March 21, 2025

To: Liane M. Randolph
Chair
California Air Resources Board
1001 I Street, Sacramento, CA 95814

From: Marian Macindoe
Managing Director, Sustainable Investing Strategy
Parnassus Investments
1 Market Street, Suite 1600. San Francisco, CA 94105

Re: Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219

Dear Ms. Randolph,

We write today on behalf of Parnassus Investments ("Parnassus") in support of the robust implementation of the Climate Corporate Data Accountability Act, re: SB 253 and the Climate-Related Financial Risk Act re: SB 261 ("the Laws"). Parnassus commends the California Air Resources Board (CARB) for its solicitation of market feedback. We believe the California Laws are reasonable in scope and satisfy investors' need for transparent climate disclosures. In addition, we support the proposed timeline for compliance and phase-in of requirements.

Parnassus Investments follows an integrated and research-driven investment process, analyzing companies based on fundamental and valuation data, and sustainability factors. As of December 2024, we managed over $45.6 billion in client assets across a focused set of actively managed investment strategies. Parnassus believes that high-quality companies, with strong fundamentals and sustainable business practices at attractive valuations, offer compelling long-term investment opportunities. Our investment team defines high-quality companies as businesses that have increasingly relevant products or services, durable competitive advantages, strong management teams, and sustainable business practices. We believe that incorporating material climate-related research into the decision-making process can improve investment outcomes.

Climate change-related physical and transition risks threaten to reduce the value of assets, increase insured and uninsured losses, and disrupt businesses' operations and supply chains. For decades, investors have requested information on companies' climate-related risks and greenhouse gas (GHG) emissions to understand company-specific financial exposure to climate change impacts. At Parnassus, we consider financially relevant climate change and related factors in portfolio construction, in proxy voting, and in engagements with companies held in our funds.

For example, as part of the Parnassus investment process, companies of interest undergo a sustainability assessment prior to investment and at least annually post-investment. This assessment may include an analysis of companies' climate risk identification and management and an evaluation of Scope 1-3 emissions, emissions intensity, relative performance, and commitment to reduce emissions over time. Improved Scope 1, 2, and 3 data should directly benefit our ability to assess relative risks and opportunities, improve the quality of the data we use, and level the playing field for reporters within and across sectors and across market capitalizations. In addition, Parnassus uses material climate risk and emissions information to inform our corporate engagement program and proxy voting. In short, the Climate Corporate Data Accountability Act and Climate-Related Financial Risk Act would streamline and strengthen our investment analysis, engagement, and proxy voting decisions.

Furthermore, climate disasters are devastating communities and undermining California's economy, illustrating the rising importance of climate risk reporting. From 1980 to 2024, there were 46 confirmed weather/climate disaster events with losses exceeding $1 billion each to affect California.[1] The tragic January 2025 wildfires in Southern California are estimated to have total economic losses of more than $250 billion, making it one of the costliest natural disasters in U.S. history.[2] The Laws support not only the management of emissions and climate risk by the estimated two-to-three thousand companies that will be subject[3] but also mitigate financial risks to investor portfolios, state budgets, and California residents.

[1] National Centers for Environmental Information (NCEI/NOAA): *Billion-Dollar Weather and Climate Disasters; California Summary*
[2] Los Angeles Times: *Estimated cost of fire damage balloons to more than $250 billion*
[3] Ceres: *Companies Covered by Climate Disclosure Laws: An Updated Estimate*

The California Laws are also an opportunity to align with global climate reporting standards; give companies regulatory consistency; and provide investors and other stakeholders with consistent, reliable, and decision-useful information. Specifically, Parnassus supports the following key principles of the Laws:

1. **Robust Reporting**: full scope emissions disclosure is helpful, including corporate value chain or Scope 3 emissions – which are on average 26 times higher than operational emissions.[4] Given its complexity, material Scope 3 emissions reporting should contain reasonable safe harbor provisions for all companies for misstatements about Scope 3 made with reasonable basis and disclosed in good faith.
2. **Alignment With Global Norms**: many companies already report GHG emissions and climate risk metrics voluntarily in alignment with the Greenhouse Gas Protocol and the TCFD recommendations. The EU Corporate Sustainability Reporting Directive (CSRD) and consolidation of climate reporting frameworks around the IFRS Foundation's ISSB Standards, provides a further opportunity for California and companies to achieve consistent and comparable reporting. We appreciate California's codification of these widely accepted standards to provide high-quality information and limit reporting costs for companies and investors.
3. **Prioritize Public Access to Data:** California investors, consumers, and other stakeholders require transparency from companies on climate-related information. It is important that CARB ensures the data reported by companies is made available to market actors and the public alike.

We believe inclusion of the above principles of the Laws will improve Parnassus' investment, engagement, and proxy voting decisions; promote more efficient use of investor and company resources; and help manage risks to the people of California. Parnassus is grateful to CARB for the attention it is giving to this important investment and market issue. Thank you for your time and consideration of our comments.

Sincerely,

Marian Macindoe
Managing Director, Sustainable Investment Strategy

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[4] Boston Consulting Group and CDP: *Corporates' Supply Chain Scope 3 Emissions are 26 Times Higher Than Their Operational Emissions*