CLIMATE DISCLOSURES (TCFD)

For 2022, Parsons has elected for the first time to disclose our climate-related governance, risk management, and metrics utilizing the Task Force on Climate-Related Financial Disclosures (TCFD) framework.

Governance

Board Oversight

Parsons' highest governance body is the Board of Directors (BOD), which consists of 11 members as of July 25, 2022. The company's president and CEO is chair of the board which includes a lead independent director. The board has three committees: Audit and Risk (A&R); Compensation and Management Development; and Corporate Governance and Responsibility (CG&R).

The CG&R Committee is responsible for oversight of Environmental, Social, and Governance (ESG) including climate-related topics. The CG&R Committee provides oversight of our overall climate-related strategy and risks, major plans of action (including setting objectives and/or targets), implementation and performance monitoring, and review of disclosures. The VP, ESG provides quarterly briefings to the CG&R Committee on a range of topics including those that are climate related. We are committed to holding semi-annual climate-focused meetings to address GHG emissions (including progress towards goals) and climate-related strategy.

The A&R Committee has oversight of our Enterprise Risks Management (ERM) program including climate-related risks. The A&R committee reviews risk management procedures and risk factors affecting Parsons and is briefed quarterly by the EVP, Corporate Risk.

Management's Role

Our CEO leads the Executive Leadership Team (ELT), comprised of senior executives representing all business units (BUs) and corporate functions. Our CEO holds overall executive-level responsibility for ESG at Parsons including climate-related issues, policies, risks, and opportunities. Primary responsibility for climate-related risk and opportunity identification and management is assigned to VP, ESG, reporting to the ELT through the Chief Business Operations Officer. Additionally, Parsons' ESG Steering Committee is comprised of representatives from Operations, Finance, Human Resources, Communications, Legal, and all BUs.

The ELT holds Monthly Management Reviews (MMRs) with updates from all BUs and corporate functions. ESG updates (including climate) are given monthly as a part of the Operations update – targeted climate related updates are provided as needed to inform the ELT. Parsons sets annual targets for its six core values, including sustainability, with monthly updates on progress towards targets.

Strategy

Climate-Related Risks

In the Fall of 2022, Parsons conducted climate-risk and opportunity workshops with senior leadership from the BUs representing a cross-section of the geographies and markets in which we operate. We conducted additional workshops with relevant corporate functions (i.e., Safety, Procurement, and Real Estate) to better understand the management of risks.

For the purposes of climate-related risks and opportunities, we defined time horizons as shown in the following table:

	From (years)	To (years)
Short-term	0	3
Medium-term	3	10
Long-term	10	80

Below are the risk types considered during our climate-related risks assessments:

Risk	Response
TRANSITIONAL RISKS	
Current Regulation	Parsons tracks regulatory updates across the geographies in which it operates to evaluate compliance, client/project impacts, and potential risks. We have seen actual and proposed climate-related regulatory actions and have considered the effects of compliance and potential impacts to our business. In 2022, the Securities and Exchange Commission (SEC) proposed rules to enhance and standardize climate-related disclosures for investors. As a United States-based company, we have undertaken preparations for the rules as proposed and continue to monitor the development of the final rules to ensure our compliance. We have also seen legislation to end the sales of internal combustion engine vehicles which may increase demand for electric vehicle (EV) infrastructure. If the current limited availability of EV vehicles continues, we may be unable to procure EVs needed for our operations. At COP26 there were public and private commitments to act on climate change which may have positive and negative impacts on our services. The passage of The Inflation Reduction Act of 2022 in the United States is estimated to create investments of $369B USD in energy security and climate change over the next 10 years which may create risk if we fail to address changing client expectations, but also represents potential opportunities to expand existing services.
Emerging Regulation	Our business could see negative and/or positive impacts from potential future climate-related legislation. Regulation to report and reduce greenhouse gas (GHG) emissions may create opportunities to assist clients with calculations of emissions. Efforts to reduce GHG emissions from projects may increase project costs causing clients to cancel, postpone, or reduce the volume of projects to meet budgets. Transportation project funding is heavily reliant on gas taxes for funding. Therefore, a transition to EVs without new funding sources could reduce budgets for transportation projects. We also see the potential for additional legislation to end the sales of internal combustion engine vehicles in a broader geographic area, which may increase demand for EV infrastructure. If the current limited availability of EV vehicles continues, we may be unable to procure EVs needed for our operations.
Technology	Technology is a standard risk in Parsons' ERM, including climate-related technology. With the pace of technology change, Parsons faces a risk of falling behind competitors or experiencing business impacts due to an unknown disruptive technology. There is also the risk that new technologies fail to deliver on expectations. For example, GHG emissions for the lifecycle of a project could be higher than expected, based on predictive calculations for an emerging carbon capture technology. Furthermore, to deliver on potential future client demands for sustainable infrastructure, Parsons will be reliant on other companies to deliver solutions that depend on the supply chain for components such as sustainable materials, electric vehicles, or direct air capture for the removal of atmospheric carbon emissions.
Legal	Parsons' monitors regulatory changes to ensure full compliance in the geographies in which we operate. We could face climate-related legal implications for our projects. For example, the corporation could face litigation if we fail to deliver climate-related contractual requirements. Our project risk evaluation process considers legal implications during the pursuit phase and is also monitored during the execution phase.
Market	Parsons' business could be impacted by climate-related market changes. An inability to hire, train, and retain talent to meet client needs could limit our ability to win future work. The energy transition may also create more opportunities to provide services in the markets of EV infrastructure, mass transit, fleet electrification and zero emission vehicles, energy conservation, and renewable energy. We could also see increased demand for sustainable and low-carbon infrastructure solutions. Our clients' physical risks may create opportunities in resilience, mitigation, and adaptation due to changes in weather patterns, sea level rise, rising mean temperatures, and increased severity of weather events.
Reputation	Expectations around ESG matters, including climate change, are rapidly evolving with increased stakeholder scrutiny regarding transparency, target-setting, and performance reporting. Parsons risks reputational damage if we fail to adequately address these expectations with potential impacts, including loss of business, inability to attract and retain talent, and negative shareholder views.
PHYSICAL RISKS	
Acute Physical	Acute physical risks from the increased severity of weather events may pose a risk to our leased spaces and to our staff. Parsons leases 100% of its facilities and physical damage to buildings in which we operate would not be our responsibility but could cause impacts to operational continuity. Parsons can mitigate the risk of physical damage to assets within our leased facilities through insurance. Potential loss of functionality in any physical office location is mitigated by contingency planning and flexible/remote work for many employees.

Risk	Response
	As Safety is a core value for Parsons, we are committed to maintaining the health and safety of our employees in the face of changes to the climate over time. Increased severity and frequency of extreme weather events can impact our employees' ability to work, even remotely. This requires the corporation to balance the demand for local staff by certain clients with the potential safety and continuity benefits of relocation or consolidation of leased offices and remote work locations. Furthermore, employees working outdoors and on project sites may need to reduce working hours due to extreme heat and other weather events.
Chronic Physical	Chronic physical changes in precipitation, variability in weather patterns, and rising mean temperatures present risks to our leased spaces and our staff, like the acute physical risks discussed above. Rising temperatures in particular present a risk to the safety of our outdoor and on-site staff. Increased temperatures may change the prevalence and geographic distribution of diseases borne by vectors such as fleas, ticks, and mosquitos. We could also experience new or increased exposure to biological hazards that thrive in warmer environments. Air quality may be impacted by increases in ground-level ozone, air pollution, and wildfires. Extreme weather events may affect the mental health of our employees. While extreme cold weather incidents may be reduced, this is likely offset by an increase in heat-related incidents.

Climate-Related Opportunities

While climate change may present risks to Parsons, it may also present opportunities for the business. Investments in low-carbon materials, technologies, and energy sources present opportunities to expand or add new services. While the physical impacts of climate change will have devastating social and environmental impacts, it may present opportunities around resilience, mitigation, and adaptation.

LOW CARBON AND ENERGY TRANSITION

Services we may be able to expand or add to support lower carbon products and the energy transition include:

- Fleet electrification
- Electric vehicle infrastructure
- Mass transit
- Smart city technology
- Green buildings
- Sustainable infrastructure
- GHG emissions calculation and reporting
- Low carbon energy generation
- Energy transmission
- Mining for critical materials

RESILIENCE, MITIGATION, AND ADAPTATION

Services we may be able to expand or add to support resilience, mitigation, and adaptation to climate change include:

- Hardening of existing infrastructure
- Flood protection and mitigation
- Natural disaster management and recovery
- Climate risk and vulnerability assessments
- Green infrastructure/Low-impact development
- Coastal protection
- Water resources
- Asset management
- Resilience mitigation planning

Scenario Analysis

To understand the resilience of our strategy, we considered two different scenarios. The first was a "Paris Agreement" scenario where the global average temperature increase is held between 1.5-2°C. We also considered a "Business as Usual" scenario aligned with a 4°C temperature increase. In discussions during workshops we agreed that the risks and opportunities in both scenarios were likely to be the same in many aspects, with the key difference being the level of impact on the business.

"PARIS AGREEMENT" SCENARIO

Under the "Paris Agreement" scenario, we expect that in addition to a lower level of temperature rise there will be a less significant increase in natural disaster frequency and severity due to the implementation of proactive mitigation measures. We also expect robust investment in the energy transition, increased adoption of electric vehicles (EVs),

energy conservation, less water stress, increased adoption of GHG reporting, increased pricing of GHG emissions, and greater adoption of sustainable infrastructure and construction materials.

"BUSINESS AS USUAL" SCENARIO

Under the "Business as Usual" scenario we expect a more significant increase in natural disaster frequency and severity, increased sea-level rise, and more extreme variations in temperature and precipitation over time. Resource scarcity, particularly water, could cause geopolitical instability, while famine could create climate refugees. We would expect increased spending, versus the "Paris Agreement" scenario required for recovery, mitigation, and adaptation to offset physical impacts and improve infrastructure resilience, but lower spend on the energy transition.

Risk Management

Risk and Opportunity Identification Process

In 2022, Parsons performed a detailed analysis of the risks and opportunities presented by climate change. Through surveys and discussions with the ELT, we determined governance of climate, a process for identifying risks and opportunities, and integration into our ERM.

Climate-risk and opportunity is incorporated into our overall ERM process and managed by our ESG team. To identify risks and opportunities, the ESG team first performed an initial assessment of potential risks and opportunities as a starting point for further discussions. The ESG team then completed work sessions with senior leaders from our four BUs, our Middle East geography, and relevant corporate functions. Preliminary meetings led by the ESG team introduced the TCFD framework, presented definitions of transition and physical risks, introduced the concept that client risks can be Parsons' opportunities, and concluded with the identification of specific preliminary risks and opportunities. Participants were then asked to conduct research on their specific markets and geographies to further identify risks and opportunities in the realm of transitional and physical risk for the short, medium, and long-term timeframes. Follow up work sessions were held to share and discuss findings and discuss mitigation actions. The ESG team consolidated results from meetings and research for internal and external reporting.

While we have not yet released financial estimates for climate risks and opportunities, we have considered the potential impacts on the business during our internal processes. For internal discussions, we define a "substantive" financial impact as one that is greater than or equal to 5% of Parsons' revenue, either positive or negative.

Managing Climate-Related Risks

While we created a specialized process for the identification of climate-related risks and opportunities, as described above, the overall management of the identified risks still falls within our ERM processes and procedures. Parsons has identified 26 unique risks to the corporation overall, which we assess annually and continually monitor. Our EVP, Corporate Risk reports to our Chief Legal Officer and is responsible for the administration of our ERM. The A&R Committee provides Board oversight.

ERM helps develop and foster a risk-intelligent culture throughout the corporation and provides reasonable assurance that our strategy and business objectives will be achieved by encouraging proactive risk-management practices that are integrated with strategy setting, operations planning, and performance management. This includes considering risk as part of strategy development. The ERM process also includes anticipating and addressing emerging risks and continuously improving governance processes and internal controls. BUs and corporate management convey their understanding and control of risks that could significantly impact the corporation through their risk assessments. The process encompasses the following components:

- Strategy – The plan to achieve our mission and vision is integral to the ERM process.

- Objectives – Strategic objectives and financial targets provide the proper context for evaluating and mitigating risks.
- Identification– Significant opportunities and threats to the objectives are identified.
- Assessment – Selected risks are periodically assessed, considering likelihood and potential impact.
- Monitoring – Risks and controls are regularly monitored.
- Communication – ERM activities are reported to the ELT, business management, and the A&R Committee.
- Response – Action plans are established as needed and tracked to address significant risks

As a part of the annual risk assessment, risk owners develop the following:

- Current Comments – A brief narrative is provided, describing specific threats and opportunities; highlighting changes to the probability, impact, and overall risk rating; and discussing circumstances currently affecting the risk.
- Risk Level – The risk owner's professional opinion of the level of risk against tolerance guidelines, considering both likelihood and impact. Risk levels are evaluated for both the inherent risk (prior to mitigation action) and residual (reflecting existing mitigation activities) states. Standard risk definitions, tolerance guidelines, and mitigation activities for each risk ensure that ratings are applied consistently across the company.
- Control Activities – The company's primary controls to mitigate the inherent risk to the residual level. Action Plans – Brief description of actions planned to move the residual risk level closer to the optimal range. Action items are required for items outside of the company's risk appetite (those rated High or Low). Descriptions include the responsible party and estimated completion date.
- Impact Score - Residual risks are assigned an impact score of 1 to 5, respectively, for immaterial, low, moderate, significant, or very significant impact on the operation's ability to meet strategic objectives and/or financial targets.

The EVP, Corporate Risks develops an annual ERM report that summarizes the ERM process, which is reviewed by the ELT and corporate risk advisory committee. An executive summary brief is prepared for A&R Committee's July meeting outlining the findings of the corporate ERM report. The executive summary focuses on the higher-level enterprise risks and current prevailing emerging risks. The detained report itself is made available to members of the A&R Committee members upon request.

Metrics and Targets

In 2021, we set a target of 20% reduction in absolute Scope 1 & 2 emissions by 2025 compared to a 2019 baseline. We developed this target to be in line with the 2°C scenario developed by the Paris Agreement. Parsons publishes GHG emissions, energy usage, and leased space using the operational control method defined by the Greenhouse Gas Protocol. We also track and report Scope 3 emissions but, to date, have not established a reduction target. We set annual internal targets for reduction in our area (in square feet) of leased office space as a proxy for emissions reduction, as our Scope 1 & 2 GHG emissions are primarily tied to the square footage of leased space. Parsons is also currently evaluating methodology to calculate ESG-related revenue and climate-related revenue impacts.

The tables below show reported absolute emissions, emissions intensity (normalized by revenue), and leased office area for the 2019, 2020, and 2021 reporting years. Additional information on the calculation boundary, Scope 3 categories included, methodology, estimates, and omissions can be found in our ESG report. We continuously strive to improve our calculations using evolving best practices and improvements in data collection.

ABSOLUTE EMISSIONS BY SCOPE (LOCATION BASED)

$mtCO_2e$ Per Year	2019	2020	2021
Scope 1	4,592	4,163	4,230
Scope 2	14,457	12,648	11,474
Scope 3	52,171	31,708	30,571
Total	71,220	48,716	46,462
Scope 1 & 2	19,049	16,811	15,704
Scope 1 & 2 % change from 2019 baseline	n/a	-11.7%	-17.6%

EMISSIONS INTENSITY (LOCATION BASED)

Metric	Unit	2019	2020	2021
Scope 1 & 2 Emissions	mtCO2e	19,049	17,008	15,891
Revenue	Millions USD	3,955	3,919	3,661
Revenue Intensity	mtCO2e per million USD	4.81	4.34	4.34

ANNUAL LEASED SPACE

Metric	2019	2020	2021
Square Footage	2,339,810	2,118,066	1,961,304
Leased area % change from 2019 baseline	n/a	-9.5%	-16.2%

CARBON PRICE

For the first time in 2022, we are setting an internal price of carbon at $51/metric ton, which is the social cost of carbon established by the United States government. We are applying a shadow price to be used in long-term business planning and investment. We are committed to continue evaluating how to best utilize carbon pricing to further our climate goals and drive employee best practices.

TCFD Index

Disclosure	Response
GOVERNANCE	
Describe the board's oversight of climate-related risks and opportunities	Parsons' Corporate Governance and Responsibility Board Committee has oversight of all ESG matters including climate-related issues. The VP, ESG provides quarterly briefs to the Committee.
Describe management's role in assessing and managing climate-related risks and opportunities.	Parsons' CEO has the highest responsibility for climate change. Our ESG Steering Committee, comprised of leadership across corporate functions and business unit leaders, is led by the VP, ESG who has primary responsibility for climate-related risks and opportunities.
STRATEGY	
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Climate-related risks and opportunities and their impact are discussed in detail in this document: Strategy
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	To evaluate our strategy's resilience, we considered a "Paris Agreement" 2°C or lower scenario in line with the 2015 Paris Agreement and a "Business as Usual" 4°C scenario.
RISK MANAGEMENT	
Describe the organization's processes for identifying and assessing climate-related risks.	Climate-related risks and opportunities are included in our Enterprise Risk Management (ERM) led by our EVP, Corporate Risk. Led by our VP, ESG, we perform workshops with our Business Units (BUs) and corporate functions to evaluate market- and geographic-based climate-related risks and opportunities.
Describe the organization's processes for managing climate-related risks. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Through our overall ERM process, we conduct an annual risk assessment including identification of risks, unmitigated risk, mitigation activities, mitigated risk, and action plans. The Board Audit & Risk Committee has risk oversight with quarterly updates from our EVP, Corporate Risk.
METRICS AND TARGETS	
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Parsons reports Scope 1, Scope 2, and material Scope 3 absolute emissions and emissions intensity. We also track and report the square footage of our leased home-office facilities, which is the main driver of our Scope 1 and Scope 2 emissions.
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	GHG emissions below are for 2021: • Scope 1 – 4,230 $mtCO_2e$ • Scope 2 (Location-based) – 11,661 $mtCO_2e$ • Scope 3 (Material) – 30,571 $mtCO_2e$
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Parsons has committed to a 20% reduction of absolute Scope 1 and Scope 2 GHG emissions by 2025 from a 2019 baseline.