

PARNASSUS INVESTMENTS®

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October 30, 2018

Brent J. Fields
Secretary
United States Securities and Exchange Commission
100 F Street, NE Washington, DC 20549-1090

Via email: rule-comments@sec.gov

Re: Request for rulemaking on environmental, social, and governance (ESG) disclosure (File No. 4-730)

Dear Mr. Fields,

Parnassus Investments supports the request for rulemaking on environmental, social, and governance (ESG) disclosure. The lack of comprehensive, comparable, and reliable data hinders investor efforts to most effectively incorporate ESG information into investment decisions.

Parnassus is the largest responsible investment mutual fund company in the United States, managing \$25 billion for clients. As responsible investors, we integrate ESG research into our investment process. Parnassus is also a member of US SIF: The Forum for Sustainable and Responsible Investment, which has called for robust ESG [disclosure](#) reporting since 2009. Meaningful disclosure reporting is beneficial to a wide array of stakeholders.

U.S. regulatory requirements and voluntary efforts have failed to produce the consistent, comparable data that a rapidly growing community of retail and institutional investors seek to make investment and proxy voting decisions.

There is a mounting volume of literature pointing to the links between environmental, social, and governance factors and corporate financial performance. For example:

- In 2015, Deutsche Asset & Wealth Management and Hamburg University published an article titled ESG and financial performance: aggregated evidence from more than 2,000 empirical studies. The team conducted a meta-analysis of over 2,000 empirical studies since the 1970s, making it the most comprehensive review of academic research on this topic. They found that the majority of studies show positive findings between ESG and corporate financial performance (CFP). "The results show that the business case for ESG investing is empirically very well founded. Roughly 90% of studies find a nonnegative ESG–CFP relation. More importantly, the large majority of studies reports positive findings. We highlight that the positive ESG impact on CFP appears stable over time."
- A 2015 report by the Morgan Stanley Institute for Sustainable Investing found that "investing in sustainability has usually met, and often exceeded, the performance of comparable traditional investments." This is on both an absolute and a risk-adjusted basis, across asset classes and over time, based on its review of U.S.-based mutual funds and separately managed accounts. "Sustainable equity mutual funds had equal or higher median returns and equal or lower volatility than traditional funds for 64 percent of the periods examined."

Disclosure should be geared toward all types of investors, from the average investor to the sophisticated to the professional financial analyst. Every segment of the investor community is entitled to have access to all the information they deem necessary and material - regardless of size, interests, and sophistication.

We ask the Commission to require all registrants, regardless of size, to report annually on a comprehensive, uniform set of sustainability indicators comprised of both universally applicable and industry-specific standards.

With respect to reporting standards, we encourage the Commission staff to review several leading sustainability disclosure guidelines and frameworks, including [US SIF's proposal](#), the Global Reporting Initiative (GRI), CDP (formerly known as the Carbon Disclosure Project), the Climate Disclosure Standards Board, the UN Guiding Principles Reporting Framework, Ceres/Investor Network on Climate Risk (INCR), the Sustainability Accounting Standards Board (SASB), the International Integrated Reporting Council (IIRC), UN Global Compact, Dow Jones Sustainability Index, and stock exchange listing requirements for sustainability disclosures, among others. Additionally, the Commission should provide training to its staff on sustainability indicators and risks, as well as have regular dialogues with investment professionals on this matter.

Sincerely,



Benjamin E. Allen
Chief Executive Officer, President, Portfolio Manager
Parnassus Investments