*Version March 23, 2023*

# Parsons ESOP Highlights

The Parsons Employee Stock Ownership Plan (the ESOP) is an important retirement benefit at Parsons. The ESOP offers Parsons' employees a unique opportunity to participate in a valuable employee ownership program. This program serves as an incentive for employees to work hard to help ensure the company's success. This, in turn, provides employees the opportunity to share in the financial performance of the company.

The following plan features and benefits overview explains eligibility for participation as well as your benefits under the plan. You should consult the Summary Plan Description (SPD) or Plan Document to obtain more detailed information about the ESOP. If information contained in this Highlights differs from the applicable provisions of the Plan Document, the Plan Document will govern. Parsons reserves the right to amend the Plan, subject to legal requirements.

## How does the ESOP work?

The ESOP is a defined contribution stock bonus plan. All benefits in the ESOP are company funded. The assets of the ESOP are held in a trust and are invested entirely in the common stock of Parsons. Individual accounts are maintained for each eligible participant reflecting their share of the ESOP's ownership of the common stock of Parsons.

Annually, the Parsons Board of Directors determines how much Parsons Corporation common stock will be contributed to the ESOP. An allocation is then made to participant accounts based upon eligibility, employment status, and covered compensation. Once the annual allocation is complete, participants receive a statement reflecting their individual account information, including the previous year's allocation.

Participants are vested in their ESOP account balances based upon their length of service with Parsons and its affiliates. Once a participant becomes fully vested, there are specific criteria that must be met (for example, achieving retirement age) to receive distributions from their ESOP account.

## How do I become eligible to receive ESOP contributions?

Eligibility is based upon your employment status and length of employment. Regular, full-time and part-time employees of Parsons and its affiliates that are designated as ESOP Member Companies, begin participation in the ESOP after completing 1,000 hours of service in twelve calendar months. Your plan entry date is retroactive to January 1 of the calendar year in which you first reach the 1,000-hour requirement

You are not eligible to participate in the ESOP if you are covered by a collective bargaining agreement unless the collective bargaining agreement provides for participation in the ESOP. Further, casual employees, employees of international subsidiaries or affiliates, and employees of certain U.S. entities or non-Member Companies are not currently eligible to participate in the ESOP.

## Can I contribute to the ESOP?

No, participants cannot contribute to the ESOP. All contributions are funded by Parsons and its affiliates.

## How is the ESOP funded?

The ESOP is entirely funded by Parsons and its affiliates in the form of common stock.

## Where do the assets come from?

Annually, the Parsons Board of Directors determines how much Parsons common stock will be contributed to the ESOP. An allocation is then made to each eligible participant's ESOP account to reflect the participant's share of the ESOP trust's ownership. This allocation of company stock is based upon the individual participant's eligibility, employment status, and covered compensation.

In addition, there may be shares of Parsons common stock held in the ESOP that have been forfeited from accounts of participants who terminate employment prior to becoming fully vested. These shares may be reallocated among eligible participants as part of the annual allocation in the exact same manner as the company contributions are allocated.

You will receive an annual statement from the plan administrator that provides your ESOP account balance and other information about your ESOP account.

## How much will Parsons contribute to my ESOP account each year?

Each year, the Parsons Board of Directors determines the overall ESOP contribution. The contribution is allocated proportionately to each eligible participant. Your allocation of shares is based upon your covered compensation. For example:

$$\frac{\textbf{Your Covered Compensation}}{\textbf{Aggregate Covered Compensation}} \times \textbf{Contributed and Forfeited Shares} = \textbf{Your Share Allocation}$$

### *Certain IRS limits apply:*

Under federal tax law, there are limits that apply to the amount Parsons can contribute to your ESOP account in any given year.

> Compensation limit: Federal tax law limits the amount of a participant's compensation that may be considered in any given year for purposes of an allocation of contributions under the ESOP. For 2023, the maximum annual compensation allowable for consideration is $330,000.
>
> Contribution limit: There is an IRS limit for the total contributions allowable to both plans in the Parsons Retirement Benefits Program: the ESOP and the 401(k) Plan. The annual contribution limit is $66,000 (or 100% of your total compensation, whichever is less) for 2023. If you are over age 50, the annual limit does not include the $7,500 additional catch-up contribution that you may defer to your 401(k).

Contributions considered in this calculation include your contributions to the 401(k) and any employer contributions to your defined contribution plan accounts (including the 401(k) plan and ESOP). If any amounts allocated to your accounts exceed the IRS annual limits, you will be notified. Earnings on any refunded amounts must also be deducted from your accounts. You will be notified if your allocations must be reduced because of these limits. If you participate in more than one defined contribution individual account plan of the company, your allocations to other defined contribution plans will be reduced before your allocations under the ESOP are reduced. The limit first applies to your contributions to the 401(k). Your excess 401(k) contributions along with any investment earnings or losses on those excess amounts will be returned to you. All contributions will continue to be based upon your eligibility, employment status, and covered compensation.

### What compensation is used to determine my contribution?

Covered compensation for an eligible employee under the ESOP generally includes base pay, overtime pay, and assignment premiums included in base pay, paid by an ESOP Member Company provided that the covered compensation is subject to withholding under the Federal Insurance Contributions Act (FICA), which are also known as social security and Medicare taxes. Bonuses, relocation expenses, and most other reimbursements are excluded from covered compensation.

### Are dividends allocated to my account?

In connection with the May 2019 IPO, the company paid a special dividend of approximately $52 million to the ESOP Trust (equal to $2/share). The Trust used those funds to pay cash settlements associated with participant distribution requests through the conclusion of what was known as the "lock-up" period, when shares could not be publicly traded for 180 days following the IPO. The shares of stock redeemed by the Trust as a result of those transactions will be allocated to ESOP participants proportionately based upon their share balances as of the dividend record date, April 3, 2019.  As a hypothetical example, if there are 1,000 outstanding units held by all Participants in the ESOP, and you hold 10 units, you will receive an allocation of 1% of the shares redeemed by the Trustee during the lock-up period. This stock allocation is in addition to the normal annual contribution associated with annual eligible wages and made as of December 31, 2019 and will be reflected on your annual ESOP statement delivered in early 2020.If the Board of Directors declares a dividend on the shares of Parsons common stock, this dividend will be allocated proportionately to participant accounts.

### How do I become vested in my ESOP account?

Vesting refers to the percentage of your account that you are entitled to receive based on calendar years in which you work at least 1,000 hours. As of January 1, 2020, you become vested according to the following schedule:

| Years of Vesting Service | Vested Percentage |
| --- | --- |
| Less than 1 year | 0% |
| 1 year, but less than 2 | 33.33% |
| 2 years, but less than 3 | 66.67% |
| 3 years or more | 100% |

*If you performed at least one hour of service on or after January 1, 2007, but do not perform at least one hour of service on or after January 1, 2020, the below vesting schedule applies to you:*

| Years of Vesting Service | Vested Percentage |
|---|---|
| Zero to two years | 0% |
| Two years, but less than three years | 20% |
| Three years, but less than four years | 40% |
| Four years, but less than five years | 60% |
| Five years, but less than six | 80% |
| Six or more years | 100% |

*If you do not perform at least one hour of service on or after January 1, 2007, your vested percentage is determined under the vesting schedule in effect before January 1, 2007.*

Your account also may become fully vested if you:

- Attain the plan's retirement age of 65 while employed by Parsons or an affiliate of Parsons,
- Become permanently disabled and unable to work while employed by Parsons or an affiliate of Parsons, or
- Die while employed by Parsons or an affiliate of Parsons or while on qualified military service.

## How do I designate a beneficiary for the ESOP?

To designate a beneficiary, log in to retirementfocus.com, select My Account at the top of the screen. In the Beneficiary Details section, you can edit, delete, or add a new beneficiary.

## Why should I designate a beneficiary?

It is important to designate a beneficiary for your account to ensure your account balance is passed on according to your wishes. You may designate a beneficiary or revoke such a designation at any time. If you are married at the time of your death, your spouse will automatically be your beneficiary unless you designate another beneficiary and your spouse consents in writing to the other designation and the consent is witnessed by a Plan representative or a notary public.

## What will happen to my account balance if I die without designating a beneficiary

If you die without designating a beneficiary or the plan is unable to locate your beneficiary or your beneficiary is deceased and there is no surviving spouse, then payment of your interest in the ESOP will be made to the personal representative of your estate. If administration of your estate is not required or your personal representative cannot be located, your interest in the ESOP may be distributed to your heirs at law.

## How do I update my address?

If you are a terminated participant, contact the Retirement Focus™ Customer Service Center at 1-855-539-8695 or log into retirementfocus.com and select My Account at the top of the screen. If you are an active participant, update your address with Parsons.

## Are there any fees associated with the ESOP?

A $50 administrative fee will be deducted from the cash proceeds of each plan distribution or diversification.

The following administrative fees will be deducted from a participant's ESOP account:

- Conflict of interest applications that were not approved for distribution by the Policy and Advisory Committee (the "Committee") will be assessed a fee of $50 per account.
- A Beneficiary account set up fee of $100 per account will be assessed. In the case of multiple beneficiaries, the set-up fee will apply to each account. This fee only applies after the administrator is notified of the death of a participant with a vested account balance.
- A Qualified Domestic Relations Order (QDRO) fee of $500 will be assessed for each processed QDRO.

## What information about my account is available to me?

Each year around February 28, you will receive a statement showing your account balance as of the end of the previous plan year. The statement reflects the following details:

- The amount of company contributions and forfeitures in the form of shares allocated to your account (refer to the prior question: "How much will Parsons contribute to my ESOP account each year")
- The stock price based upon market value as of the preceding December 31st (may change up or down, known as stock appreciation or depreciation)
- The balance of your account (the number of shares reflecting your share of the ESOP's ownership of Parsons common stock)
- Any dividends or other investment earnings
- The amount of any cash contribution (not common, because contributions consist primarily of company stock)

The ESOP is administered by USI. At any time, you also can inquire about your ESOP account and your benefits through either option below:

**Email:** ParsonsESOPCommunications@usi.com

**Phone:** 1-855-539-8695

Representatives are also available Monday through Friday from 7:00 a.m. to 7:00 p.m. Central Time.

## When may I receive the assets in my ESOP account?

Your ESOP account is intended to help you prepare for retirement; therefore, except for limited shares eligible for diversification rights, you must be retired or not working for Parsons to access your ESOP assets. Retirees planning to request a distribution are required to have terminated their employment prior to submitting the distribution documentation to the ESOP plan administrator (USI).

If you are not employed by Parsons, you may receive a distribution if you meet any of the following criteria:

- Your vested account balance is $5,000 or less
- You are age 62, consent to a distribution, and were 100% vested in your account balance prior to leaving Parsons
- You are age 65
- For the portion of your vested account balance comprised of shares that Parsons contributed to the ESOP after 1986 (Note: no shares were contributed to the ESOP for this purpose between 1987 and 2010), you may elect to receive a distribution to be paid in installments of this portion of your account balance after the fifth plan year following the plan year in which you terminated your employment with Parsons, provided that you were not re-employed by Parsons during this time. (Note again: no shares were contributed to the ESOP for this purpose

between 1987 and 2010, meaning if you terminated from Parsons prior to January 1, 2011, no shares in your account will qualify for this provision). The distribution of these shares (also referred to as five-year vested termination distributions) will be made in substantially equal periodic payments over a five-year period, or longer as determined by the IRS published index for account balances that exceed of $500,000.

- You apply and are approved for a hardship withdrawal. To qualify for a hardship withdrawal, you must submit clear and convincing evidence of severe want or deprivation which cannot reasonably be expected to be relieved by other resources available to you, including business ventures and other investments or property that are reasonably liquid and susceptible to reasonably rapid sale (such as any IRA's or 401(k) accounts), but excluding your primary residence. If your financial hardship ends, you must submit a letter stating you no longer wish to receive hardship withdrawal payments. If your letter is received before your next installment is processed, your hardship withdrawal payment(s) from the ESOP will cease.
- You apply for and are approved for a conflict of interest distribution. The Committee will review your application and determine, in its sole discretion, whether a conflict of interest exists based on the following:
    - Who your participant's current employer is;
    - What the relationship is between Parsons and your employer (competitor, joint venture partner, subcontractor, prime contractor, client, etc.);
    - What control you have over work performed by, or payments made to, Parsons; and
    - What decision-making authority you have to award work to Parsons.
    - In the past, the Committee has not considered teaming arrangements, potential future arrangements or situations in which Parsons is not currently bidding or interested in bidding on work for the other employer to create a conflict of interest. Furthermore, circumstances where a former employee now works for a firm competing against Parsons for a contract, but the form employee does not have decision-making authority of award to Parsons, control of Parsons work, or control of payments to Parsons does not typically create a conflict of interest.
- You apply for and are approved for a permanent disability distribution. To qualify for a disability distribution, you must submit evidence that the Social Security Administration has determined that you are eligible for Social Security disability benefits.
- If your situation qualifies for an approved hardship, conflict of interest or disability distribution as reviewed by the Committee, you may be able to receive an installment or a lump sum payment from your ESOP account balance before retirement age

In addition, retired participants who attain age 72 (or attained age 70.5 on or before December 31, 2019), must take Required Minimum Distributions (RMDs), which are a subset of a participant's overall account balance.

## How will my account balance be distributed to me?

Your account balance will be distributed to you in the form of shares of Parsons Stock and cash for only the fractional shares. Effective May 16, 2022 distributions of vested Account balances shall be made in one lump sum consisting of whole shares of Parsons stock and cash for only the fractional shares. Please note annual diversification elections and five-year vested termination distributions will still be made in annual installments as outlined in the ESOP Plan (and described below and above).

Participants who began receiving installments prior to May 16, 2022 and have one or more installments remaining, will receive an additional distribution in June 2022 to align with new installment thresholds unless they opt out in writing before May 31, 2022.

## May I withdraw assets from my ESOP account while still employed?

Yes, you may withdraw a limited number of shares, subject to diversification rights, from your ESOP account while you are employed, if you have attained age 50 and have completed at least 3 years of participation in the ESOP. You will be permitted to diversify portions of your ESOP account in respect of any *Diversification Rule Shares* that Parsons contributed to the ESOP in 1987 or later (Note: No shares were contributed to the ESOP for this purpose from 1987 until 2010), for the first time in the year following the year you attain age 50. During the 11 plan years in your qualified election period, you will be permitted to diversify up to 50 percent of the value (as of the last day of the preceding plan year) of your vested interest in the Diversification Rule Shares in your ESOP Account. You may elect to transfer these proceeds to an IRA or 401(k). You will be automatically provided with a Diversification Application with your annual statement if you are eligible for this option. The statement will also detail the number of Diversification Rule Shares eligible for withdrawal and the deadline for requesting the shares. After the eleventh and final year of your qualified election period, you will no longer be eligible to diversify any ESOP shares. Please see example on the last page of this document.

## How do I begin receiving my ESOP account assets?

If you meet the criteria in the question "When may I receive the assets in my ESOP account?" log in to retirementfocus.com to complete and download the distribution forms. You can also contact the ESOP Administrator at 1- 855-539-8695 and request the required distribution documentation via mail.

Note that you will want to request the documentation in a timely manner in order to allow for mailing time to you, documentation completion, and mailing time for the return of completed paperwork. Please also be aware that there is a nominal processing fee, which will be paid out of your cash proceeds. Please review the cover letter attached to the distribution paperwork as it contains important information and instructions for completing your distribution application timely and in good order. Incomplete applications will be denied.

## What happens if I become disabled or die while employed with Parsons?

### *Upon Death:*

If you die while employed or after your employment terminates, but before distribution of your entire account balance, your entire vested interest will be distributed, to your surviving spouse, if any, to your designated beneficiary(ies), or if none, to your estate, or your heirs at law as appropriate. The distribution will be made in a lump sum beginning at a time designated by the Policy Committee. The distribution must be completed within five years of your death. For more information, refer to the question "How do I designate a beneficiary for the ESOP?"

### *Permanent Disability:*

If you become unable to work and have received a determination by the Social Security Administration you are eligible for Social Security disability benefits while employed or while on an approved leave of absence, or after termination but before your account distribution begins, you will be entitled to a distribution as though you had retired as soon as practicable. Diversification Example

Active participant satisfied age 50 and 3 year participation requirement as of December 31, 2021, and participant has 200 shares eligible for the diversification calculation and receives 20 new shares each year.

**2022 – First year of qualified election period**

1. Number of Eligible Diversification Rule Shares in Account = 200
2. Shares Previously Diversified = 0
3. Total Share Account (200 + 0) = 200
4. Diversification percentage = 50%
5. Total shares available for diversification (200 x 50% – 0) = 100 (participant requests max 100 shares)

**2023 – Second year of qualified election period**

1. Number of Eligible Diversification Rule Shares in Account = 120 (100 remaining plus 20 new shares)
2. Shares Previously Diversified = 100
3. Total Share Account (120 + 100) = 220
4. Diversification percentage = 50%
5. Total shares available for diversification (220 x 50% – 100) = 10 (participant requests max 10 shares)

**2024 – Third year of qualified election period**

1. Number of Eligible Diversification Rule Shares in Account = 130 (110 remaining plus 20 new shares)
2. Shares Previously Diversified = 110
3. Total Share Account (130 + 110) = 240
4. Diversification percentage = 50%
5. Total shares available for diversification (240 x 50% – 110) = 10 (participant requests max 10 shares)

**2025 – Fourth year of qualified election period**

1. Number of Eligible Diversification Rule Shares in Account = 140 (120 remaining plus 20 new shares)
2. Shares Previously Diversified = 120
3. Total Share Account (140 + 120) = 260
4. Diversification percentage = 50%
5. Total shares available for diversification (260 x 50% – 120) = 10 (participant requests max 10 shares)

**2026 – Fifth year of qualified election period**

1. Number of Eligible Diversification Rule Shares in Account = 150 (130 remaining plus 20 new shares)
2. Shares Previously Diversified = 130
3. Total Share Account (150 + 130) = 280
4. Diversification percentage = 50%
5. Total shares available for diversification (280 x 50% – 130) = 10 (participant requests max 10 shares)

**2027 – Sixth year of qualified election period**

1. Number of Eligible Diversification Rule Shares in Account = 160 (140 remaining plus 20 new shares)
2. Shares Previously Diversified = 140
3. Total Share Account (160 + 140) = 300
4. Diversification percentage = 50%
5. Total shares available for diversification (300 x 50% – 140) = 10 (participant requests max 10 shares)

**2028 –Seventh year of qualified election period**

1. Number of Eligible Diversification Rule Shares in Account = 170 (150 remaining plus 20 new shares)
2. Shares Previously Diversified = 150
3. Total Share Account (170 + 150) = 320
4. Diversification percentage = 50%
5. Total shares available for diversification (320 x 50% – 10) = 10 (participant requests max 10 shares)

**2029 – Eighth year of qualified election period**

1. Number of Eligible Diversification Rule Shares in Account = 180 (160 remaining plus 20 new shares)
2. Shares Previously Diversified = 160
3. Total Share Account (180 + 160) = 340
4. Diversification percentage = 50%
5. Total shares available for diversification (340 x 50% – 160) = 10 (participant requests max 10 shares)

**2030 – Ninth year of qualified election period**

1. Number of Eligible Diversification Rule Shares in Account = 190 (170 remaining plus 20 new shares)
2. Shares Previously Diversified = 170
3. Total Share Account (190 + 170) = 360
4. Diversification percentage = 50%
5. Total shares available for diversification (360 x 50% – 170) = 10 (participant requests max 10 shares)

**2031 – Tenth year of qualified election period**

1. Number of Eligible Diversification Rule Shares in Account = 200 (180 remaining plus 20 new shares)
2. Shares Previously Diversified = 180
3. Total Share Account (200 + 180) = 380
4. Diversification percentage = 50%
5. Total shares available for diversification (380 x 50% – 180) = 10 (participant requests max 10 shares)

**2032 – Eleventh and Final year of qualified election period**

1. Number of Eligible Diversification Rule Shares in Account = 210 (190 remaining plus 20 new shares)
2. Shares Previously Diversified = 190
3. Total Share Account (210 + 190) = 400
4. Diversification percentage = 50%
5. Total shares available for diversification (400 x 50% – 190) = 10 (participant requests max 10 shares)

**2033 - No longer in eleven-year qualified election period, is no longer eligible to diversify**