



Westmount's **Environmental, Social and Governance** (ESG) Portfolio allocates clients across a diverse selection of investment managers that directly support innovative companies driving positive social change. Westmount's ESG managers are aligned with the United Nations Sustainable Development Goals, a globally recognized framework adopted by the U.N. General Assembly to collaboratively tackle humanity's most pressing issues.

PORTFOLIO SPOTLIGHT: PARNASSUS FUNDS

Since 1984, Parnassus Investments has sought out companies that provide superior returns to investors while implementing sustainable business practices. As the largest pure-play ESG mutual fund company in America, Parnassus leverages their size to drive social impact through meaningful engagement with executive management. The **Parnassus Core Equity Fund (Large Cap U.S.)** plays a significant role in the equity sleeve of our ESG portfolio. It not only has the highest weighting, but also meaningfully contributes to the portfolio's impact profile.

Here's a look at some of the initiatives Parnassus has recently undertaken:



PUSHING FOR SUSTAINABLE PRACTICES

In 2015, Parnassus held a position in a multibillion-dollar confectionary conglomerate. The company had been drawing criticism from shareholders for years

over its environmental footprint and faced repeated calls for better reporting around its climate impact and labor relations.

Also of concern to shareholders—and Parnassus—was the fact that this company had yet to fully adopt recyclable packaging in its products and remained one of the last companies in its industry to do so. Given the global scale of its operations and shareholder sentiment toward sustainability in general, this was a major issue.

As a result, between 2015 and 2016, Parnassus repeatedly urged senior management to update their packaging. In a move designed to placate active shareholders, the company pledged to make efforts to “reduce overall packaging” but effectively did nothing until a new CEO took over in 2017.



Sensing that the new leadership had a more progressive stance on environmental issues compared to its predecessor, Parnassus quickly scheduled a meeting to present their concerns. Only a few months later, the company disclosed to Parnassus new plans to update its packaging design and materials for all products globally in order to reduce its overall environmental impact.

Have questions about our ESG portfolio? Call [310-556-2502](tel:310-556-2502) or visit westmount.com to speak with a Westmount advisor.



COMBATING THE OPIOID CRISIS

In 2017, there were more than 2 million Americans suffering from some form of opioid addiction. The epidemic had grown so widespread that the U.S. Department of Health and Human Services moved to declared it a public health emergency later that year. Although the move has drawn more attention to the issue, finding meaningful solutions to address the crisis has proven difficult.

Recognizing the severity of the crisis, Parnassus decided to engage with senior management at two major drug giants over their distribution practices. Intending to have a meaningful discussion about allegations that these groups had been neglecting their legal obligations to monitor controlled substance distribution and ensure that only authorized shipments and orders were being fulfilled, Parnassus found the responses from both management teams to be delayed and insufficient. When it became clear that neither firm was willing to thoughtfully cooperate, Parnassus sold both holdings.



When Parnassus approached retail drug distributor CVS Health with similar concerns, the ensuing discussion yielded a different result: the head of Corporate Social Responsibility at CVS confirmed that the company had already taken steps toward actively addressing opioid abuse both behind the pharmacy counter and with the patient community. CVS has also confirmed that it is actively monitoring and enforcing limits on prescriptions, training pharmacists and offering safe drug-disposal receptacles to the public. Consequently, Parnassus decided not to divest its holdings.



FIGHTING SUPPLY CHAIN SLAVE LABOR

When Parnassus discovered that one of its portfolio holdings—a major food distributor with a global footprint—was among several corporations using slave labor to catch fish in Indonesia¹, it immediately engaged with leadership to eliminate slavery from the company’s supply chain.

While this particular holding had various social auditing programs in place for key product lines, such programs had not yet been introduced enterprise-wide. However, to its credit, the company did indicate that it was willing to start moving in

that direction. With Parnassus’ help, the company implemented a comprehensive supplier code of conduct, terminated the contracts of 38% of its seafood suppliers for noncompliance, hired a team with local language expertise to monitor suppliers on the ground and partnered with the World Wildlife Foundation, which maintains a database of acceptable and controversial suppliers, to audit its branded seafood business.

Three years later, the company remains an important part of the Parnassus portfolio, continuing to return value to shareholders while also doing its part globally to oust unscrupulous suppliers that would otherwise continue to operate.

¹ Source: Parnassus ESG Engagement Impact Report, February 2019