

Environmental Positioning

A Direct Connection to Financial Performance

In our view, a firm's environmental performance is an important indicator of company quality that should be factored into investment decisions. Assessing environmental performance in a company's operations and throughout its supply chain can uncover hidden investment risks and opportunities in areas such as water and energy use, carbon emissions, recycling and hazardous waste management.

RISKS OF INVESTING IN COMPANIES WITH POOR ENVIRONMENTAL RECORDS

In some cases, environmental issues are closely linked to overall business risk. Poor environmental practices may result in significant fines, headline risk, irreversible brand damage and costly litigation, all of which can impact a company's financial performance and position. Examples of environmental practices that can harm a company include weak programs to identify and mitigate the environmental impact of company operations, willful disregard for future regulations and unsustainable resource usage.



Watch for next month's email, where we will explore how social factors may influence company performance.

ADVANTAGES OF COMPANIES THAT ARE ENVIRONMENTAL LEADERS

Positive environmental performance can be an indicator of a strategic management team that anticipates regulatory and consumer demand shifts—and adjusts their products, services and production methods ahead of their competitors. These actions have the potential to influence positively a company's financial performance and position. Companies that perform well on these measures may:

- Demonstrate respect for the natural environment in their day-to-day operations, supporting a positive public image
- Offer innovative products and services that contribute to a sustainable future and align with evolving customer preferences
- Provide solutions that address fundamental economic problems, such as rising global water and energy needs, creating competitive edges that may translate into outsized future returns

Before investing, an investor should carefully consider the investment objectives, risks, charges and expenses of a fund and should carefully read the [prospectus](#) or summary prospectus, which contains this and other information about the fund and can be found in our [Forms and Documents](#) section of our website. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original principal cost, and you could lose money.

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