement at Parnassus

We engage companies in alignment with Parnassus's principles, to build value and to mitigate potential risks. We engage companies both individually and in collaboration with industry partners. Through our engagements, we seek constructive dialogues that lead to demonstrable improvements in ESG disclosure and performance, with an aim to benefit our companies, their stakeholders and our clients.

Last year, we identified four priority initiatives where we believed Parnassus could make a meaningful difference: addressing environmental justice, eliminating algorithmic bias, advancing workers' rights and reducing climate-related risk.

In Pursuit of Environmental Justice

While many companies have publicly committed to supporting racial equity, few have addressed environmental justice, namely the disparate health and quality of life impacts of their operations on marginalized communities. Studies over the past decades have found that communities of color disproportionately carry the burden of pollution from industry and economic production in the United States, resulting in elevated rates of chronic health problems, disease and death. For example, racial minorities in the U.S. are exposed to disproportionately high levels of ambient fine particulate air pollution, which is the largest environmental cause of human mortality.¹ Further, Black Americans are 75% more likely than others to

live near facilities that produce hazardous waste.² In addition to the social imperative to address environmental injustice, our investors may benefit from reductions in regulatory and litigation risks and improvements in community relations that can support companies' success.

Transparency As a Step Toward Justice

Parnassus holds sizeable positions in two of the country's largest waste disposal companies, WM (formerly Waste Management) and Republic Services. Being an investor in these companies provides Parnassus the opportunity to encourage meaningful progress toward the goal of eliminating environmental injustice. Beginning in early 2021, we engaged a total of four companies on this topic.

At the time, WM had limited environmental justice disclosures, but we believed that a more intentional focus and strategy was essential. Through our engagement, we requested that the company take meaningful steps to assess and rectify racially disparate impacts of its operations. The company was responsive.

Two important outcomes have already been achieved. WM formed an advisory council to oversee environmental justice topics, and they became the first commercial services company to publish an interactive tool that maps clean technology, pollution and community demographic data at the facility level. This level of transparency is a crucial first step toward mitigating disparate impacts of the company's operations, and establishes WM as a corporate leader on environmental justice disclosures. Public access to this data helps investors, community members

¹ <https://www.science.org/doi/10.1126/sciadv.abf4491>.

² <https://www.nytimes.com/2020/07/28/magazine/pollution-philadelphia-black-americans.html>.

and other stakeholders pinpoint locations where disproportionate impacts may exist and learn what the company is doing to rectify them. This data also illuminates the risks other companies may face.

WM continues to work with us and our partners at Trillium Asset Management to further develop its long-term environmental justice strategy. We appreciate WM's thoughtfulness and collaboration in addressing this important topic, and we look forward to continued progress.

A Strong Showing for Parnassus's Republic Services Shareholder Proposal

Parnassus also engaged Republic Services on environmental justice this year. Unlike WM, Republic Services had no substantial environmental justice disclosures when we began the engagement. While the company recognized the importance of the topic during our discussions, it was unwilling to assess its operations to the extent that we believed was necessary to understand its own contributions to environmental injustice.

After months of engagement with little progress, Parnassus filed a shareholder proposal with the company requesting that Republic Services conduct an environmental justice audit and report the results.



Due to the insufficient response from the company, our proposal proceeded to a vote at the company's 2022 annual general meeting and received 36% support. This is a great result for a first-time proposal on a topic that is still relatively new to many investors.

In our view, the long-term sustainability of Republic Services' business depends on maintaining positive relationships with the communities in which it operates, including disclosing and mitigating the ways in which its businesses contribute to injustice. We will continue to press the company for meaningful action on environmental justice, with the assurance that a significant portion of the company's shareholders support this effort.

Addressing Technology Bias in Healthcare

Systemic social and racial inequities in our healthcare system were exacerbated by the COVID-19 pandemic. Many people of color experienced higher rates of hospitalization and mortality. At the same time, artificial intelligence (AI) and machine learning (ML) are increasingly employed in medical decisions that previously were the sole responsibility of medical professionals. These technologies may be intended to improve the fairness, consistency and accuracy of diagnosing and treating patients; however, they may instead exacerbate unfair treatment of marginalized groups. For example, disparities in access to healthcare experienced by certain populations are likely to be reflected in algorithmic systems trained using historical assumptions and datasets.

One study analyzed an algorithmic tool used in hospitals for deciding whether patients were good candidates for a higher level of care based on the amount of money each patient had spent in the past year on medical care for a specific illness.

Only a small percentage of the Black patients were deemed eligible for additional care by the software.

However, the algorithm was not programmed to control for the fact that Black patients typically spend less than other patients on healthcare even though they are not necessarily healthier. Using cost as a proxy for health led the algorithm to deprioritize sicker Black patients over healthier white patients for additional care, reinforcing racial health disparity.

Cerner's Disclosure on Artificial Intelligence (AI) and Machine Learning (ML)

When leading-edge companies take steps to address discrimination embedded in their technology, they can help shape emerging industries that may impact people for generations to come. Investors can also benefit from reducing healthcare technology biases, which may help reduce risk from lawsuits, regulatory enforcements and reputational damage.

For these reasons, Parnassus engaged Cerner, an electronic medical record software and data analytics company, along with three other companies in 2021-2022. Parnassus raised concerns with Cerner that applications of artificial intelligence and machine learning may reinforce disparities and historical discrimination against marginalized communities, including communities of color.

Parnassus filed a shareholder proposal to escalate the engagement, given the importance of this issue. We withdrew the proposal when Cerner agreed to make public a list of guiding principles on AI/ML, as well as a description of its governance structures, internal processes and monitoring

efforts. Cerner was the first of its peers to publicly discuss governance for AI algorithmic bias. The company's commitment to fair and transparent AI disclosure is important as it becomes part of Oracle, a much larger enterprise that continues to expand its healthcare products and services.

Parnassus is co-leading an investor working group with Interfaith Center on Corporate Responsibility (ICCR) to engage other healthcare companies on AI/ML bias. We also continue to engage companies in other sectors on this topic.

The Importance of Good Workplaces

Parnassus believes that companies should respect human rights and strive to prevent, mitigate and remedy adverse impacts on people that may arise from their operations. This includes respecting workers' rights, such as the right to decent work, protection from discrimination and harassment and freedom of association.

We also believe that better workplaces can lead to stronger businesses. Benefits of providing good workplaces may include lower turnover, more effective feedback loops, higher employee satisfaction and productivity, and, in turn, higher quality and more innovative products and services. Understanding companies' workplace practices, including their treatment of workers and compensation and benefits practices, is therefore an important aspect of our company assessment process and our engagements. Over the past year, we engaged a total of five companies held in our stock or bond portfolios on the topic of the workplace practices, including the right to unionize and paid sick leave.

Union Drives Take Off at Starbucks

When COVID-19 made customer-facing work much riskier and the job market tightened in 2021, Starbucks employees in Buffalo, New York, formed an organizing committee with the aim of unionization.

While no single issue sparked the movement to unionize, many employees were attracted to the idea that a union could give them a say in company decisions that have a direct impact on their workplace. Some specific issues union advocates have cited include the lack of COVID-19 protections, low wages, understaffing and shifting pandemic rules that discourage workers from staying home to follow isolation protocols. Since the start of the campaign, more than 50 Starbucks stores across the country have voted in favor of a union, and votes have been scheduled at more than 120 other locations despite numerous instances of retaliation.

Employees and the union contend that the company has interfered in elections, leading to at least 200 instances of unfair labor practice charges asserting that management has cut hours and leveled harsher treatment on supporters of the union as well as directly discouraged employees from voting for unionization. Some stores have also been closed following successful union elections.

Parnassus joined a small group of investors in late 2021 to develop three letters to the Starbucks CEO and chair requesting that the company adopt a policy of neutrality toward unions and cease all anti-union activities. The letters garnered over \$3 trillion in investor support and led to a conversation with management. We hope to see the company's actions align with our requests as unionization efforts expand nationwide.

The Gap and O'Reilly Urged to Offer Paid Sick Leave

Many workers lack access to comprehensive paid sick leave, despite proof that businesses benefit when their employees have access to time off. For instance, paid sick leave can reduce transmission of illness at the workplace, decrease turnover and improve recruitment, in turn reducing costs incurred from advertising, interviewing and training new hires. This is especially important in lower-wage industries facing tight labor markets and increased competition for workers.

For these reasons, Parnassus led engagement efforts this past year urging The Gap and O'Reilly to provide paid sick leave to all employees. This engagement was part of a broader campaign led by ICCR that pressed companies across the retail and consumer sectors to strengthen benefit offerings to all employees in light of the pandemic. The engagement led to constructive conversations with The Gap, which we plan to continue.



Taking Climate Commitments to the Next Level

Climate change is one of the most pressing issues companies can address. Not only are corporations responsible for a large share of greenhouse gas emissions, they are also exposed to material, physical and transition risks related to climate change. We are pleased to report that several companies held in our portfolios stepped up to improve their efforts to address climate change over the past year following engagements by Parnassus and other ESG advocates.

Taking its first step toward better climate management, Old Dominion Freight Line published its inaugural ESG report, which includes scopes 1, 2 and 3 greenhouse gas emissions. Scope 1 emissions are direct emissions by the company; scope 2 emissions are purchased sources of emissions, such as heat or electricity; and scope 3 emissions are all emissions not directly controlled by the company, such as supply chain emissions.

PPG Industries is advancing to the next level in managing the company's climate profile. Parnassus asked PPG to establish science-based targets (SBTs), disclose a plan for achieving these targets, conduct a climate risk assessment in line with TCFD (Task Force on Climate-Related Financial Disclosures) and implement companywide governance for climate-related topics. PPG fulfilled many of these requests. Further, the company's 2021 ESG report includes a summary of their TCFD-aligned climate risk assessment and a governance overview. Our collaboration with PPG on climate also led their management team to request our feedback on their broader ESG efforts, including diversity, equity and inclusion.

Companies that are climate leaders construct transition plans with specific targets and goals for transition to a low-carbon economy. As a leader on climate, Xylem published its inaugural TCFD report, its 2021 sustainability report and a refreshed climate action plan over the past year. The company noted that its climate action plan was based on the findings of its risk assessment and stakeholder engagement. Parnassus was among those stakeholders.

Our climate engagements in 2021–2022 included discussions with several other companies: Anylam Pharmaceuticals Inc., Avantor, Inc., Masco Corporation, Monolithic Power Systems, Inc. and Cable One, Inc. We intend to continue engaging on this important issue in the years ahead.

Companies Taking the Right Steps on Climate Change

Old Dominion Freight Line, Inc.

Published inaugural ESG report, which includes scope 1, 2 and 3 emissions

PPG Industries, Inc.

Plans to set SBTs, conduct a risk assessment and implement company-wide climate governance in 2022

Xylem Inc.

Published inaugural TCFD report, 2021 sustainability report and a refreshed climate action plan

Parnassus Consulted as Veeva Converts to Public Benefit Corporation

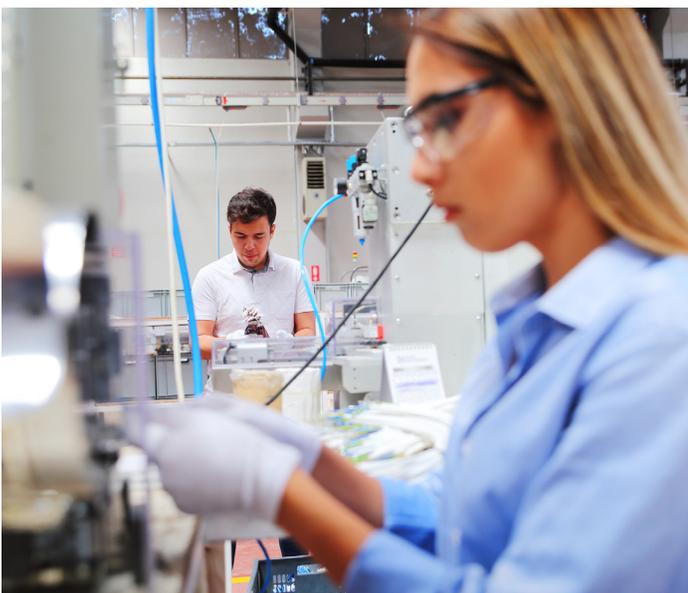
In 2021, Veeva, a leading supplier of cloud-based solutions for the global life sciences industry, became the first public company in the U.S. to convert to a public benefit corporation (PBC). This decision creates a legal obligation for the company to act in the best interests of all stakeholders, including shareholders, customers, employees and society as a whole, while maintaining its status as a for-profit company. Veeva committed to a specific benefit purpose that includes supporting the productivity of its clients and creating high-quality employment opportunities. Ninety-nine percent of its voting shareholders approved the decision.

In 2020, before making this decision, Veeva reached out to Parnassus for our opinion about converting to a PBC. Our investment team had a lengthy and very constructive conversation with their management team, including the firm's founder and CEO, and expressed our agreement with the plan.

Ukraine/Russia War and Company Due Diligence

Parnassus addresses emerging issues with companies we hold—both those that pertain to our ESG values and those that may impact portfolio performance. The invasion of Ukraine provided a vivid example of an unexpected event that could impact both our fundamental and ESG investment theses.

When the war broke out, our investment team initiated an assessment of our portfolios' exposures to Russia, then reached out to our clients with the news that Parnassus's combined exposure to Russia at the beginning of the conflict was less than 1%. Our team also placed several companies on our ESG restricted list, which includes companies that violate our ESG values and/or pose material ESG risks to our portfolios and therefore are excluded from consideration for investment. These newly restricted companies sell products or services that could be used by the Russian military or be linked to the Russian offensive.



Our Guiding Principles for Proxy Voting

Parnassus votes on governance, environmental and social proposals in alignment with our ESG principles and in the furtherance of our clients' interests. We do not delegate our proxy voting authority or rely solely on third-party recommendations to vote our shares.

Voting our funds' proxies can encourage significant changes in corporate behavior on governance issues like board composition and executive compensation. Shareholder resolutions also have the power to spark meaningful progress on environmental and social issues, such as racial equity, workers' rights, and political contribution disclosures.

Our 2022 Voting Record Highlights

Most proxy voting pertains to governance issues and shareholder rights. This year, other significant votes included climate, civil rights and racial equity audits, and worker protections. Parnassus supported the following shareholder resolutions.

Call for a Civil Rights Audit at Apple

We voted in favor of a resolution asking Apple to examine the impact of their policies and practices on the civil rights of employees and customers. The majority of votes cast were in favor of this resolution. Shareholders also narrowly approved a separate proposal, which we supported, asking Apple to issue a public report describing how the company's use of concealment clauses in employment contracts can prevent employees from speaking out about topics like sexual harassment and discrimination.

Why It Matters

Apple faces material and reputational risks due to concerns about gender and racial inequality and harassment in its workplace that could impact its reputation with customers and its sales of products and services. A civil rights audit would provide useful information to Apple's management, board of directors and investors on the impacts of its policies and practices on key stakeholders.

Greenhouse Gas Reduction Targets Urged for Costco and Its Supply Chain

Parnassus voted in favor of a proposal asking Costco to set science-based targets to reduce its greenhouse gas emissions, with the goal of achieving net-zero emissions by 2050 or sooner. The proposal, led by Green Century, resulted in the first shareholder vote requesting that a company set targets throughout its operations and supply chain. Seventy percent of Costco shareholders supported this landmark proposal. It is noteworthy that in 2020, Parnassus and Trillium discussed climate reporting with Costco, after which the company published its first climate action plan.

Why It Matters

Greenhouse gas emissions are a major contributor to climate change, and reducing these emissions globally is one of the most pressing issues of our time. Among the most significant risks to companies and investors are physical and transition risks that intensify as climate change accelerates.

Report on the Effectiveness of Sexual Harassment Policies at Microsoft

Parnassus voted in favor of a proposal asking the Microsoft board to publish a report on the effectiveness of its workplace sexual harassment policies, given that allegations of wrongdoing have continued for decades and include executive-level cases. The proposal passed with nearly 78% support from shareholders.

Why It Matters

A pattern of sexual harassment complaints over many years, including allegations against company leaders, calls into question whether top company management and the board are creating a harassment-free culture and adequately holding perpetrators to account. Sexual harassment cases pose a financial and legal risk and may tarnish the reputation of the company. Stronger action on harassment is particularly meaningful for Microsoft as it acquires Activision Blizzard, which has struggled with severe workplace harassment and discrimination issues in recent years.



Key Considerations in Our Proxy Voting Decisions

Boards of Directors

For directors who are independent and aligned with shareholder interests with relevant skills, diverse backgrounds and mixed tenures

Executive Compensation

For practices that are aligned with company performance, clearly disclosed and consistent with long-term shareholder interests

Environment and Climate

For disclosure of pollutants and progress toward a low-carbon economy

Human and Labor Rights

For health, safety, non-discrimination and freedom from harassment and the right to collective bargaining

Diversity, Equity and Inclusion

For diversity at all levels, equal opportunity, pay equity, cultures of inclusion

Customers and Communities

For ethical marketing, privacy, digital safety and consideration of the impacts of products and operations

Political Lobbying

For policies and practices aligned with publicly stated objectives and adherence to laws and regulations



This year, Parnassus strengthened several of our proxy voting policies related to corporate boards, executive compensation, civil rights and racial equity, political contributions, and human and labor rights. Our ESG investment policy, which describes all our voting policies, and our full voting record are available on [parnassus.com](https://www.parnassus.com).

The Value of Measuring ESG Performance



Robert J. Klaber

Director of ESG Research and Portfolio Manager

Environmental, social and governance (ESG) research has been integrated into our investment process since 1984. Over the past few decades, we've developed important new tools and processes to ensure that our investment decisions remain well-aligned with our ESG values. I'm incredibly excited about our latest innovation: For the first time in Parnassus's history, we're quantitatively measuring the impact of our funds across material E, S and G factors. This work is core to our mandate to deliver Principles and Performance®.

The development of ESG report cards allows our portfolio managers to efficiently review a wide range of ESG metrics that matter to us as investors and compare each portfolio's ESG performance to the performance of their benchmark. This enhancement also provides yet another important data point highlighting our authentic integration of ESG into our investment process. We're sharing a subset of the results covering climate, workplace and board diversity in this report.

Climate change is one of the largest threats to our society, today and in the future. We encourage companies to continually reduce their climate footprints, because addressing climate change is essential for the planet and business, with companies facing growing transition and physical risks. We measure the scope 1 and 2 (direct and indirect*) greenhouse gas emissions of our portfolios relative to their benchmarks.

A good workplace enables companies to attract and retain top talent, which is a vital element of a thriving company. An engaged and collaborative workforce can positively impact product quality and productivity and enhance the bottom line. We measure workplace quality using a scoring system that compares benefits, training and development programs and the level of employee engagement of our portfolio holdings relative to their benchmarks.

Boards of directors that include women and people of color benefit from varying points of view, which we believe leads to making better decisions. Diversity starts at the top, so if we see that a company's board is diverse, we're more likely to see diversity among the company's management team and rank-and-file employees. We compare the levels of diversity on the boards of our portfolio companies with their benchmarks.

The ESG performance of each Parnassus equity fund is updated quarterly, providing portfolio managers with valuable insights into their portfolios' trends and investors with assurance that we are continually monitoring our portfolios' ESG profiles.

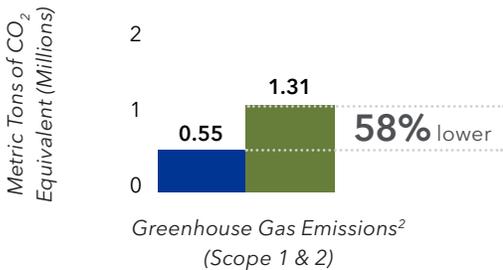
*Indirect emissions include energy, such as electricity, heat and cooling that is purchased by the company.

ESG Performance: Parnassus Core Equity Fund

The Parnassus Core Equity Fund is the largest environmental, social and governance (ESG) stock fund in the U.S.¹ The portfolio management team seeks to invest in high-quality companies with positive ESG profiles. As of June 30, 2022, the Fund outperformed the S&P 500 Index on ESG metrics, including lower greenhouse gas emissions, better workplace quality scores and more diverse boards.

● PRBLX ● S&P 500 Index

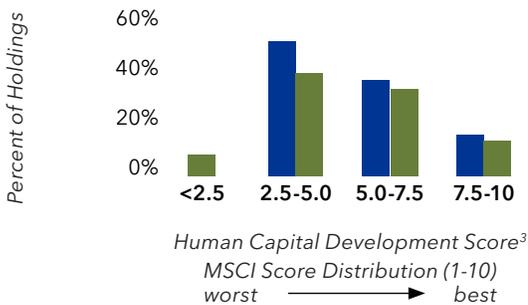
Environment: Climate Change



Core Equity’s greenhouse gas emissions are 58% lower than those of the S&P 500 Index. The chart on the left shows total owned² emissions (scope 1 and 2) attributed to companies held in the Fund compared to companies in the Index.

Source: Institutional Shareholder Services (ISS), FactSet, Parnassus Investments, as of 06/30/2022.

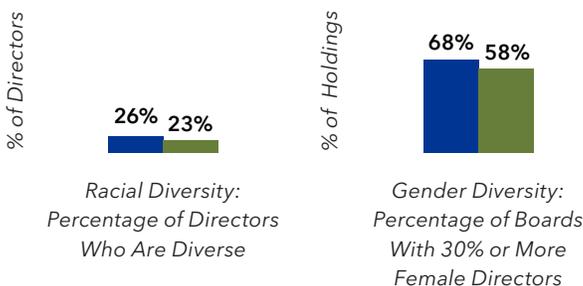
Social: Workplace Practices



The Core Equity Fund held companies that had better workplace quality scores, on average, than the S&P 500 Index. The Fund held a higher percentage of the best-scoring companies and a lower percentage of the worst-scoring companies, compared to the Index.

Source: MSCI, as of 06/30/2022.

Governance: Diversity on Corporate Boards



The Core Equity Fund’s boards were more diverse than the S&P 500 Index. The charts on the left show:

- Racial diversity was 3 percentage points higher for the Core Equity Fund than the Index.
- 68% of the Core Equity Fund’s companies had at least 30% women on their boards, which was higher than the Index.

Source: ISS, Parnassus Investments, as of 06/30/2022.

¹Morningstar as of 06/30/2022, based on AUM.

²GHG Emissions are calculated by ISS based on the assets under management of the Fund at portfolio weights. GHG Emissions for the Index are calculated at Index holdings at Index weights. Data are updated annually on a one-year lag so 12/31/20 is the most recent data available. Parnassus Investments calculates the aggregate percentage difference between the Fund and the Index.

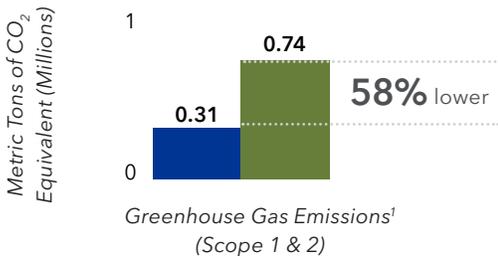
³MSCI Human Capital Development Score (0-10; higher number indicates a better score). Score indicates a company’s ability to attract, retain and develop employees based on its benefits, training and development programs, and employee engagement. MSCI provides scores for all companies in the Fund. MSCI does not provide Human Capital Development scores for 0.14% of companies in the Index. Those companies are excluded from the chart.

ESG Performance: Parnassus Mid Cap Fund

The Parnassus Mid Cap Fund invests in high-quality companies that we believe are well managed and have increasing relevancy to customers, sustainable competitive advantages and positive performance on ESG criteria. As of June 30, 2022, the Fund outperformed the Russell Midcap Index on ESG metrics due to lower greenhouse gas emissions, better workplace quality scores and more diversity on corporate boards.

● PARMX ● Russell Midcap Index

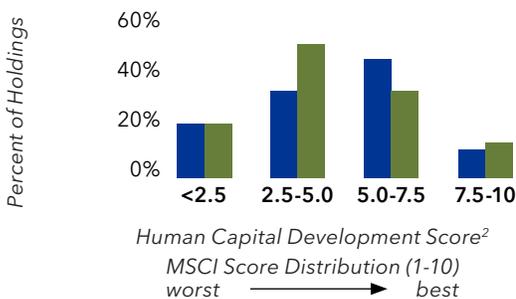
Environment: Climate Change



Parnassus Mid Cap Fund’s greenhouse gas emissions were 58% lower than the emissions of the Russell Midcap Index. The chart on the left shows total owned¹ emissions (scope 1 and 2) attributed to companies held in the Fund compared to companies in the Index.

Source: Institutional Shareholder Services (ISS), FactSet, Parnassus Investments, as of 06/30/2022.

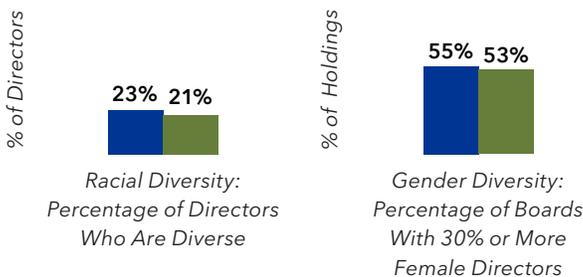
Social: Workplace Practices



The Parnassus Mid Cap Fund held companies that had higher workplace scores, on average, than the Russell Midcap Index. The Fund held a higher percentage of the best-scoring companies and a lower percentage of the worst-scoring companies, compared to the Index.

Source: MSCI, as of 06/30/2022.

Governance: Diversity on Corporate Boards



The Parnassus Mid Cap Fund’s boards were more diverse than the Russell Midcap Index. The charts on the left show:

- Racial diversity was 2 percentage points higher for the Mid Cap Fund than the Index.
- 55% of the Mid Cap Fund’s companies had at least 30% women on their boards, which was higher than the Index.

Source: ISS, Parnassus Investments, as of 06/30/2022.

¹GHG Emissions are calculated by ISS based on the assets under management of the Fund at portfolio weights. GHG Emissions for the Index are calculated at Index holdings at Index weights. Data are updated annually on a one-year lag so 12/31/20 is the most recent data available. Parnassus Investments calculates the aggregate percentage difference between the Fund and the Index.

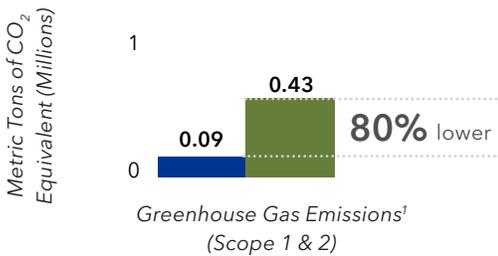
²MSCI Human Capital Development Score (0-10; higher number indicates a better score). Score indicates a company’s ability to attract, retain and develop employees based on its benefits, training and development programs, and employee engagement. MSCI provides scores for all companies in the Fund. MSCI does not provide scores for 1.9% of companies in the Index. Those companies are excluded from the chart.

ESG Performance: Parnassus Endeavor Fund

The Parnassus Endeavor Fund is a core large cap value fund that focuses on quality stocks. The Fund seeks “clean value” opportunities by avoiding controversial companies and carbon-intensive businesses. As of June 30, 2022, the Fund had better performance on ESG metrics driven by lower greenhouse gas emissions, better workplace quality scores and more diversity on boards compared to the Russell 1000 Value Index.

● PARWX ● Russell 1000 Value Index

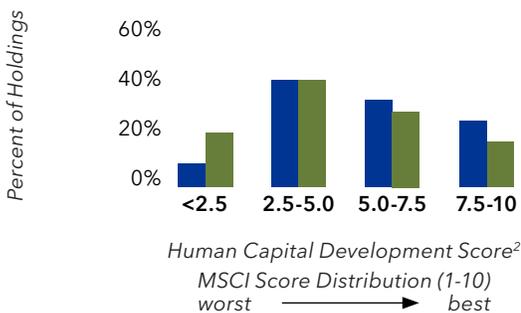
Environment: Climate Change



The Endeavor Fund’s greenhouse gas emissions were 80% lower than the Russell 1000 Value Index. The chart on the left shows total owned¹ emissions (scope 1 and 2) attributed to companies held in the Fund compared to companies in the Index.

Source: Institutional Shareholder Services (ISS), FactSet, Parnassus Investments, as of 06/30/2022.

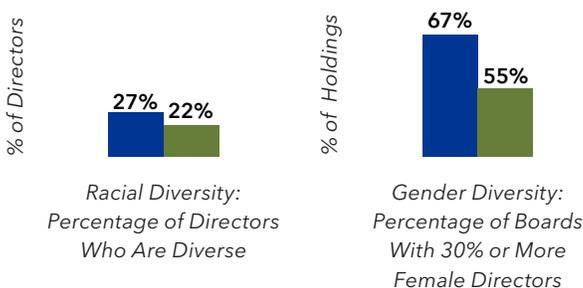
Social: Workplace Practices



The Endeavor Fund held companies that had better workplace quality scores, on average, than the Russell 1000 Value Index. The Fund held a higher percentage of the best-scoring companies and a lower percentage of the worst-scoring companies, compared to the Index.

Source: MSCI, as of 06/30/2022.

Governance: Diversity on Corporate Boards



The Endeavor Fund’s boards were more diverse than the Russell 1000 Value Index. The charts on the left show:

- Racial diversity was 5 percentage points higher than the Index.
- 55% of the Mid Cap Fund’s companies had at least 30% women on their boards, which was higher than the Index.

Source: ISS, Parnassus Investments, as of 06/30/2022.

¹GHG Emissions are calculated by ISS based on the assets under management of the Fund at portfolio weights. GHG Emissions for the Index are calculated at Index holdings at Index weights. Data are updated annually on a one-year lag so 12/31/20 is the most recent data available. Parnassus Investments calculates the aggregate percentage difference between the Fund and the Index.

²MSCI Human Capital Development Score (0-10; higher number indicates a better score). Score indicates a company’s ability to attract, retain and develop employees based on its benefits, training and development programs, and employee engagement. MSCI does not provide scores for 1.6% of companies in the Fund. MSCI does not provide scores for 0.4% of companies in the Index. Those companies are excluded from the chart.

ESG Performance: Parnassus Mid Cap Growth Fund

The Parnassus Mid Cap Growth Fund invests in U.S. mid cap growth companies that we believe have long-term competitive advantages, quality management teams and positive performance on ESG criteria. While the Fund had slightly lower average workplace scores compared to the Russell Midcap Growth Index, it delivered strong performance on environmental metrics as of June 30, 2022, compared to its Index.

● PARNX ● Russell Midcap Growth Index

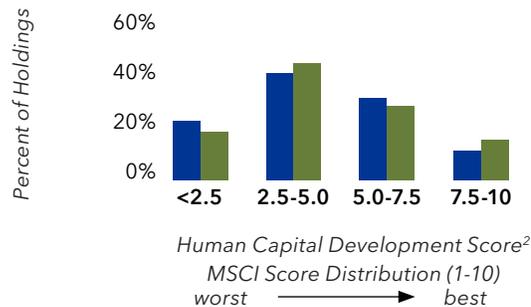
Environment: Climate Change



The Mid Cap Growth Fund's greenhouse gas emissions were 81% lower than the emissions of the Russell Midcap Growth Index. The chart on the left shows total owned¹ emissions (scope 1 and 2) attributed to companies held in the Fund compared to companies in the Index.

Source: Institutional Shareholder Services (ISS), FactSet, Parnassus Investments, as of 06/30/2022.

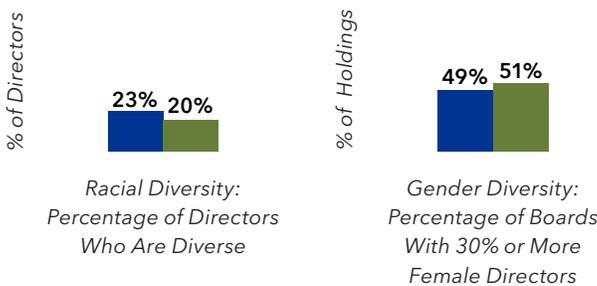
Social: Workplace Practices



The Mid Cap Growth Fund's workplace score, on average, was lower than the Russell Midcap Growth Index score. The Fund held a higher percentage of the worst-scoring companies and a lower percentage of the best-scoring companies, compared to the Index.

Source: MSCI, as of 06/30/2022.

Governance: Diversity on Corporate Boards



The Mid Cap Growth Fund held companies with a higher percentage of racially diverse directors than the Russell Midcap Growth Index. However, the Fund lagged the Index for gender diversity on corporate boards.

- Racial diversity was 3 percentage points higher than the Index.
- 49% of the Mid Cap Growth Fund's companies had at least 30% women on their boards, which was lower than the Index.

Source: ISS, Parnassus Investments, as of 06/30/2022.

¹GHG Emissions are calculated by ISS based on the assets under management of the Fund at portfolio weights. GHG Emissions for the Index are calculated at Index holdings at Index weights. Data are updated annually on a one-year lag so 12/31/20 is the most recent data available. Parnassus Investments calculates the aggregate percentage difference between the Fund and the Index.

²MSCI Human Capital Development Score (0-10; higher number indicates a better score). Score indicates a company's ability to attract, retain and develop employees based on its benefits, training and development programs, and employee engagement. MSCI provides scores for all companies in the Fund. MSCI does not provide scores for 3.18% of companies in the Index. Those companies are excluded from the chart.

Creating Impact With Green Bonds:

Parnassus Fixed Income Fund

The Parnassus Fixed Income Fund has integrated ESG factors into its investment process for 30 years. Holdings are compliant with the firm’s restricted list, and corporate issuers undergo deep fundamental and ESG research. Approximately 8% of the portfolio as of 6/30/2022 was invested in green bonds, sustainability bonds and supranational green bonds.

Highlights From the Portfolio

The Fund held 4.4% in **corporate sustainability bonds** (as of 06/30/2022). Among these holdings, Starbucks is a leading example of an issuer with a robust, ongoing program.

Starbucks’ corporate sustainability bonds primarily support the company’s Coffee and Farmer Equity (C.A.F.E.) practices. These sustainability practices are designed to address social and environmental needs of all the participants in the supply chain, from farmer to consumer. C.A.F.E. examples include sustainable agriculture practices (for example, reducing use of pesticides) and advocating for healthcare benefits for agricultural workers and education for children on site.



5.9% of the Fund was invested in **supranational and green bonds** as of 06/30/2022. Among these holdings, the World Bank Group is an issuer with a diverse and global portfolio of projects, managed through agencies such as the International Bank of Construction and Development (IBRD).

In FY 2021, IBRD reported the results of 723 projects supported by these bonds. These project commitments spanned sectors from education to water. Examples include:



Education

Delivering health services to youth in Angola—especially girls—to encourage them to stay in school



Waste

Mitigating effects of flooding on wastewater management in Pakistan, reducing people’s exposure to waterborne disease

Source: The World Bank Impact Report, 2021.

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 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.

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. 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.

Artificial Intelligence refers to computer systems that are able to perform tasks that normally require human intelligence, such as decision-making. **Green Bonds** are fixed income instruments designed to support climate-related or environmental projects. **Machine Learning** refers to computer systems that are able to learn and adapt by using algorithms and statistical models. **Science-Based Targets (SBTs)** are company-level plans and standards overseen by the Science Based Targets initiative (SBTi), which helps guide businesses to reduce their GHG emissions and lead them on a path toward decarbonization. **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 3% support in its first year, 6% after the second attempt and 10% after the third year to be eligible for resubmission.

Following is an outline of companies mentioned in the report. Each percentage listed represents the percentage of total net assets (TNA) as of 06/30/2022. **Alnylam Pharmaceuticals, Inc.** represented 1.2% of the Parnassus Mid Cap Growth Fund. **Apple Inc.** represented 2.9% of the Parnassus Core Equity Fund and 1.4% of the Parnassus Endeavor Fund. **Avantor, Inc.** represented 1.0% of the Parnassus Fixed Income Fund and 3.5% of the Parnassus Endeavor Fund. **Cable One, Inc.** represented 2.4% of the Parnassus Mid Cap Fund. **Costco Wholesale Corp.** represented 2.0% of the Parnassus Core Equity Fund. **Masco Corporation** represented 1.4% of the Parnassus Fixed Income Fund. **Microsoft Corp.** represented 6.83% of the Parnassus Core Equity Fund and 2.1% of the Parnassus Endeavor Fund. **Monolithic Power Systems, Inc.** represented 2.8% of the Parnassus Mid Cap Growth Fund. **Old Dominion Freight Line, Inc.** represented 2.4% of the Parnassus Mid Cap Fund and 2.4% of the Parnassus Mid Cap Growth Fund. **O'Reilly Automotive, Inc.** represented 1.4% of the Parnassus Fixed Income Fund, 2.4% of the Parnassus Mid Cap Fund and 2.6% of the Parnassus Mid Cap Growth Fund. **PPG Industries, Inc.** represented 2.2% of the Parnassus Mid Cap Fund. **Republic**

Services represented 3.1% of the Parnassus Mid Cap Fund. **Starbucks Corp.** represented 1.3% of the Parnassus Fixed Income Fund. **The Gap Inc.** represented 0.9% of the Parnassus Endeavor Fund. **The World Bank Group** represented 2.3% of the Parnassus Fixed Income Fund. **Veeva Systems Inc.** represented 5.1% of the Parnassus Mid Cap Growth Fund. **WM (Waste Management)** represented 2.4% of the Parnassus Core Equity Fund. **Xylem, Inc.** represented 1.2% of the Parnassus Fixed Income Fund. In anticipation of **Cerner's** acquisition by Oracle, Parnassus Mid Cap Fund sold all shares of Cerner on 03/09/2022, and the Parnassus Endeavor Fund sold all shares of Cerner on 05/12/2022. For the current holdings, please visit each fund's individual holdings web page:

<https://www.parnassus.com/parnassus-mutual-funds/core-equity/investor-shares>

<https://www.parnassus.com/parnassus-mutual-funds/mid-cap/investor-shares>

<https://www.parnassus.com/parnassus-mutual-funds/endeavor/investor-shares>

<https://www.parnassus.com/parnassus-mutual-funds/mid-cap-growth/investor-shares>

<https://www.parnassus.com/parnassus-mutual-funds/fixed-income/investor-shares>

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, or by calling (800) 999-3505.

