



Task Force on Climate-Related Financial Disclosures (TCFD) Index

Introduction

We believe that an effective response to climate change is a key element of our commitment to women's health and our goal of creating a better, healthier every day for every woman.

As the climate changes, extreme weather events will become more severe and more frequent, and chronic changes to temperature and precipitation patterns will affect global systems for providing water, food, energy, and our natural resources. The world's response to climate change may involve changes in regulations and policies related to carbon and energy use and the transition to a low-carbon economy may affect our customers, suppliers, investors, and other stakeholders. Climate change may pose risks to the healthcare sector and the pharmaceutical industry in many ways, such as higher cost of raw materials, greater potential for weather-related supply chain disruption, and increased compliance and reporting costs. We believe that by understanding how climate change may impact our operations and value chains, we can better prepare for a future in which women are foundational to a healthier world.

We are committed to understanding the potential impacts of climate change and to taking action to reduce our greenhouse gas (GHG) emissions and our water and energy use. We are also committed to identifying and considering climate-related opportunities that support the transition to a low-carbon economy. To that end, we are working to make our

manufacturing facilities and operations more energy-efficient and we are increasing our use of renewable energy. As of 2023, we have reduced our Scope 1 and 2 GHG emissions by 6.6% against our 2020 baseline. In 2023, we completed an initial characterization our Scope 3 GHG emissions, implementing a spend-based model that aligns with the Greenhouse Gas Protocol. For more information about our Environmental goals and ambitions, please see the [Environment: Her Planet](#) webpage.

We recognize that transparency around our climate-related risks and opportunities is important to our internal and external stakeholders and therefore, we have prepared our first report in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD index below is organized around the TCFD's four disclosure pillars of Governance, Strategy, Risk Management, and Metrics and Targets. We view this TCFD report as the first step in our journey to provide our stakeholders with information on how we evaluate and manage our climate-related risks and capitalize on our opportunities to move toward a low-carbon and climate-resilient world. The scenario analysis included in this disclosure was prepared in 2022.

Governance

Organon has embedded Environmental, Social & Governance (ESG) principles into the company's strategy and has identified environmental stewardship as one of five priorities in

Organon's ESG strategy. Our environmental stewardship strategy is championed by the Head of Manufacturing and Supply and by the Executive Vice President, General Counsel and Corporate Secretary, who both report to the CEO. Development and implementation of the strategy is led and managed by the Global Safety, Health, and Environment (SHE) team in partnership with the ESG team and Legal with active engagement of a cross-disciplinary team of leaders representing Organon Manufacturing & Supply (OMS) and Global Procurement, and it is integrated into Organon's operational and risk management processes as described below.

Risk and Operational Governance

Board-level oversight of climate-related matters rests with the ESG Committee of Organon's Board of Directors. The ESG Committee, composed solely of independent directors, oversees and makes recommendations to the Board regarding ESG and other sustainability matters relevant to the company's business, including climate change.

The Board's oversight of the company's overall risk, including climate-related risks, is an important component of the Board's engagement in strategic planning, and the Board has two primary methods of overseeing risk. The first method is our Enterprise Risk Management (ERM) process, which allows for Board oversight of the most significant risks facing Organon. Organon's ERM program provides a framework for risk identification and management of significant risks,



including risks related to climate change and the long-term sustainability of the business. Climate-related risks are considered under both ESG and HSE (Health, Safety and Environment) risk categories within the ERM framework. Each risk is assigned to a member or members, as appropriate, of the Executive Leadership Team. The Audit Committee of the Board of Directors, composed solely of independent directors, has primary responsibility for overseeing Organon's ERM program.

The second method is through the functioning of the three standing Committees of the Board – the Talent Committee, the Audit Committee, and the ESG Committee. The ESG Committee oversees our corporate governance, including the practices, policies, and procedures of the Board and its committees. Further, the ESG Committee plays a role in ESG-related risk and compliance oversight, including in the areas of climate change, environmental health and safety, manufacturing quality systems, and political and policies engagement, among other areas. Together, the ESG and Audit Committees play active roles in oversight of climate-related risks and opportunities. On a bi-annual basis, the full board is briefed on progress against our ESG strategy, including our climate-related targets and programs. The board is kept informed of its committees' risk oversight and other activities through reports by the committee chairs to the full board.

Organon's integration of climate change into divisional and ERM processes include reviewing risks that could be material to the company to support U.S. Securities and Exchange Commission (SEC) 10-K reporting. As stated in our most recent 10-K, Organon does not believe these potential climate-related risks are material to our business at this time. More information on the risk assessment process for climate change is provided in the risk assessment section below.

Manufacturing at our internal network of six sites, managed by OMS, and our fleet account for approximately 4% of the

company's energy consumption and GHG emissions; whereas GHG emissions in the value chain, including manufacturing at our external network, account for approximately 96% of total GHG emissions, according to our initial characterization of Scope 3 GHG emissions. The Head of Manufacturing & Supply leads Organon's manufacturing and supply chain, serves as one of the executive sponsors of climate change risk management and has operational control over OMS operations and strategy, including operating expenses (OpEx) and capital expense (CapEx) investment in GHG emission reduction projects.

We have begun to engage with our supply network and our contract manufacturing organizations (CMOs) to identify GHG emissions-reduction programs associated with their business activities and operations. In selecting our partners, we plan to consider their compliance with climate-related regulations and the nature of their climate mitigation programs. By 2025, our goal is to have at least 70% of our supplier spend devoted to suppliers that have GHG emissions-reduction and water reduction programs.

Environmental sustainability has been integrated into Organon's business strategy and GHG emissions reduction is monitored as a key performance indicator.

ESG Governance

The Executive Leadership Team is responsible for reviewing our ESG strategy and is accountable for making progress against the climate-related goals and targets set out in the strategy. The Executive Vice President, General Counsel and Corporate Secretary, reports directly to the CEO and is a member of the Executive Leadership Team with a dedicated ESG team that works across all the functions to help ensure that progress is made against each of our ESG targets and that we report this progress in a timely, transparent fashion.

Our Public Policy & ESG Council ("ESG Council") consists of executives with functional responsibilities across the business who report to members of the Executive Leadership Team, which is ultimately accountable for taking action to promote our ESG strategy, including our environmental sustainability strategy. The cross-functional ESG Council is chaired by the General Counsel and Corporate Secretary, advises on key issues and guides the integration and implementation of Organon's non-financial reporting related to ESG.

Our cross-functional EHS (Environment Health and Safety) Council and ESG Council are responsible for oversight of developing and implementing our environmental sustainability strategy. Furthermore, these two councils, which include selected Executive Leadership Team members, have oversight in assessing and managing climate-related risks. They will also be responsible for developing climate resiliency planning. Our SHE (Safety, Health, and Environment) organization works with our internal and external business partners to help ensure compliance with environmental laws as well as to develop and implement our environmental sustainability strategy. Our environmental sustainability strategy addresses climate change issues including GHG emissions, water, materials (including waste), climate resilience, and biodiversity.

Our SHE group is responsible for overseeing our EHS System, which is implemented throughout the organization through EHS policies, standards, and procedures. The system contains policies and comprehensive, detailed goals. Standards, guidelines, and tools that are integrated into the EHS Management System to inform various activities completed by our workers and at our worksites. The EHS Management System applies to all our workers and workplaces. We periodically perform internal audits to assess compliance with internal policies, EHS laws and regulations, and identify areas for potential improvement.



Strategy

Our Scenario Analysis Process

As part of our ESG strategic planning process, we conducted a TCFD-aligned qualitative assessment of physical and transition climate-related risks and opportunities for our business. Analyzing potential climate change risks and opportunities is challenging because of the uncertainty in the pace and scale of future GHG emissions and in the regulatory and policy response to climate change. The TCFD recommends the use of scenario analysis to assess future climate-related risks and opportunities. A scenario is a narrative describing how the future may develop based on a coherent and internally consistent set of assumptions about key drivers. It is important to note that scenarios are not forecasts or predictions and no probability or likelihood is associated with the scenarios. We conducted the analysis using three time horizons: the present day (short-term planning horizon of 1-2 years), 2035 (medium-term planning horizon) and 2050 (long-term planning horizon).

Scenario Analysis of Transition Climate-related Risks and Opportunities

We worked with external consultants to perform a qualitative scenario analysis to identify potential climate-related risks and business opportunities arising from the transition towards a low-carbon economy. Consistent with TCFD recommendations, we evaluated actual and future potential risks from policy and legal, technology, market, and reputational risks as well as opportunities from resource efficiency, energy sourcing, new markets, products and services, and resilience.

Scope and Method

While the company-wide transition assessment considered Organon as a whole, inclusive of the value chain, the assessment emphasized evaluation of transition risks and opportunities in Brazil, Mexico, Belgium, the Netherlands, Indonesia, and the United Kingdom. These countries were selected for enhanced review based on the locations of our owned manufacturing facilities and key internal stakeholder input on the importance of each country to Organon's business. The locations of the CMOs in the value chain were not in scope of this assessment and may be considered in future analyses.

We prepared a list of relevant, present-day transition risks and opportunities for evaluation based on interviews with key internal stakeholders as well as transition risks and opportunities reported by industry peers. We then evaluated the potential impact of each risk and opportunity for each time horizon and emissions scenario based on our exposure and sensitivity to that risk or opportunity. Industry- and company-specific exposure and sensitivity scoring was developed through a review of market research on transition risks, as well as public, climate-related disclosures from Organon's pharmaceutical industry peers.

Our potential exposure to each climate-related transition risk and opportunity varies by time horizon and scenario as external factors change. The company's sensitivity score for each risk and opportunity is assumed to be the same for all scenarios and time horizons. Exposure and sensitivity scores for each risk and opportunity were combined to generate a qualitative potential impact score of "low", "medium", or "high".

Scenario Analysis of Physical Climate-related Risks and Opportunities

We worked with external consultants to perform a TCFD-aligned, qualitative scenario analysis to identify physical climate change risks to our six manufacturing facilities. For each facility, we evaluated present and future exposure and vulnerability to physical climate risks. This includes chronic risks from temperature and precipitation pattern changes and sea level rise as well as acute (event-driven) risks from inland flooding, coastal flooding, drought, water stress, severe storms, and wildfire.

Scope and Method

The assessment focused on our six owned manufacturing facilities in Brazil, Mexico, Belgium, the Netherlands, Indonesia, and the United Kingdom. Organon evaluated the potential vulnerability of each facility to climate change hazards for each time horizon and emissions scenarios listed below. The vulnerability assessment considered each facility's exposure, sensitivity, and adaptive capacity. Exposure measures the likelihood and magnitude of climate hazard impacts to the facility and sensitivity describes how the functions of the facility are affected by climate change. We considered the potential for climate hazards to damage the facility structure, systems, or critical equipment, to increase operating costs or disrupt facility operations (including facility access, utility outages, and unsafe working conditions), and to affect employee health. The vulnerability assessment also considered facility adaptive capacity, which is the ability of the facility to change, adapt, and continue to function despite its exposure to a climate hazard.

Table 1¹

Scenario Summary				
Type	Scenario	Global Warming by 2100 (median value) ¹	Description	Key Parameters and Assumptions
Transition	IEA Net Zero by 2050 Scenario (NZE)	Less than 1.5°C	<ul style="list-style-type: none"> NZE is a Paris-aligned “1.5°C” pathway that models a complete transformation of the world’s production, transport, and consumption of energy. Rapid transition scenario in which GHG emissions decline quickly due to large-scale near-term deployment of a wide portfolio of clean energy technologies, regulation of carbon, and changes in consumer behavior. 	<ul style="list-style-type: none"> NZE reaches global net zero CO₂ emissions by 2050 Carbon prices reach \$250/ton by 2050 in all advanced economies Immediate global deployment of all available clean and efficient energy technologies All governments significantly strengthen and then successfully implement their energy and climate policies
	IEA Stated Policies Scenario (STEPS)	2.5°C	<ul style="list-style-type: none"> The STEPS provides a conservative benchmark for limited future climate action and explores where the energy system might go without a major additional steer from policy makers. Unlike NZE, STEPS is not designed to hold the global temperature increase below a particular threshold. 	<ul style="list-style-type: none"> CO₂ emissions reach a plateau in the mid-2020s and thereafter fall slowly through 2050. EU carbon price reaches \$90/ton by 2050 STEPS reflects current policy settings based on IEA’s sector-by-sector assessment of the specific policies that governments have in place and specific policy initiatives under development.
Physical	IPCC Shared Socioeconomic Pathway (SSP) Scenario SSP2-4.5 ²	2.7°C	SSP2-4.5 social, economic, and technological trends do not shift markedly from historical patterns and the scenario represents a future with decreasing GHG emissions after mid-century and lesser physical impacts.	<ul style="list-style-type: none"> CO₂ emissions remain around current levels until the middle of the 21st century >50% probability of limiting global warming to 3°C
	IPCC SSP5-8.5	4.4°C	SSP5-8.5 is a very high GHG emissions future with increasing GHG emissions through 2100 and greater physical impacts from climate change.	<ul style="list-style-type: none"> CO₂ emissions roughly double from current levels by 2050 >50% probability of global warming exceeding 4°C

¹ The scenario analysis included in this disclosure was prepared in 2022.

Table 2¹

Transition Risk and Opportunity Summary				
Risk / Opportunity	TCFD Category	Description	Ranking	Potential Financial Impacts
Key Risks and Opportunities				
Changing Customer Behavior	Market Risk	Customers, e.g., national healthcare systems and countries, incorporate increasingly stringent climate and ESG considerations as part of their procurement requirements. Unless Organon continues to strengthen climate and ESG practices to stay consistent with tender requirements, its customers may select alternate suppliers.	Short term: Low 2035 NZE: Low 2050 NZE: Medium 2035 STEPS: Low 2050 STEPS: Low	Decreased revenues due to reduced demand for products and services if no mitigating action is taken
Enhanced Emissions and Climate Reporting Obligations	Policy and Legal Risk	Future climate-related regulations become more stringent world-wide, leading to enhanced climate reporting and disclosure obligations. Increased staffing and costs to monitor and comply with new obligations.	Short term: Medium 2035 NZE: Medium 2050 NZE: Medium 2035 STEPS: Low 2050 STEPS: Low	Increased compliance and reporting costs
Energy Cost and Reliability	Market Risk	Market uncertainty around energy security and pricing during the transition to a low-carbon energy system and economy may increase energy prices and negatively impact energy reliability. Fluctuations in energy price may lead to increased energy expenditures during price spikes, increasing OpEx; additional allocation of CapEx may be required to increase energy reliability (e.g., installation of backup generation capacity).	Short term: Medium 2035 NZE: Medium 2050 NZE: Low 2035 STEPS: Medium 2050 STEPS: High	Increased allocation of OpEx and CapEx toward energy stability
Climate-ready, Sustainable Business	Market Opportunity	As customers', e.g., national healthcare systems and countries, concern on climate change and sustainability grows, they may increasingly desire sustainable, climate-ready products/companies. If Organon can maintain robust climate and ESG practices, it may be able to increase its share of the market that desires products/companies to be sustainable and taking climate action.	Short term: Low 2035 NZE: Medium 2050 NZE: High 2035 STEPS: Low 2050 STEPS: Medium	Increased revenue through tenders
Use of Renewable Energy	Energy Sourcing Opportunity	As renewable energy becomes increasingly available, switching to renewable energy sources may lower operating costs and increase the reliability of the energy supply. There may also be supportive policies that incentivize the switch to renewables. Increasing availability and incentives for use of renewable energy is projected to drive down costs and reduce exposure to carbon price risks under the NZE scenario.	Short term: Low 2035 NZE: Medium 2050 NZE: Medium 2035 STEPS: Low 2050 STEPS: Medium	Decreased costs due to cheaper, more reliable energy
Other Risks and Opportunities				
Carbon pricing risk	Policy and Legal Risk	Increase in operating costs due to current and pending carbon-related regulation such as carbon tax, carbon cap and trade and carbon border adjustment mechanisms.	Short term: Low 2035 NZE: Low 2050 NZE: Low 2035 STEPS: Low 2050 STEPS: Low	<ul style="list-style-type: none"> Increased OpEx due to indirect effects of higher carbon prices Increased allocation of CapEx to reduce emissions to mitigate high carbon prices

¹ The scenario analysis included in this disclosure was prepared in 2022.

Table 2¹ (cont.)

Transition Risk and Opportunity Summary				
Risk / Opportunity	TCFD Category	Description	Ranking	Potential Financial Impacts
Other Risks and Opportunities				
Changing Stakeholder Expectations	Reputational Risk	As stakeholders (particularly institutional investors) increase focus on the effects of climate change and respond to changing consumer preferences, stakeholders may change their investment patterns to pivot away from companies that are not taking climate action.	Short term: Low 2035 NZE: Low 2050 NZE: Medium 2035 STEPS: Low 2050 STEPS: Low	<ul style="list-style-type: none"> • Lost revenue and investment • Increased cost of capital
Renewable Energy Cost and Availability	Market Risk	Organon's ability to procure renewable energy may be affected by different social, economic, and geopolitical factors such as supply chain disruptions.	Short term: Low 2035 NZE: Low 2050 NZE: Low 2035 STEPS: Low 2050 STEPS: Low	<ul style="list-style-type: none"> • Higher OpEx to procure energy • Higher CapEx to install renewables
Government mandates on GHG emissions	Policy and Legal Risk	As governments ramp up policies to address GHG emissions, mandates may be implemented that restrict the use of materials or processes that result in the emissions of GHGs with a high global warming potential.	Short term: Low 2035 NZE: Low 2050 NZE: Medium 2035 STEPS: Low 2050 STEPS: Low	<ul style="list-style-type: none"> • Cost to implement process changes and/or technologies that meet regulatory expectations
Efficient manufacturing, processing and logistics	Resource Efficiency Opportunity	Increased operational efficiency measures and deployment of improvements in manufacturing and logistics.	Short term: Low 2035 NZE: Low 2050 NZE: Medium 2035 STEPS: Low 2050 STEPS: Low	<ul style="list-style-type: none"> • Cost savings due to energy and other efficiencies • Reduced financial exposure to future carbon pricing schemes
Resilience	Resilience Opportunity	Increasing resilience to climate change impacts in Organon's assets and operations, thereby creating co-benefits to Organon's operations and reputational benefits.	Short term: Low 2035 NZE: Low 2050 NZE: Low 2035 STEPS: Low 2050 STEPS: Low	<ul style="list-style-type: none"> • Potential revenue from enhanced reputation • Decreased long-term allocation of OpEx and CapEx toward physical damages associated with climate change

¹ The scenario analysis included in this disclosure was prepared in 2022.

Table 3¹

Climate-related Physical Risk Summary				
Risk	TCFD Category	Description	Ranking	Potential Financial Impacts
Key Risks				
Water stress	Chronic and acute	Water is important to Organon's manufacturing processes. Most of Organon's manufacturing facilities are exposed to present-day water stress ² and climate change is projected to increase water stress for some facilities as temperatures rise and precipitation becomes more variable. For some facilities, the incidence of acute drought episodes is projected to increase by mid-century, and this may exacerbate water stress. It is worth noting, however, that compared to other pharma manufacturers, Organon's six owned sites are relatively low water-users.	Short term: Medium 2035 SSP2-4.5: Medium 2050 SSP2-4.5: High 2035 SSP5-8.5: High 2050 SSP5-8.5: High	<ul style="list-style-type: none"> Increased OpEx from higher water costs Increased CapEx for water efficiency and reuse/recycling projects
Inland flooding	Acute	Vulnerability to inland (rainfall and river) flooding depends on future changes in precipitation, as well as site configuration and flood defenses. For certain facilities, climate change is projected to increase the frequency and/or intensity of heavy rainfall events, which can increase the potential for flooding. Flooding can cause damage or business interruption at the facility and/or affect facility access or operations through impacts on the surrounding community.	Present: Low 2035 SSP2-4.5: Medium 2050 SSP2-4.5: High 2035 SSP5-8.5: Medium 2050 SSP5-8.5: High	<ul style="list-style-type: none"> Increased OpEx from higher insurance premiums Reduction in revenue due to business interruption Increased CapEx to repair flood damages and to fund flood prevention measures
Extreme temperatures	Acute	All Organon facilities are projected to see future increases in the frequency of hot days. Heat waves increase electricity usage and costs, accelerate deterioration of equipment (especially HVAC) and buildings, increase the likelihood of power grid outages, and cause heat stress for employees.	Present: Medium 2035 SSP2-4.5: Medium 2050 SSP2-4.5: High 2035 SSP5-8.5: Medium 2050 SSP5-8.5: High	<ul style="list-style-type: none"> Potential for increased costs from interruption and lost production during power outages at certain facilities If outages extend beyond the facility's backup capacity, increased cooling costs and increased costs associated with reduced employee productivity Potential limitation on the effective ness of cooling towers and our permitted ability to shed heat to local rivers
Other Risks				
Severe storms (e.g., tropical cyclones)	Acute	Although none of Organon's manufacturing facilities are located in regions with frequent impacts from major tropical cyclones, several have potential exposure to heavy rainfall and winds from tropical cyclones and extratropical cyclones and severe thunderstorms. Climate change may intensify the amount of rainfall in these storms, increasing flood risk. Several facilities have present-day exposure to winter storms, but the future effects remain to be determined.	Present: Low 2035 SSP2-4.5: Medium 2050 SSP2-4.5: Medium 2035 SSP5-8.5: Medium 2050 SSP5-8.5: Medium	<ul style="list-style-type: none"> Increased OpEx from higher insurance premiums Reduction in revenue due to business interruption Increased CapEx to repair storm damages and take preventive measures

¹ The scenario analysis included in this disclosure was prepared in 2022.

² Water stress is an indicator of competition for water resources and is defined by the World Resource Institute (WRI) [Aqueduct Tool](#) as the ratio of demand for water by human society divided by available water.

Table 3¹ (cont.)

Climate-related Physical Risk Summary				
Risk	TCFD Category	Description	Ranking	Potential Financial Impacts
Other Risks				
Wildfire	Acute	Direct impacts include losses from damages and business interruption and indirect impacts include lost production during power outages or air quality or impeded access caused by nearby wildfires. None of the six facilities is projected to have direct exposure to wildfire hazards through 2050.	Present: Low 2035 SSP2-4.5: Low 2050 SSP2-4.5: Low 2035 SSP5-8.5: Low 2050 SSP5-8.5: Low	<ul style="list-style-type: none"> Projected to be minimal through 2050
Coastal flooding	Chronic and acute	None of the six facilities is projected to have direct exposure to coastal flooding hazards through 2050.	Present: N/A 2035 SSP2-4.5: N/A 2050 SSP2-4.5: N/A 2035 SSP5-8.5: N/A 2050 SSP5-8.5: N/A	<ul style="list-style-type: none"> Projected to be minimal through 2050
Rising temperatures	Chronic	Rising temperatures are projected to increase cooling needs and costs for all facilities, hasten deterioration of equipment (including HVAC), and stress employee health and wellbeing.	Present: Medium 2035 SSP2-4.5: Medium 2050 SSP2-4.5: Medium 2035 SSP5-8.5: Medium 2050 SSP5-8.5: High	<ul style="list-style-type: none"> Rising cooling costs Rising equipment maintenance and replacement costs (even if negligible compared to general OpEx)

¹ The scenario analysis included in this disclosure was prepared in 2022.



Strategy (cont.)

Strategic Resilience Under Climate Scenarios

Findings from the analysis of current and projected climate-related risks and opportunities suggest the company's business model is resilient under a broad range of future physical and transition scenarios (including the 1.5°C NZE climate scenario) if risks continue to be actively managed.

Under both scenarios, Organon is projected to see increases in allocation of CapEx and OpEx toward reducing our GHG emissions and improving energy efficiency. However, these increases in potential financial impact may be in line with the ongoing active management of climate-related risks.

Our contract manufacturing model limits our Scope 1¹ and 2² GHG emissions and operational footprint and reduces our direct exposure to carbon pricing risks. However, Organon's reliance on CMOs increases the need for supplier engagement on climate and other sustainability issues to manage potential climate-related risks, including increasing physical risks to the continuity of the supply chain and the magnitude of our Scope 3³ emissions. Enhanced supplier engagement is contemplated in current OpEx allocation.

It should be noted that there are key uncertainties associated with using global climate models to project the effects of physical risks on our business strategy. These include uncertainties in how:

- Future emissions could lead to changes in the global climate system;

- Changes in this larger system may evolve for us locally; and
- Climate hazards could manifest due to natural variability which is not fully captured by the models.

Trends in some physical climate hazards are also more difficult to project than others. For example, hazards driven by rainfall variables (e.g., flooding, water stress and drought) are more uncertain than those related to temperature variables (e.g., extreme heat) as they depend on the response of regional atmospheric circulations to global warming.⁴ Key uncertainties that could influence our resilience to transition risks and opportunities include:

- How quickly our suppliers can reduce their GHG emissions, given that approximately 96% of our emissions are in the value chain rather than in our direct operations;
- How governments and regulatory frameworks evolve to incorporate climate-related requirements for corporate operations and reporting; and
- How healthcare systems and services will implement GHG reduction requirements in the supply chain.

Impact of Climate-related Risks and Opportunities on our Businesses, Strategy, and Financial Planning

With the company's potential exposure to climate-related transition risks, we are developing strategies to manage these risks and reduce their financial, operational, and strategic impacts. Our increasing focus on energy efficiency, GHG emissions reduction, and renewable energy procurement

may reduce our carbon footprint and exposure to future regulations of GHG emissions.

- Organon responds to requests for environmental performance information from current customers and as part of tenders. While the level of influence that our environmental performance has on customer purchasing decisions has not been fully quantified, the number of customer and tender inquiries has been observed to increase each year.
- Annual targets are established for energy conservation project savings. Our six manufacturing sites maintain master plans that identify opportunities for emission reductions. Not all energy conservation projects require capital for implementation; however, if they do, these projects are reviewed through our capital project appropriation process. When projects are selected, the costs to implement these projects as well as the expected cost savings are included in the site's operating budgets and / or capital plans as appropriate.
- Organon monitors climate-related regulatory and policy developments, and we are directly engaging with our suppliers, CMOs, customers, and other key stakeholders on sustainability and climate-related issues. We recognize that climate change is of increasing importance to some of our customers, e.g., national healthcare systems and governments, and investors and that leadership in this space represents a business opportunity for Organon, especially under a rapid transition to a low-carbon economy (NZE). We are currently working to enhance and expand our sustainability and climate disclosures to better communicate our progress on climate action and environmental performance to all of our stakeholders.

¹ Scope 1 emissions are direct GHG emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles).

² Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

³ Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization, but but GHG emissions associated with the value chain.

⁴ Multiple sources are used to consider these uncertainties and variables. IPCC AR6 is one of the primary sources, but also includes sources for specific hazards such as flooding and water stress and drought, including WRI Aqueduct and Fathom-Global2.0.



Risk Management

We have performed a material assessment to identify and prioritize ESG issues. Our [ESG prioritization assessment](#) evaluated potential climate-related risks and noted that these risks are integrated into our business planning, including investment in reducing energy, water use, and GHG emissions. In our most recent [10K report](#), we state we believe global climate change will present some degree of risk to our business. Natural disasters, extreme weather and other conditions caused by or related to climate change could adversely impact our supply chain, including manufacturing and distribution networks, the availability and cost of raw materials and components, energy supply, transportation, or other inputs necessary for the operation of our business. Climate change and natural disasters could also result in physical damage to our facilities as well as those of our suppliers, customers, and other business partners, which could cause disruption in our business and operations or increase costs to operate our business.

Additionally, increased environmental, social and governance regulations, including to address climate change, may result in increases in our costs to operate our business or restrict certain aspects of our activities. Additional potential effects of climate change to our business could include increased operating costs due to additional regulatory requirements, changes in supply and suppliers due to regulatory requirements, water limitations and disruptions to our supply chain. For example, concern over climate change continues to result in new legal or regulatory requirements designed to mitigate the effects of climate change on the environment, such as the EU's CSRD, California's Climate Corporate Data Accountability Act and Climate Related Financial Risk Act, and similar regulations under consideration by the SEC. Some potential risks are integrated into our business planning, including investment in reducing energy, water use and greenhouse gas emissions. The extent and severity of climate

change impacts are unknown, and therefore, the scope of potential impact on our business is difficult to predict, and it may be difficult to adequately prepare for such impact.

Across our manufacturing facilities and operations, we have taken steps to manage the impacts of climate-related physical risks. We have a business continuity and emergency response plan for each facility. As part of our allocation of CapEx to sustain and maintain our asset base, we have financed projects to reduce current and future flooding and water stress impacts at key facilities, and upgrade facility cooling systems to handle more frequent and intense future heat waves and will continue to integrate climate considerations in capital planning. We have also made operational improvements, such as coordination with local government agencies on flood monitoring and defenses and integration of reporting of climate-related matters through our environmental reporting process.

Metrics & Targets

We use a series of metrics to assess our progress in managing our climate-related risks and opportunities, including GHG emissions, energy consumption and efficiency, water consumption and waste.

As described [on our website](#), Organon has made the following climate-related commitments for the year 2025:

- We aim to reduce Scope 1 and 2 GHG emissions by >25% from 2020 levels.
- Our goal is that at least 70% of our supplier spend devoted to suppliers that have GHG emission reduction programs.
- We plan to characterize our Scope 3 emissions and regularly update them to reflect our supply chain.

Our long-term ambition is to support the transition to a low-

carbon economy. In so doing, our ambition is to achieve net zero GHG emissions in our operations and through our supply chain.

Organon calculates Scope 1 and 2 GHG emissions in accordance with the GHG Protocol (revised edition). Organon's estimations of Scope 3 emissions are also based on the GHG Protocol (revised edition) methodology.

We have also set targets around water usage. Organon has made the following water-related commitments for the year 2025:

- We aim to reduce water usage in our operations by >5% from 2020 levels.
- Our goal is to have at least 70% of our supplier spend devoted to suppliers that have water reduction programs.
- We plan to characterize the water usage of the value chain and regularly update it to reflect the value chain.
- Our long-term ambition is to integrate water stewardship principles into our business models by 2050.

For a summary of recent trends in these metrics, please see the [Environment: Her Planet](#) webpage.



LEARN MORE

www.organon.com/esg