

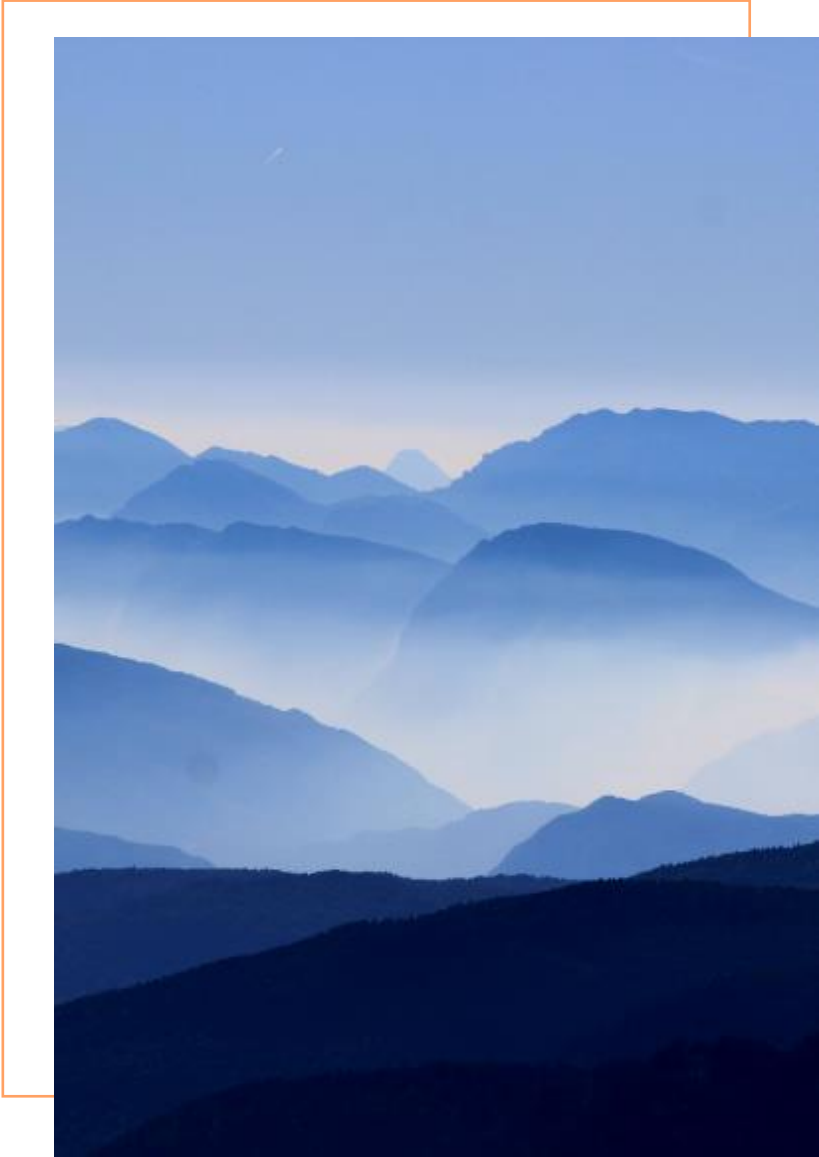
Annaly 2019 Corporate Responsibility Report

Principled Investments

An aerial photograph of a circular green roof. The roof is covered in dense green vegetation. A person is visible on the right side of the roof, reaching out towards the plants. The roof is surrounded by a grey tiled structure. The image is framed by a white L-shaped border on the left and a blue L-shaped border on the right, with an orange line separating the two borders.

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Annaly 2019 Corporate Responsibility Report

Message from Our CEO

Message from Our CEO

Annaly continues to make *Principled Investments* – for our shareholders, our employees and our communities

In my first year as CEO of Annaly, I am proud to share with you our inaugural Corporate Responsibility report. Annaly's Corporate Responsibility and ESG initiatives are areas of significant focus for our Company. We take pride in our meaningful corporate governance enhancements, responsible investments, corporate philanthropy initiatives, and human capital, diversity and inclusion commitments. This report highlights the importance that Annaly places on these efforts and our ongoing commitment to advancing them across the Company and across our industry.

Annaly has been highly innovative since its inception, steered by visionary founders whose expertise enabled the Company to grow through economic cycles while leading the market and taking advantage of opportunities unforeseen by other market participants. Our founders were also committed to acting with great integrity and treating all of Annaly's stakeholders with fairness and transparency – values that continue to guide us today.

In all these ways, Annaly is focused on making *Principled Investments* - for our shareholders, our employees and our communities. We are combining our Corporate Responsibility and ESG initiatives with the power of our capital, our deep market expertise, our leading insights and our sound strategy to deliver superior long-term value to our stakeholders.

This report is being published during a time of daunting challenges. The COVID-19 pandemic, resulting economic and market upheaval, and systemic social justice issues continue to have far-reaching impacts. Especially in times like these, companies like Annaly that are guided by strong corporate values successfully manage risks and take advantage of new business opportunities stand apart.

We are proud of all the ESG work we have done and understand this is an area that requires continuous evaluation and investment. We invite you to learn more about what we are doing and welcome your feedback about and engagement with us in this vital area. We look forward to providing you additional updates in the future.

Thank you for your continued support of Annaly.

Sincerely,



David Finkelstein

Chief Executive Officer & Chief Investment Officer



Annaly 2019 Corporate Responsibility Report

About Our Company

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About Our Company

Annaly Capital Management, Inc. (“Annaly”) is a leading diversified capital manager that invests in and finances residential and commercial assets. We are internally managed and have elected to be taxed as a real estate investment trust, or REIT, for federal income tax purposes.

Our principal business objective is to generate net income for distribution to our shareholders and to optimize returns through prudent management of our diversified investment strategies. In doing so, we actively consider Environmental, Social and Governance (“ESG”) factors in a manner consistent with our fiduciary duties.

~\$15 billion

Permanent Capital⁽¹⁾

~900,000

American Homes Financed⁽²⁾

\$20 billion

Common and Preferred Dividends Declared⁽³⁾

45%

of Annaly Directors are women

>\$250 million

Investments Supporting Communities⁽⁴⁾

~180

Talented Professionals

Our Investment Strategies

With more than \$100 billion in assets⁽⁵⁾ and four investment groups, we support two fundamental pillars of the American economy: housing and business

Annaly Agency Group

invests in Agency mortgage-backed securities (“MBS”) collateralized by residential mortgages which are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae



Annaly Residential Credit Group

invests in Non-Agency residential mortgage assets within the securitized product and whole loan markets



Annaly Commercial Real Estate Group (“ACREG”)

originates and invests in commercial mortgage loans, securities and other commercial real estate debt and equity investments



Annaly Middle Market Lending Group (“AMML”)

provides financing to private equity backed middle market businesses, focusing primarily on senior debt within select industries



Note: Company filings. Financial data and employee composition as of December 31, 2019. Board composition as of October 2020. Please refer to “About Our Company” in the Endnotes section for footnoted information.

Annaly 2019 Corporate Responsibility Report

Our ESG Vision

Our ESG Vision

Annaly's long-standing commitment to corporate responsibility, industry-leading corporate governance practices, and a culture that develops talent and champions diversity, drive positive impacts and deliver superior returns over the long-term

Annaly views ESG risks and opportunities as critical components for achieving strategic business objectives, managing risks and delivering superior shareholder returns. We strive to have a positive impact on the communities where we live, work and invest. We conduct our business in accordance with the highest ethical standards, guided by our strong values. We actively integrate ESG considerations into our overall strategy through five key areas:



Key ESG Areas

Corporate Governance

Maintain our long-standing commitment to strong corporate governance practices that benefit the long-term interests of our stakeholders

Human Capital

Promote the well-being, active engagement, development and full potential of our employees

Responsible Investments

Strengthen housing across the country, the long-term growth of the economy and the vitality of local communities through our investments

Risk Management

Support a strong, effective and collaborative risk management culture across the Company

Environment

Promote sustainable and environmentally friendly practices in our daily operations

Oversight and Management of Corporate Responsibility

“

Annaly is leading the industry with its transparency, foresight and resolve. Annaly’s culture embraces change and progress, and we are determined to further our sustainability initiatives for the benefit of all stakeholders.”

Katie Beirne Fallon
Chair of the Corporate Responsibility Committee of the Board

The Corporate Responsibility Committee (the “CR Committee”) of the Board of Directors (the “Board”) was formed in 2017 and provides oversight and review of corporate philanthropy, responsible investments including social impact investments, environmental and sustainability initiatives, public policy and reputation. Corporate responsibility and ESG integration activities are routinely communicated to the relevant Committees of the Board and, as appropriate, to the full Board.

The CR Committee Chair liaises on certain ESG topics with the Chairs of other Board Committees, including the Nominating/Corporate Governance Committee (the “NCG Committee”) and the Management Development and Compensation Committee (the “MDC Committee”).

Moreover, the Board and our senior leadership team work hand in hand to oversee and manage our Corporate Responsibility efforts and are committed to the success of our initiatives.

Corporate Responsibility Milestones

2017

Joined the National Assoc. of Corporate Directors & Council of Institutional Investors

Launched Women’s Interactive Network, an internal affinity group, which represents over 30% of the Company

Announced inaugural joint venture with Capital Impact Partners for social impact investing

Established CR Committee of the Board

2018

Recognized in the Bloomberg Gender-Equality Index for the first time

Enhanced parental leave policy

New hire to lead and build out Corporate Compliance Group

Adopted bylaw amendment to declassify the Board over three-year period

Initiated an energy audit to track and monitor impact and energy usage

2019

Added two new Independent Directors – 45% of Directors are women

Added extensive disclosure on the Company’s ESG efforts to the corporate website

Separated Chair of the Board and CEO role

2020

Published inaugural Corporate Responsibility report

Identified a Head of Inclusion with support from a cross-functional team

Established Sustainability Leadership team

Internalized management

Q&A with Our Head of Corporate Responsibility & Government Relations

Annaly’s Head of Corporate Responsibility & Government Relations (“CRGR”), Tanya Rakpraja, helps drive our efforts with the oversight, support and input of our senior leadership team. Her team collaborates across business areas to develop policy and initiatives, monitor progress and manage reporting. We spoke with her about what sustainability means at Annaly and what her priorities are for 2020 and beyond.

Q: Why is Corporate Responsibility important to Annaly?

A: The values of a company matter. It also matters how companies manage their business and operations and how they relate to those who have invested in them, whether shareholders, employees or counterparties. We live in a complex and interconnected world where the actions of public and private companies, governments and civil society together determine economic growth and opportunity and, on a fundamental level, how we all relate to each other. That is why Annaly takes our Corporate Responsibility seriously and aims to be an industry leader. At Annaly, we believe that robust Corporate Responsibility and ESG practices lead to stronger business performance and create superior value.

Q: How has Annaly responded to the recent public-health crisis and social unrest?

A: Annaly’s successful management through the COVID-19 pandemic and recent social unrest underscores the importance of our Corporate Responsibility and ESG culture. The health and well-being of our staff and partners have been our number one priority. Our extensive business-continuity planning and infrastructure investments prepared us to transition to 100% remote work seamlessly ahead of New York’s mandate. Our thorough planning and disciplined focus on responsible investments, robust risk management and leading governance practices have resulted in the strength and resilience of our business today. We also are supporting community organizations that provide food, housing and workforce development. Lastly, we appointed a Head of Inclusion, deepening our commitment to diversity and inclusion.



Tanya Rakpraja
Head of Corporate Responsibility
& Government Relations

Q: What are Annaly’s Corporate Responsibility priorities, and how will the Company achieve them?

A: Continuous improvement is a defining aspect of Annaly’s culture. We are always setting higher standards for ourselves and working relentlessly to achieve them. It is in this spirit that we have outlined our top Corporate Responsibility commitments. We will pursue these commitments in a thoughtful manner and with the best interest of business performance and stakeholders in mind.

Goals and Commitments	
Corporate Governance	<ul style="list-style-type: none">Continue to seek out highly qualified Board candidates of diverse gender and raceAs a newly internally-managed company, provide greater transparency and disclosure around executive compensation
Human Capital Management	<ul style="list-style-type: none">Advance our Diversity and Inclusion efforts with a focus on three areas: employee experience, workplace practices and community engagementProvide targeted training and development opportunities that maximize performance, enable upward mobility and increase employee engagement
Responsible Investments	<ul style="list-style-type: none">Further integrate the consideration of financially relevant ESG factors into our investment and portfolio management processes
Risk Management	<ul style="list-style-type: none">Continue to enhance our risk governance and controls while remaining adaptive to changing strategic business objectives and environments
Environment	<ul style="list-style-type: none">Continue to track our energy consumption and greenhouse gas (“GHG”) emissions and look for ways to reduce our environmental footprint at our headquarters

Materiality Assessment & Stakeholder Engagement

We take pride in our extensive outreach efforts and are committed to transparency, enhanced disclosure and continued engagement

For the purposes of this report, we use the Global Reporting Initiative (“GRI”) Standards’ definition of materiality. Issues and factors that are material under that definition are not necessarily material to an investment or voting decision concerning the Company.

We engage in both formal and informal assessments to determine the material ESG areas of focus for our Company.

These assessments include regular outreach efforts to our key stakeholders: our shareholders, employees, Board of Directors and communities.

Through this outreach, we identified and refined the issues that we believe to be most important to our stakeholders. Once we identified these material issues, we compared this list to both the Sustainability Accounting Standards Board (“SASB”) and the GRI standards and frameworks. We share both the SASB and GRI disclosures indices in the Appendix.

2019–2020 Shareholder Engagement⁽¹⁾

Our shareholder outreach and engagement efforts have generated significant feedback for both the Board and management and further validated Annaly’s overall leadership and commitment to corporate responsibility and ESG integration. Outreach included:



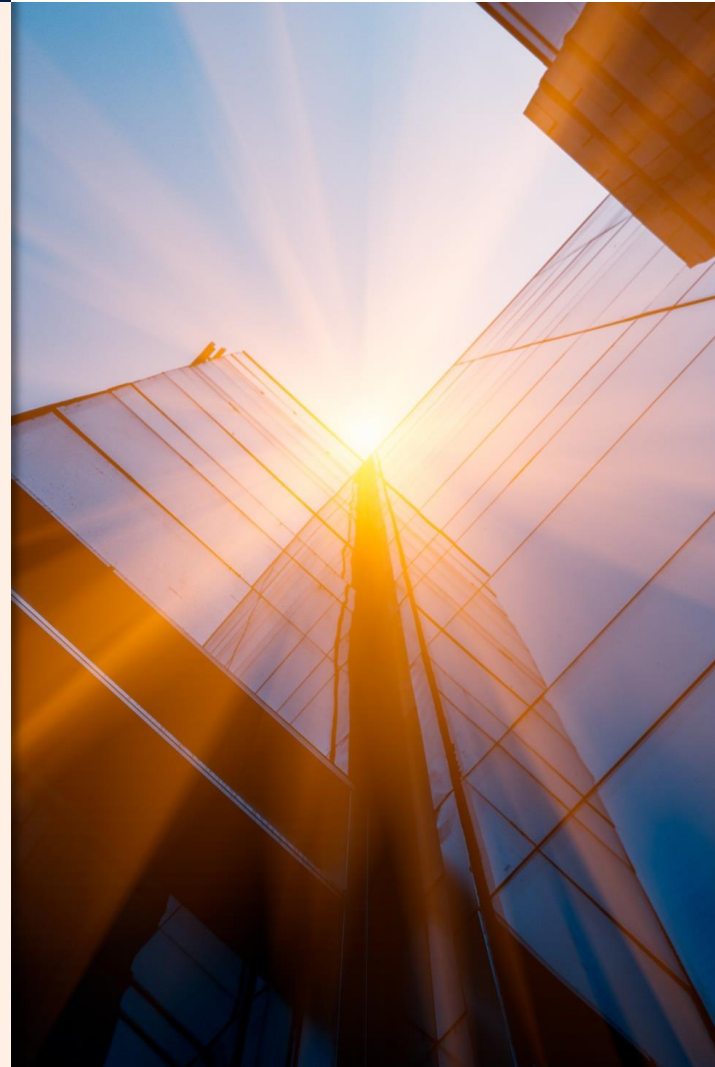
Proactive engagement with our stakeholders allows us to identify and refine our most material issues

Stakeholder Group	Engagement Mechanism	Description
Shareholders	Ongoing Outreach	Ongoing engagement with our investors on topics including ESG through a wide range of media. Our 2019–2020 outreach included ⁽¹⁾ <ul style="list-style-type: none">100% of top 100 institutional investors90% of institutional ownership100+ one-on-one meetings with investors across the U.S., Canada and Europe
	Annual Engagement Surveys	Engagement tool to help identify our strengths, priorities and targeted areas for improvement. We have utilized this survey since 2015 to create an open and honest feedback forum
Employees	Periodic Town Hall Meetings	Forum for direct engagement between our CEO, senior leadership and employees
	Employee Experience Surveys	More than 80 surveys since 2015 to solicit “real time” feedback on topics such as: <ul style="list-style-type: none">Learning & DevelopmentBenefits, Performance & CompensationDiversity InitiativesEmployee Activities
Board of Directors & Relevant Board Committees	Regular Meetings	Forums for the Board and certain Board Committees, as appropriate, to receive regular updates on ESG activities and provide feedback
Communities	Volunteering and Corporate Philanthropy	Support for the communities where we live and work through our corporate giving, employee volunteerism and Annaly Gives Back – our employee match grant program
	Sustainability Leadership Team (“SLT”)	Oversees Annaly’s commitment to promoting sustainable and environmentally friendly practices, including conscious use of natural resources and encouragement of employees’ adoption of environmentally friendly practices

Source: Shareholder data per Ipreo.
Please refer to “Materiality & Stakeholder Engagement” in the Endnotes section for footnoted information.

Our ESG Vision

Corporate Governance



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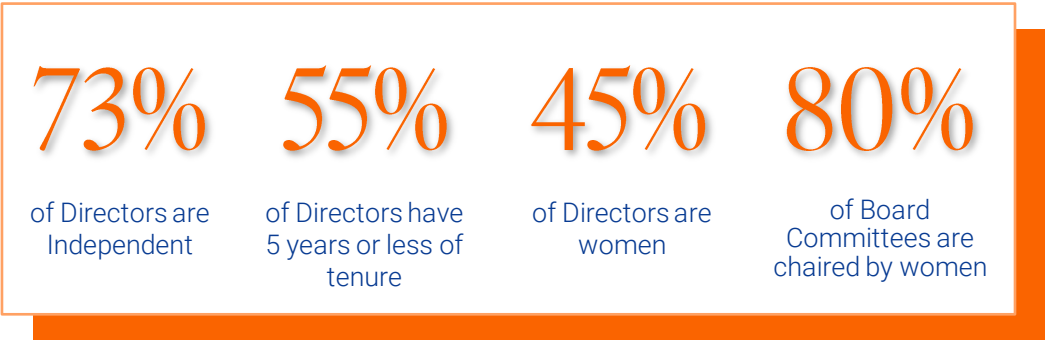
Corporate Governance

As a responsible steward of capital, we have a long-standing commitment to strong corporate governance practices that benefit the long-term interests of our stakeholders

Our Board and its Committees are responsible for overseeing the long-term success of our firm on behalf of stakeholders. The Board has five standing committees: the Audit Committee, the MDC Committee, the NCG Committee, the Risk Committee and the CR Committee. Every member of the Audit, MDC and NCG Committees, and most members of the Risk and CR Committees, are Independent. These committees meet regularly, typically in conjunction with regularly scheduled meetings of the Board, or otherwise as necessary, to carry out their functions and responsibilities.

Additional information regarding our Board, including corporate governance guidance, biographical data and Committee charters, is available on [our website](#).

Board Composition



“

The diversity of Annaly’s Board has had a demonstrable impact, leading to more robust and engaged discussions from a wider range of perspectives. We are committed to continuing to seek out highly qualified Board candidates of diverse gender and race as a matter of strong governance and good business.”

Michael Haylon
Chair of the Board

Note: Board composition as of October 2020.
Please refer to “Corporate Governance” in the Endnotes section for footnoted information.

Recent Corporate Governance Enhancements

We regularly review and update our corporate governance practices in response to shareholder feedback, changes in applicable laws, regulations, requirements and guidance, as well as the evolving needs of our business. Over the last few years, the Board has focused on enhancing its structure, composition and effectiveness. Recent enhancements have been informed by the Board’s annual self-evaluation and succession-planning processes, its review of evolving best practices and feedback from the Company’s long-term shareholders.

2017	<ul style="list-style-type: none">Established Corporate Responsibility CommitteeRotated Board Committee chairs and membersIncluded Board skills matrix in proxy statement
2018	<ul style="list-style-type: none">Amended bylaws to declassify Board over three-year period with all Directors standing for annual election commencing with the 2021 Annual MeetingAdopted Board refreshment policy requiring that Independent Directors may not stand for re-election after exceeding tenure or age limitsAdopted enhanced Board evaluation process, including individual Director assessments and periodic use of an external facilitator
2019	<ul style="list-style-type: none">Added two new Independent DirectorsSeparated CEO and Independent Chair of the Board positions
2020	<ul style="list-style-type: none">Internalized management, creating stronger alignment of incentives between management and shareholders⁽¹⁾Expanded the responsibilities of the Compensation Committee to include broad oversight of our human capital management, and renamed it the MDC CommitteeAmended Corporate Governance Guidelines to formalize Board’s commitment to seeking highly qualified women and minority candidates

We encourage you to review our [2020 Proxy Statement](#) for additional detail and disclosures regarding our corporate governance practices

Internalization Transaction and Executive Compensation

Annaly’s recent internalization transaction, which closed on June 30, 2020, reflects the shared commitment of the Board and management to the long-term interests of the Company and our shareholders, who will benefit from increased transparency and disclosure around executive compensation. Under the oversight of the MDC Committee, the Company will provide detailed disclosure in future proxy statements about our executive compensation program, which reflects our pay-for-performance compensation philosophy, strong compensation governance and alignment with shareholders.

Ethics & Integrity



The principles of integrity and accountability are paramount to our success.”

Anthony C. Green

Chief Corporate Officer and Chief Legal Officer

We are guided by our strong values and strive to conduct our business in accordance with the highest ethical standards and principles. We comply with all applicable governmental laws, rules and regulations, and employ practices and policies that promote and safeguard these standards. We believe it is imperative that all our Directors, Officers and employees act responsibly at all times and in an honest and ethical manner in connection with their service to Annaly.

Annaly’s Code of Business Conduct and Ethics (the “Code”)

The Code covers a wide range of business practices and procedures, setting basic principles and guidelines for resolving various legal and ethical questions that may arise in the workplace and in the conduct of business. All our Directors, Officers and employees must affirm that they have read and understand the Code and certify annually that they are in compliance with the Code.

Business Integrity and Fair Competition

We are committed to upholding the highest ethical standards, and to that end it is Annaly’s strict policy to comply with the Foreign Corrupt Practices Act (“FCPA”) as well as to assure that we do not engage in any anti-competitive behavior or violate any anti-trust legislation. Under the FCPA, Annaly employees are strictly prohibited from participating in any activities or practices that may be considered bribery or as being made for the purpose of deriving an improper benefit for the Company.

Compliance

We have a robust Corporate Compliance function, headed by our Chief Compliance Officer with a reporting line to the Board Audit Committee, which is responsible for the oversight of our Company’s regulatory compliance. All Officers and employees are required to complete training at commencement of employment and annually thereafter. The training covers compliance with applicable laws, employee obligations, business conduct, insider trading, confidentiality and privacy, communications, bribery and corruption and other topics.

Reporting Illegal or Unethical Behavior

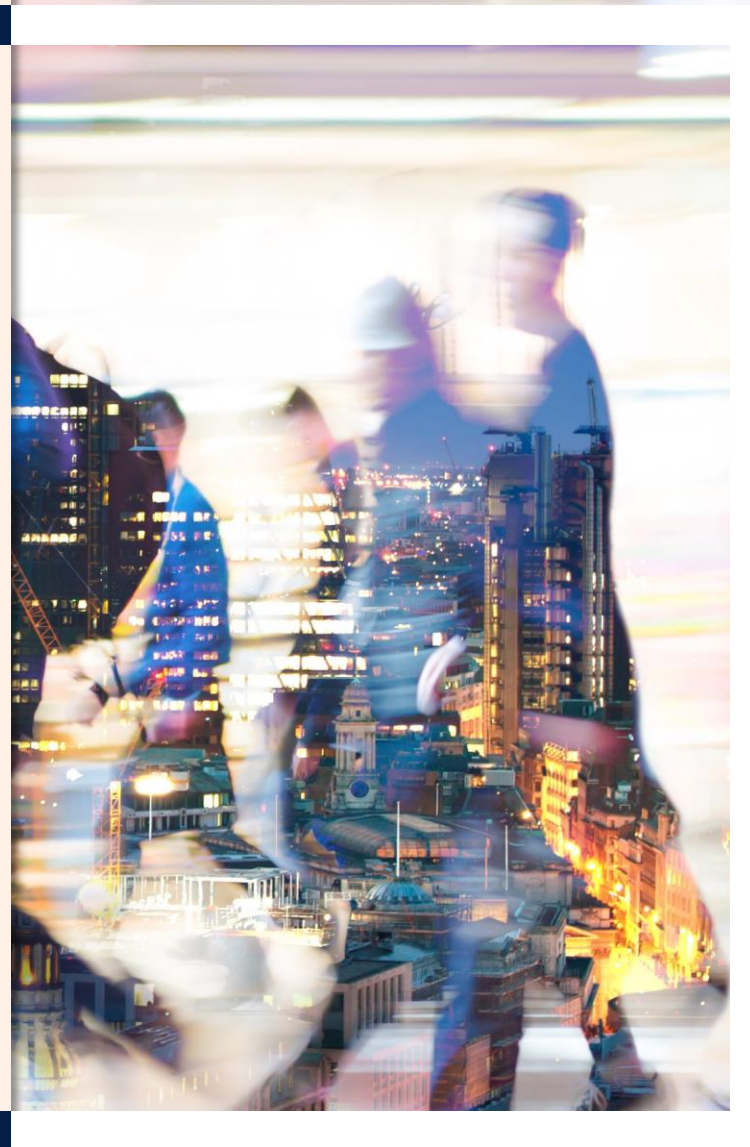
We encourage all employees to talk to supervisors or other appropriate personnel about observed illegal or unethical behavior. Employees are expected to report actual or suspected violations of laws, rules, regulations or the Code. We will treat employee concerns regarding an actual or suspected violation with confidentiality to the maximum extent possible.

In addition, any Director, Officer or employee may raise concerns confidentially about our Company’s conduct, accounting, internal controls or auditing matters with the Independent Board Chair, the Independent Directors, the chair of the Audit Committee or through our ethics hotline or e-mail inbox.

We will not tolerate retaliation of any kind by or on behalf of Annaly and our Directors, Officers and employees against good faith reports or complaints of violations of the Code or other illegal or unethical conduct.

Our ESG Vision

Human Capital



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Human Capital

Principled investments in our employees are our lifeblood. Our team of professionals is our most important asset. Annaly’s highly skilled individuals come to work every day committed to the long-term success and growth of our Company – and we are committed to promoting their well-being, active engagement, development and full potential

The deep and varied expertise of our talented professionals has been the driving force in our successful evolution from a monoline Agency mortgage REIT to the diversified capital manager we are today. Our team members bring with them seasoned and varying sets of professional experience across a variety of sectors, credit cycles, backgrounds, functions and market environments. For this reason, we are focused on fostering an inclusive and rewarding work environment for all of our employees, with ongoing opportunities for career development and wellness support that facilitates the achievement of their personal and professional goals.

Our People by the Numbers



“

Annaly’s success begins with our people. Our employees’ dedication and talent elevate Annaly’s performance and provides consistent value to our shareholders. We believe that investing in a strong culture that promotes diversity, inclusion, development and engagement supports the continued long-term growth of the Company.”

Helen Crossen
Chief Administrative Officer

Note: Employee composition as of December 31, 2019.
Please refer to “Human Capital” in the Endnotes section for footnoted information.

Annaly’s Core Values

Our culture is built on six core values. These values are embedded in our professional and personal conduct and are crucial to how we operate our business. Guided by these values, we are committed to attracting, developing and retaining the best talent, with diverse experiences, perspectives and backgrounds. The MDC Committee of the Board oversees policies and strategies relating to human capital management.

Ownership	Accountability	Communication
Collaboration	Diversity & Inclusion	Humility

Taking Care of Our People During COVID-19

The well-being and safety of our employees is our top priority and the guiding principle for our COVID-19 response. We utilized our Crisis Response Team to lead our response efforts. We cancelled all non-essential travel and tested our remote work capabilities to ensure a seamless transition. We provided technology stipends so that employees could improve their work stations at home. All employees were working 100% remotely ahead of New York-mandated guidelines and continued to operate this way until we were able to start safely returning to the office.

We procured telemedicine benefits, mental-health resources and mindfulness sessions to meet the needs of our employees. We increased company-wide internal communications and have sponsored virtual gatherings to foster our sense of community including book clubs, a trivia night and a cooking class.

We did not have any layoffs or implement any pay cuts in response to COVID-19.

Our Crisis Response Team continues to work diligently to establish safety protocols that allow us to work back together in person, and we remain committed to supporting our employees through this transition.

Diversity & Inclusion

We are driven by the principle that having a diverse group of employees is a business imperative, a social value and the best path to help us generate stronger returns for our shareholders

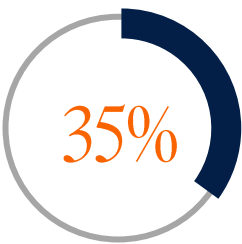
The diversity of our employees brings a critical range of thought and experience throughout our Company, cultivating innovation, fresh perspectives and vital new ideas. We believe diversity and inclusion are key to our ability to deliver attractive shareholder returns as a company, and as such they are essential tenets of our corporate culture.

We think about diversity in a multidimensional framework that includes diversity of thought, gender, race, background, professional and personal experience, among other things. We know that all these dimensions of diversity enhance our performance and, ultimately, create value for our employees and investors. We are proud of our diversity, from our diverse Board to our senior leadership team's commitment to promoting and hiring employees of all backgrounds.

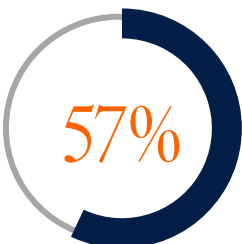
Annaly's Diversity and Inclusion efforts consist of three pillars, which we are committed to advancing:

- **Employee Experience:** training, speaker series, and small-group activities
- **Workplace Practices:** HR policies and practices
- **Community Engagement:** volunteerism and philanthropy

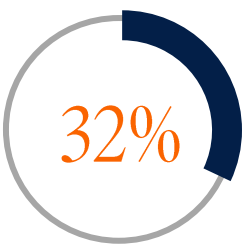
Annaly's Human Capital Management Group, in coordination with our recently named Head of Inclusion and other senior leaders of the Company, is responsible for overseeing and continuing to improve our diversity initiatives. As an equal opportunity employer, we value the diversity of the unique individuals who make up our team. We do not tolerate discrimination or harassment of any kind.



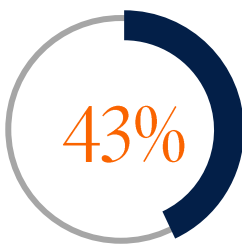
of employees
identify as female



of new hires in 2019
identify as female



of employees
identify as racially diverse



of new hires in 2019
identify as racially diverse

Excerpt from a message from our CEO to employees following reactions to George Floyd's death and other acts of racial violence

“As we face the events in front of us, we will further challenge ourselves to look internally to enhance how we operate, ensuring that we foster a community where all our employees are able to thrive. In doing this, we hope to also do our part to support inclusiveness and bring about meaningful change.”

David Finkelstein
CEO & CIO

2020 Inclusion Efforts

- Identified a Head of Inclusion with support from a cross-functional team
- Developed an Inclusion Support Committee of Executive Sponsors
- Conducted an unconscious bias training for all managers that will be supplemented in 2020 with additional training for all employees
- Organized meetings with business heads and staff to discuss employees' views and concerns followed by an employee inclusion survey

Note: Employee composition statistics as of December 31, 2019.

Women at Annaly

We are committed to achieving gender diversity across all levels of our Company

Investing in the advancement of women is a key priority for Annaly. As such, we have expanded our initiatives focused on advancing gender diversity, including: professional development, mentorship and internal employee engagement. Business performance data – as well as our principled convictions – highlight that when women have meaningful business roles, company performance is enhanced and sustained.

Women in Leadership

Board of Directors

- 45% of Directors are women, compared to 27% on average for the S&P 500⁽¹⁾
- 80% of Board committees are chaired by women

Named Executive Officers (“NEOs”)

- 20% of NEOs are women, compared to 13% of all NEOs in the S&P 500⁽¹⁾

Operating Committee

- 42% of our operating committee are women

Proportion of Female Promotions Since 2015

50%

Board of Directors

~40%

Managing Director

56%

Operating Committee



Annaly was selected in 2018, 2019 and 2020 as a member of the Bloomberg Gender-Equality Index



Annaly is part of the 3% of public companies designated a “Winning” Company by 2020 Women on Boards⁽²⁾

Note: Employee composition statistics as of December 31, 2019. Board composition statistics as of October 2020
Note: Please refer to “Women at Annaly” in the Endnotes section for footnoted information.



Women’s Interactive Network

Launched in 2017, the Annaly Women’s Interactive Network (“WIN”) fosters a strong sense of community and engagement among women at Annaly. Through targeted development and networking opportunities, knowledge exchanges, mentorship, coaching and volunteer efforts, Annaly continues to provide development for and promote the progression and advancement of women at Annaly. WIN is led by a committee of women and men to serve women across all levels and business areas. In 2019, we focused on the following initiatives across three areas to empower women at Annaly:

		
WIN at Annaly	WIN in the World	Volunteering with WIN
Focuses on the internal development of women through strategic initiatives that support, advance and retain women at Annaly	Emphasizes the development of women through partnerships with external organizations	Creates opportunities for employees to support change in underserved communities and participate in charitable organizations that further Annaly’s and WIN’s broader responsibility missions
Initiatives		
<ul style="list-style-type: none">Mentoring CirclesSpeaker Series	<ul style="list-style-type: none">September 2019 Leadership EventJune 2019 Non-Profit Board FairPartnership with Girls Who Invest	<ul style="list-style-type: none">Volunteer opportunities with organizations supporting women

Employee Development, Benefits and Wellness

We invest in and promote talent that cultivates a high-performance culture and builds the capabilities and full potential of our employees

Actively developing our people not only reflects our commitment to each employee individually, but also directly supports the growth and long-term sustainability of our business, giving us a deep pipeline of talent for the future. We invest in the well-being of our people and offer a wide range of wellness initiatives to all of our employees.

Learning and Development	Comprehensive set of learning and development programs tailored to our employees needs and interests as well as Annaly’s overall strategic business objectives
Talent and Performance Management	Rigorous and thorough talent review process to ensure that our people are in appropriate roles that maximize their full potential
Benefits	Competitive suite of benefits designed to meet employee needs
Parental Leave	In 2019, we enhanced our parental leave policy to include 14 weeks (40% increase) of paid time off (“PTO”) for primary caregivers; 6 weeks (300% increase) of PTO for non-primary caregivers; phased return to work for primary caregivers; and back-up family care services
Educational Subsidies	Tuition reimbursement plan to cover all or part of the cost of education that furthers employee education in a field directly related to their specific job, up to \$5,000 per year per employee In 2019, 16% of our employees received educational subsidies or continuing professional education support

Employee Engagement, Satisfaction, and Feedback

Our commitment to our employees’ satisfaction is illustrated by the nearly 20% improvement in our overall favorability score on our annual employee engagement surveys since 2015

For the past five years, we have invited our employees to participate in an annual employee engagement survey, “The Annaly Experience,” consisting of 12 focus areas and 50 questions to help identify our strengths, priorities, overall engagement levels and targeted areas for improvement.

We utilize this survey to create an open and honest feedback forum, enhancing our overall productivity and mitigating risk. Since we instituted the annual survey in 2015, all 12 focus areas have seen an improvement in their total score, including Clarity of Direction, Teamwork & Collaboration and Recognition & Reward.

How We Performed in 2019⁽¹⁾



Note: Survey results based on 2019 internal survey conducted by Perceptyx.

Corporate and Employee Philanthropy and Volunteerism

Annaly’s corporate giving has been focused on high-impact programs that advance social issues that we are committed to: combating homelessness and advancing the professional development of women

In 2019, we initiated the following partnerships:



Works to strengthen individuals, families and communities by developing and sustaining exceptional supportive and affordable housing and programs for homeless and other vulnerable New Yorkers.

In 2019, Annaly and our employees sponsored Breaking Ground’s annual fundraising gala, conducted a winter donation drive and facilitated volunteer opportunities, such as serving Thanksgiving dinner to Breaking Ground residents.



Aims to transform the asset-management industry by bringing more women into portfolio management and leadership.

In 2020, Annaly hosted interns participating in the Girls Who Invest Summer Intensive Program, and offered real-world experience for college-aged women looking to learn more about a career in finance and investment management.



Annaly staff serving Thanksgiving dinner at Breaking Ground event in 2019

Giving Back During COVID-19

The ongoing pandemic has exacerbated inequity across the world. We are committed to giving back to the communities in which we live, work and invest, and that commitment has grown stronger during these trying times.

We identified a number of organizations in line with our corporate philanthropy initiatives that serve communities acutely impacted by the pandemic. In addition to Breaking Ground, Annaly has supported the following charities since the onset of the pandemic:



We look forward to continuing our partnerships with these organizations and supporting the important work that each is doing.

In addition, Annaly and our employees meaningfully contribute to the communities where we live, work and invest through Annaly’s corporate giving, employee volunteerism and Annaly Gives Back – our employee match program. Since 2015:

Over \$600,000 to
90 Organizations

300+ Volunteer Hours by
50% of Our Employees

Our ESG Vision

Responsible Investments

ANNALY®

Responsible Investments

Annaly invests in and finances housing across the country, which strengthens the long-term growth of the economy and supports the vitality of local communities

Support for American Housing

Housing is a bedrock foundation of economic health for individuals, communities and the macroeconomy. We have been helping to finance the housing sector since our inception in 1996. We invest in residential housing through Agency mortgage-backed securities, non-Agency residential credit and multifamily commercial real estate.

Nearly \$125 billion

of residential housing
investments

Nearly 900,000

American homes financed in
all 50 states⁽¹⁾

Policy Engagement

Given our investments across housing finance markets, we are uniquely positioned to understand the effects of potential policy solutions on various markets and are committed to advocating for policies that we believe lead to a more stable housing market and overall economy.

We utilize our market expertise and the strong reputation and relationships that we have developed with policymakers over time to share those insights. We monitor policy developments at the intersection of mortgage markets, and aim to be a credible and reliable resource for those setting policy, including during periods of market volatility and uncertainty similar to the one we have recently navigated.



Lower Loan Balance Mortgages	Self-Employed Borrowers	Credit Risk Transfers (“CRT”)
Over 200,000 loans totaling nearly \$16 billion	Nearly 900 loans totaling ~\$500 million	Nearly 5 million additional homes
to borrowers with lower loan balance mortgages, typically financing homes that are less than half the national house price average ⁽²⁾	to self-employed, creditworthy borrowers, including small-business owners that have challenges accessing mortgage credit from commercial banks due to non-traditional income ⁽³⁾	supported through Annaly’s investments in CRT securities, which are instruments that allow the private sector to take credit risk from Fannie Mae and Freddie Mac ⁽⁴⁾

Source: Company filings. Financial data as of December 31, 2019. Please refer to “Responsible Investments” in the Endnotes section for footnoted information.

Responsible Investments (continued)

Our middle market and commercial real estate businesses strengthen key pillars of the American economy

Support for American Businesses⁽¹⁾

Our multi-billion dollars of investments of commercial investments, which includes investments in middle market businesses and commercial real estate, help drive economic growth in the places where Americans live and work. Our investments support jobs across multiple sectors in the U.S. economy from small towns in the South to cities in the Midwest to coastal municipalities. In aggregate, we have invested:

\$741 million	Healthcare Our healthcare investments help support access to medical services and equipment and streamline the management of healthcare-related information across the sector, as well as provide assistance for appropriate living and other needs to an aging population.
\$551 million	Data & Technology Through our investments in middle market businesses, we support a number of data and technology companies that provide advanced technological solutions to businesses and societal challenges, such as smart transportation, data security and payment processing.
\$540 million	Sustainable Environment We invest in sustainable buildings and middle market businesses that have adopted innovative, environmentally friendly practices. Approximately 20% of our investments in GSE-guaranteed CMBS are "Green Rewards," which consists of loans whereby the property owner must commit to property improvements that are projected to reduce the whole property's annual energy and/or water usage by at least 30%.
\$285 million	Community Development & Economic Opportunity Annaly believes that strong local communities are vital to a healthy America and a sustainable future for us all. The vitality of local communities drives a strong U.S. economy. Annaly contributes to local economic and community development through direct portfolio investments and a joint venture with Capital Impact Partners.

Source: Company filings. Financial data as of December 31, 2019.
Note: Please refer to "Responsible Investments (continued)" in the Endnotes section for footnoted information.

Social Impact Joint Venture⁽²⁾

We have financed 21 community development projects in underserved communities across the country through a social impact joint venture with Capital Impact Partners, a national Community Development Financial Institution. Since inception, we have supported:

Over 1.2 million

Square feet in community development projects across the U.S. employing 1,600 individuals

Over 9,000

Students receiving charter school education, with 80% qualifying for free and reduced-price lunch

Nearly 65,000

Patients receiving care from community health centers and eldercare residences with nearly 52,000 below the poverty line and nearly 5,000 elders served

Over 48,000

People in low-income areas obtaining access to healthy foods through retail grocery and food production facilities



The joint venture is also closely aligned with Annaly's focus on housing finance, as a portion of the fund supports affordable housing and community development in Washington, D.C.

Over 450

Affordable housing units financed in Washington, D.C.

Over 1,000

Low-income residents served

ESG Integration in the Investment Process

As a responsible steward of capital, Annaly believes, based on principles and data, that consideration of ESG factors contributes to our ability to drive positive impacts and deliver attractive risk-adjusted returns over the long term

Our Agency MBS Portfolio

More than 90% of our AUM is invested in the agency MBS market, pools of mortgages whose timely payment of principal and interest is guaranteed by Fannie Mae and Freddie Mac (the “GSEs”). The GSEs were created by Congress to provide liquidity, stability and affordability to the U.S. housing market and in doing so they support the overall economy by enabling Americans to access mortgage loan funding with better terms.

Moreover, the GSEs have a duty to serve underserved markets and are subject to the Department of Housing and Urban Development’s regulation with respect to fair lending and the Consumer Financial Protection Bureau’s regulation with respect to consumer financial products and services. Additionally, the GSEs are subject to overall oversight and regulation by the Federal Housing Finance Agency, an independent agency of the federal government, both as their Conservator and under the Housing and Economic Recovery Act of 2018.

Since agency MBS investors do not take credit risk, we receive limited loan-level data on the underlying borrower. Instead, we receive data on the MBS pools that impact prepayment speeds. We have regular conversations with the GSEs on how ESG materiality factors into the operations of those firms. Additionally, we raise and discuss financially relevant ESG topics with the GSEs.

Our Commitment

We are committed to further integrating the consideration of financially relevant ESG factors into our investment and portfolio management processes

Our Credit Businesses

Our credit teams, AMML, Annaly Residential Credit Group and ACREG, consider ESG factors in their investment processes when evaluating borrowers, origination partners, properties and sponsors. Common factors that our investment teams consider include Board structure, management experience, employee skill and turnover, and legal, social and environmental track record including Phase I and Phase II environmental reports, among others, depending on the nature of the transaction.

The extent to which any single factor is considered is based upon facts and circumstances dependent upon the deal on a case-by-case basis. Our teams may also consider other additional ESG factors during their underwriting or investment process.

AMML applies sector-specific exclusionary screens and seeks to avoid investing in companies whose principal activity is direct involvement in one or more of the following sectors: alcohol and tobacco production, pornographic or violent material, gambling operations, commodities, payday lenders, pawn brokers or gold purchasers, production or sale of weapons, oppressive regimes and companies engaged in morally or ethically questionable businesses or business practices.

Moreover, ACREG considers more specific environmental and social factors when evaluating properties including, but not limited to, property location relative to known climate risks, tenant types in commercial buildings and building age and efficiency.

Additionally, Annaly Residential Credit Group engages with due-diligence providers to test that the loans purchased from originators are in compliance with the law and anti-discrimination statutes. In addition, as a servicer for servicing mortgage loans where we own the servicing rights, we have robust oversight of our sub-servicers to ensure compliance with all federal, state and local laws. This includes, but is not limited to, policies that test for adherence to the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Homeowners Protection Act, the Flood Disaster Protection Act and the Servicemembers Civil Relief Act.

Our ESG Vision

Risk Management



ANNALY[®]

Risk Management

Strong, effective and collaborative risk management is fundamental to our investment approach and is ingrained within our corporate culture

Shared Capital Model

Our shared capital model ensures that each investment strategy is focused on finding the opportunities with the best relative value across our diversified investment platform. This disciplined approach promotes an investment culture whereby each investment strategy is focused on risk-adjusted returns on invested capital rather than simply growing assets under management. This shared capital model is further supported by an independent risk function with seasoned risk professionals aligned with each of the businesses.

We utilize the following primary risk categories to identify, assess, measure and monitor risk:



Changing adverse weather patterns and other risk events are considered and included in our analysis of risk across the portfolio to protect the long-term interests of our shareholders.

How We Think About Risk⁽¹⁾

Our risk-management framework is intended to facilitate a holistic, enterprise-wide view of risk that supports a strong and collaborative risk management culture across the Company. Our risk culture seeks to ensure that key risks are highlighted, understood and managed appropriately.

Our overall investment model focuses on capital preservation and income generation through disciplined investing and proactive portfolio management, supported by active monitoring of our liquidity and leverage position. We are subject to a variety of risks due to the nature of the businesses that we operate. The objective of our risk-management framework is to identify, measure and monitor these risks.

Risk management at Annaly begins with our Board and continues with executive oversight through the ongoing formulation of risk-management practices executed through Annaly’s in-house risk personnel. The Board, at the forefront of this risk control framework, exercises its oversight of risk management primarily through the Board Risk Committee and Board Audit Committee. A series of management committees have oversight or decision-making responsibilities for Annaly’s overall risk-management activities.

For more information on our risk-management practices, please visit our website or pages 71-77 of our most recent Form 10-K.

Note: Please refer to “Risk Management” in the Endnotes section for footnoted information.

Risk Management (continued)

Fulfilling Our Mission During COVID-19: Business Continuity, Technology and Cybersecurity

Our Operational Risk Management practices include emergency preparedness planning and testing to maintain business continuity during events such as natural disasters and system outages. Our well-established Business Continuity Planning (“BCP”) process was integral to our successful transition to remote work during the COVID-19 pandemic. The BCP was designed to ensure continued, effective operations through a variety of scenarios. It identifies critical systems, processes, roles and third parties, and can be adjusted on a real-time basis to address situations as they arise, which allowed us to adapt as COVID-19 escalated rapidly beginning in March 2020.

Historical BCP exercises included a Center for Disease Control and Prevention simulation of an influenza-like pandemic, which required a “shelter-in-place” order similar to those implemented across the country. These exercises allowed us to assess the then-potential impact of a pandemic situation and, in combination with regulatory and industry guidance, ultimately informed our COVID-19 response efforts when the pandemic became all too real.

Central to the effectiveness of the BCP were the steps we took to identify critical processes and protect against disruption or new security threats to the technology systems and databases necessary for our employees to do their jobs. We enhanced technology and video conferencing to support operational efficiencies and offered a Company-sponsored stipend to employees to upgrade their home work stations. Management’s Enterprise Risk Committee exercised their oversight of cybersecurity and our IT Department was diligent in conducting training and awareness exercises to remind employees to be aware of phishing and other scams.



100%

of our workforce successfully transitioned to remote working ahead of the New York mandate to best protect our communities and families

Our ESG Vision

Environment



ANNALY®

We promote sustainable and environmentally friendly practices in order to reduce energy use, decrease waste, increase recycling and lower water consumption in our daily operations. We are committed to continuing to look for ways to minimize our environmental footprint at our headquarters

Our Employees

- As part of our responsibility to operate a sustainable business, we encourage our employees to adopt environmentally friendly habits
- In 2019, we increased the number and visibility of recycling bins throughout our corporate headquarters to increase employee participation
- We encourage all employees to participate in our commuter benefits program, in which a pre-tax benefit account is used to pay for public transit in their commute—including train, subway, light rail, bus and ferry

Environmental Sustainability Policy

- We recently established an Environmental Sustainability Policy to outline our commitment to protect the environment
- The policy supports the conscious use of natural resources, integration of environmental considerations in the investment and risk management process and encouragement of employees' adoption of environmentally friendly practices

Sustainability Oversight

- The Sustainability Leadership Team, including representatives from our Facilities, Legal and CRGR teams, is responsible for our Environmental Sustainability Policy and its implementation. The CR Committee of the Board of Directors is periodically updated on our environmental commitments and sustainability efforts

Greenhouse Gas Emissions

- In 2019, Annaly tracked and measured Scope 2 greenhouse gas emissions⁽¹⁾
- Our GHG footprint in 2019 was 172,736kgCO₂e or 960 kgCO₂e/FTE, representing a 5% decrease in our GHG emissions intensity year-over-year
- Since Annaly's corporate headquarters are located on a floor in a large office building in midtown Manhattan and we do not generate energy onsite or operate a fleet, we have no meaningful Scope 1 emissions

Energy Consumption and 2018 Energy Audit

- We completed an energy audit, in 2018, which found that our corporate office already incorporates many energy reduction best practices
- Following the audit, we implemented a number of additional enhancements, including:
 - Replacing a number of disposable office kitchen items with reusable alternatives
 - Applying a sleep-mode setting to television screens
 - Enhancing the motion-sense light systems in individual offices and conference rooms
- In 2019 our total energy consumption was 2,292,165 kBtu, a slight 3% increase year-over-year from the 2,220,750 kBtu consumed in 2018. However, our overall energy use intensity per capita decreased 2.5% in the same time period from 13,063 kBtu/FTE in 2018 to 12,734 kBtu/FTE in 2019










Note: Please refer to "Environment" in the Endnotes section for footnoted information.

Components of Green Building in Annaly's Corporate Office

Annaly's corporate headquarters are located in Midtown Manhattan with easy access to public transportation. The base building does not use any natural gas, diesel or fuel oil, and its tenants adhere to the Waste and Recycling Compliance set forth by New York City, including mandatory recycling of paper, cardboard, plastic, metal and glass.

The following sustainable and environmentally friendly materials are used within our corporate headquarters:

 <p>Many of the materials are Greenguard-certified</p>	 <p>Certain carpeting is Green Label Plus-certified</p>
 <p>All lighting is LED with controls programmed for usage and shutoff with manual override</p>	 <p>Windows have solar films to reduce HVAC needs</p>
 <p>All acoustic felt is Cradle to Cradle-certified</p>	 <p>All vinyl flooring is FloorScore-certified</p>
 <p>Water fixtures are high efficiency, and many are automated to control use and output</p>	



LEED Gold Certification

In 2015, our headquarters building was awarded LEED Gold Certification by the U.S. Green Building Council, based on employee commuting habits, water efficiency, energy use, indoor and outdoor air quality and sustainability policies.



Annaly's Headquarters at 1211 Avenue of the Americas



Every year since 2014, our headquarters building has been awarded the Energy Star designation.



Our headquarters building is participating in the New York City Carbon Challenge to reduce the base building's greenhouse gas emissions at least 30% by 2029 and support New York City's goal of reducing greenhouse gas emissions 80% by 2050.



Annaly 2019 Corporate Responsibility Report

Appendix:

SASB Disclosure & GRI Content Index

SASB Disclosure

Annaly is a leading diversified capital manager that invests in and finances residential and commercial assets. In addition to our four investment groups, Annaly has several wholly-owned subsidiaries that help us run our business and operations, including certain licensed and registered entities such as a FINRA member broker-dealer and an investment adviser registered with the Securities and Exchange Commission (the “SEC”).

Annaly’s corporate responsibility and governance policies have been an area of significant focus for the Company. This is our first ever annual Corporate Responsibility report. In an effort to provide high-quality sustainability information of interest to our stakeholders, we are supplementing this report with disclosures under the Sustainability Accounting Standards Board (“SASB”) standards framework.

After careful evaluation we have determined that SASB’s Asset Management & Custody Activities industry standards most align with our business because of their focus on investment portfolio management, which is Annaly’s primary activity across our four business lines.

This report will focus on metrics that are relevant to Annaly’s business and our industry using the SASB framework as a benchmark. Due to Annaly’s business model, Annaly is subject to different legal and regulatory requirements than the asset managers and custodians contemplated in this SASB category. As such, we have used the SASB metrics as a guide for our responses, adapting them to the nuances of our own business as appropriate.

The inclusion of these metrics is not an admission of their materiality to an investment or voting decision and should not be construed as such. All data is as of or for the year ended December 31, 2019 unless otherwise noted.

Asset Management & Custody Activities Sustainability Accounting Standard			
Topic	Code	Accounting Metric	Page Reference
Transparent Information and Fair Advice for Customers	FN-AC-270a.1	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Page 31
	FN-AC-270a.2	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers	Page 31
	FN-AC-270a.3	Description of approach to informing customers about products and services	Page 31
Employee Diversity & Inclusion	FN-AC-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Page 31
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	FN-AC-410a.1	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	Page 32
	FN-AC-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	Page 32
	FN-AC-410a.3	Description of proxy voting and investee engagement policies and procedures	Page 32

Asset Management & Custody Activities Sustainability Accounting Standard (cont'd)			
Topic	Code	Accounting Metric	Page Reference
Business Ethics	FN-AC-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	Page 33
	FN-AC-510a.2	Description of whistleblower policies and procedures	Page 33
Systemic Risk Management	FN-AC-550a.1	Percentage of open-end fund assets under management by category of liquidity classification	Following SASB’s preliminary decision to remove this metric, we are omitting it from our report.
	FN-AC-550a.2	Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management	Page 33
	FN-AC-550a.3	Total exposure to securities financing	Page 33
	FN-AC-550a.4	Net exposure to written credit derivatives	Annaly does not write credit derivatives. For additional information on our exposure to credit derivatives please see our 2019 form 10-K.

SASB Disclosure

Discussion of Accounting Metrics

I. Transparent Information and Fair Advice for Customers

a) FN-AC-270a.1

(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings.

- There were no material new investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings in the reporting period for covered employees⁽¹⁾. Annaly's principal business objective is to generate net income for distribution to our shareholders and optimize our returns through prudent management of our diversified investment strategies. As a public company with a number of regulated subsidiaries, we have implemented policies, procedures and controls reasonably designed to ensure compliance with applicable rules and regulations. Moreover, we have a robust Corporate Compliance function, headed by our Chief Compliance Officer with a reporting line to the Board Audit Committee, who is responsible for the oversight of our Company's regulatory compliance. All employees and members of management are required to abide by our Code of Business Conduct and Ethics⁽²⁾.

b) FN-AC-270a.2

Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers.

- Annaly did not sustain any material monetary losses in the reporting period as a result of legal proceedings associated with its marketing and communications. Annaly discloses all material legal and regulatory proceedings in its Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

c) FN-AC-270a.3

Description of approach to informing customers about products and services.

- As a publicly owned company, we regularly disclose business strategy and risks as well as financial performance to our shareholders. However, we do not sell products and services to customers. As such, we do not believe this metric is meaningful to our business. General information about our business is available on our website and our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

II. Employee Diversity & Inclusion

a) FN-AC-330a.1

Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees.

- Annaly supports having a diverse group of employees as a business imperative and a social value. Diversity and Inclusion are foundational principles of our corporate culture that enhance our overall performance and, ultimately, create value for our employees and shareholders. For more information on our recent diversity and inclusion initiatives, programs and policies, see the Human Capital section in this Corporate Responsibility Report, page 15. The tables below provide breakdowns of gender and racial/ethnic group representation over the last three years.

Gender Representation (%)						
	Female			Male		
	2017	2018	2019	2017	2018	2019
Executive Management	22	33	42	78	67	58
Non-Executive Management	6	20	20	94	80	80
Professionals	34	35	36	66	65	64
All Other Employees	-	-	-	-	-	-
New Hires	26	39	57	74	61	43

Racial/Ethnic Group Representation (%)															
	Asian			Black or African American			Hispanic or Latino			White			Other		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Executive Management	-	-	-	11	11	8	-	-	-	89	89	92	-	-	-
Non-Executive Management	13	16	24	-	-	-	-	4	4	88	80	72	-	-	-
Professionals	18	20	22	5	5	5	8	7	5	66	65	65	3	4	3
All Other Employees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Hires	30	28	32	4	6	-	4	6	11	59	56	57	4	6	-

Note: Please refer to "SASB Disclosure" in Endnotes section for footnoted information.

SASB Disclosure

Discussion of Accounting Metrics (cont'd)

III. Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory

a) FN-AC-4I0a.1

Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening.

- More than 90% of our AUM is invested in the agency MBS market, pools of mortgages whose timely payment of principal and interest is guaranteed by Fannie Mae and Freddie Mac (the GSEs). The GSEs were created by Congress to provide liquidity, stability and affordability to the U.S. housing market and in doing so they support the overall economy by enabling Americans to access mortgage loan funding with better terms. Moreover, the GSEs have a duty to serve underserved markets and are subject to Department of Housing and Urban Development regulation with respect to fair lending and Consumer Financial Protection Bureau regulation with respect to consumer financial products and services. Additionally, the GSEs are subject to overall oversight and regulation by the Federal Housing Finance Agency, an independent agency of the federal government, both as their Conservator and under the GSE Act.

Since agency MBS investors do not take credit risk, we receive limited loan-level data on the underlying borrower. Instead, we receive data on the MBS pools that impact prepayment speeds. We have regular conversations with the GSEs on how ESG materiality factors into the operations of those firms. Additionally, we raise and discuss financially relevant ESG topics with the GSEs.

In addition to our Agency MBS business, our three credit businesses also incorporate the consideration of ESG factors in our investment processes.

- **ESG Integration:** Our Middle Market Lending (\$2.1 billion AUM), Residential Credit (\$3.9 billion AUM) and Commercial Real Estate (\$2.3 billion AUM) teams consider ESG factors such as Board structure, management experience, employee skill and turnover, and legal, social and environmental track record, among others depending on the nature of the transaction when evaluating borrowers, partners, properties and sponsors.

The extent to which any single factor is considered is based upon facts and circumstances dependent upon the transaction and each underlying borrower on a case by case basis. Our teams may consider other additional ESG factors during the underwriting process.

- **Sustainability themed investment:** Annaly has a nearly \$42 million joint venture with Capital Impact Partners, a national community development financial institution that invests in low-to moderate-income communities across the country.
- **Screened investments:** Annaly's Middle Market Lending team uses formal screening when conducting business by actively seeking to avoid investing in companies in specific sectors including companies whose principal activity is direct involvement in the following sectors: alcohol and tobacco production, pornographic or violent material, gambling operations, commodities, payday lenders, pawn brokers or gold purchasers, production or sale of weapons, oppressive regimes, and companies engaged in morally or ethically questionable businesses or business practices. Similarly, Annaly's Commercial Real Estate team considers more specific environmental and social factors when evaluating properties including, but not limited to property location relative to known climate risks, tenant types in commercial buildings and building age and efficiency.

b) FN-AC-4I0a.2

Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies.

- As a responsible steward of capital, Annaly takes into account ESG factors that contribute to our ability to drive positive impacts and deliver attractive risk-adjusted returns over the long-term to our shareholders. In particular, Annaly Investment Committee members have the opportunity to discuss all relevant ESG issues before an investment is approved in committee. We are working to further integrate ESG factors in our underwriting and investment processes.

For more information on Annaly's responsible investments and how we incorporate ESG in the investment processes see page 22 of this Corporate Responsibility Report.

c) FN-AC-4I0a.3

Description of proxy voting and investee engagement policies and procedures.

- Annaly does not engage in proxy voting because we currently do not invest in publicly-traded company equities. As such, we do not believe this metric is meaningful to our business.

SASB Disclosure

Discussion of Accounting Metrics (cont'd)

IV. Business Ethics

a) FN-AC-510a.1

Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial, industry laws or regulations.

- Annaly did not sustain any material monetary losses as a result of the legal proceedings related to conduct described above in the reporting period. Annaly discloses any material legal and regulatory proceedings in its Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

a) FN-AC-510a.2

Description of whistleblower policies and procedures.

- Annaly's Code of Business Conduct and Ethics applies to all of our Directors, Officers and employees. Intended to meet the requirements for a code of ethics under the Sarbanes-Oxley Act of 2002 and the listing standards of the New York Stock Exchange, this code covers a wide range of business practices and procedures, setting basic principles and guidelines for resolving various legal and ethical questions that may arise in the workplace and in the conduct of business. See page 10 of our Annual Report on Form 10-K or page 12 of this Corporate Responsibility Report for additional information.

V. Systemic Risk Management

a) FN-AC-550a.2

Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management.

- We utilize a comprehensive liquidity policy structure to inform our liquidity risk management practices that include monitoring and measurement, along with well-defined key risk indicators. Both quantitative and qualitative targets are utilized to measure the ongoing stability and condition of the liquidity position, and include the level and composition of unencumbered assets, as well as a review of our funding profile under various stress conditions.

We also monitor early warning metrics designed to measure the quality and depth of liquidity sources based upon both Company-specific and market conditions. The metrics assist in

assessing our overall liquidity and are integrated into our escalation protocol.

We consider the profile of our assets, liabilities and derivatives when managing both liquidity risk as well as investment/market risk employing a measurement of both the maturity gap and interest rate sensitivity gap. We utilize several modeling techniques to analyze our current and potential obligations including the expected cash flows from our assets, liabilities, and derivatives.

For additional detail please refer to pages 73-77 of our 2019 Form 10-K.

b) FN-AC-550a.3

Total exposure to securities financing.

- Our total securities exposure to financing transactions as of 2019 was approximately \$6.4 billion⁽³⁾. This includes our exposure to financing transactions related to securities as well as our exposure to financing transactions related to our loans. We believe that including our exposure to both securities and loans financing transactions is more representative to the SASB item relating to financing transactions.

Our use of repurchase agreements, other secured financing arrangements and trading activities create exposure to counterparty risk relating to potential losses that could be recognized if the counterparties to these agreements fail to perform their obligations under the contracts. In the event of default by a counterparty, we could have difficulty obtaining our assets pledged as collateral. A significant portion of our investments are financed with repurchase agreements and other secured financing arrangements by pledging our Residential Securities, Loans and certain commercial real estate investments as collateral to the applicable lender. The collateral we pledge generally exceeds the amount of the borrowings under each agreement. If the counterparty to the repurchase agreement or other secured financing arrangement defaults on its obligations and we are not able to recover our pledged asset, we are at risk of losing the over-collateralization or haircut. The amount of this exposure is the difference between the amount loaned to us plus interest due to the counterparty and the fair value of the collateral pledged by us to the lender including accrued interest receivable on such collateral.

Note: Please refer to "SASB Disclosure" in Endnotes section for footnoted information.

GRI Content Index

Disclosure Title	Disclosure Number	Annaly Response
GRI 102: General Disclosures		
Name of Organization	102-1	Annaly Capital Management, Inc.
Activities, brands, products, and services	102-2	Annaly is a leading diversified capital manager that invests in and finances residential and commercial assets. For more information, see “About Our Company,” page 4 in this report or pages 9-13 of our 2019 Annual Report
Location of headquarters	102-3	1211 Avenue of the Americas New York, NY 10036
Location of operations	102-4	United States of America
Ownership and legal form	102-5	Annaly is a public Maryland corporation listed in the New York Stock Exchange under the symbol “NLY”
Markets served	102-6	See pages 2-5 and 9-13 of our 2019 Annual Report
Scale of the organization	102-7	Total number of employees: page 8 on our Form 10-K Total number of operations: page 4 on our Form 10-K Net income: page 56 on our Form 10-K Total capitalization: page 56 on our Form 10-K
Information on employees and other workers	102-8	Human Capital, pages 14-18 SASB Disclosures, page 31
External initiatives	102-12	GRI, SASB, Bloomberg Gender Equality Index, MSCI, Sustainalytics, ISS ESG, FTSE4Good Index, 2020 Women on Boards
Statement from senior decision-maker	102-14	Message from our CEO, page 2
Key impacts, risks, and opportunities	102-15	A detailed discussion of our identified risk factors is described on pages 12-44 of our Annual Report
Values, principles, standards, and norms of behavior	102-16	We are guided by our strong values and strive to conduct our business in accordance with the highest ethical standards and in compliance with all applicable governmental laws, rules, regulations and guidance. For more information, see “Ethics and Integrity,” page 12 or our Code of Business Conduct and Ethics
Mechanisms for advice and concerns about ethics	102-17	
Governance structure	102-18	
Delegating authority	102-19	Oversight and Management of Corporate Responsibility, page 7 Corporate Governance, page 11
Executive-level responsibility for economic, environmental, and social topics	102-20	
Consulting stakeholders on economic, environmental, and social topics	102-21	Materiality Assessment & Stakeholder Engagement, page 9

Disclosure Title	Disclosure Number	Annaly Response
Composition of the highest governance body and its committees	102-22	Corporate Governance, page 11 or see page 19 of our proxy statement
Nominating and selecting the highest governance body	102-24	See page 25 of our proxy statement
Conflicts of interest	102-25	See Annaly’s Code of Business Conduct and Ethics and page 12 of our Form 10-K
Role of highest governance body in setting purpose, values, and strategy	102-26	The Corporate Responsibility Committee, formed in 2017, provides oversight and review of corporate philanthropy, social impact investments, sustainability initiatives, corporate culture, public policy and reputation. For more information, see “Oversight and Management of Corporate Responsibility,” page 7
Collective knowledge of highest governance body	102-27	
Evaluating the highest governance body’s performance	102-28	See page 24 of our proxy statement
Review of economic, environmental, and social topics	102-31	Materiality Assessment & Stakeholder Engagement, page 9
Highest governance body’s role in sustainability reporting	102-32	The CR Committee of the Board is responsible for reviewing the CR Report and the CEO is responsible for approving it
Communicating critical concerns	102-33	Our ESG Vision, pages 6-9
Remuneration policies	102-35	
Process for determining remuneration	102-36	See pages 31-37 of our proxy statement
Stakeholder’s involvement in remuneration	102-37	
List of stakeholder groups	102-40	
Approach to stakeholder engagement	102-43	Materiality Assessment & Stakeholder Engagement, page 9 and page 6 of our proxy statement
Key topics and concerns raised	102-44	
Entities included in the consolidated financial statements	102-45	See pages 1-2 in our Form 10-K
Defining report content and topic boundaries	102-46	Materiality Assessment & Stakeholder Engagement, page 9
List of material topics	102-47	
Reporting period	102-50	The data for this report is as of end 2019 unless otherwise specified
Date of most recent report	102-51	This is Annaly’s first GRI disclosure

GRI Content Index

Disclosure Title	Disclosure Number	Annaly Response
Reporting cycle	102-52	Annual
Contact point for questions regarding the report	102-53	crgr@annaly.com
Claims of reporting in accordance with the GRI Standards	102-54	This report in its entirety is not in accordance with either the “Core” or “Comprehensive” options, but specific material throughout this report references individual selected standards
GRI content index	102-55	GRI Index, pages 34-36
GRI 201: Economic Performance		
GRI 103: Management Approach	103-1	Learn more about Annaly's management approach to economic material issues in our Form 10-K Management's Discussion and Analysis of Financial Condition and Results of Operation (pages 52-89) and Risk Factors (pages 12-46)
	103-2	
	103-3	
Direct economic value generated and distributed	201-1	See page 51 of our Form 10-K for selected financial data and results of operations
GRI 205: Anti-Corruption		
GRI 103: Management Approach	103-1	Annaly's management approach to anti-corruption is guided by the Company's Code of Business Conduct and Ethics , Foreign Corrupt Practices Act and Anti-Bribery Compliance Policy.
	103-2	
	103-3	
Operations assessed for risks related to corruption	205-1	Annaly has robust processes for analyzing and reviewing risks related to corruption in all its business units on an ongoing basis, including formal audits.
Communication and training about anti-corruption policies and procedures	205-2	All employees and members of management are required to complete Ethics and Code of Conduct Training at commencement of employment and annually thereafter. In 2019, Annaly had no material confirmed incidents of corruption.
Confirmed incidents of corruption and actions taken	205-3	Therefore, despite being prepared to do so, we had no need to activate any remediation plans. For more information, see “Compliance,” page 12
GRI 206: Anti-Competitive Behavior		
GRI 103: Management Approach	103-1	Annaly's management approach to anti-competitive behavior is guided by the Company's Code of Business Conduct and Ethics
	103-2	
	103-3	
Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	206-1	In 2019, Annaly had no material legal actions regarding anti-competitive behavior and incurred no violations of anti-trust and monopoly legislation

Disclosure Title	Disclosure Number	Annaly Response
GRI 302: Energy, GRI 305: Emissions, GRI 307: Environmental Compliance		
GRI 103: Management Approach	103-1	Annaly promotes sustainable and environmentally friendly practices to reduce energy use, decrease waste, increase recycling and lower water consumption in our daily operations. For more information see, “Environment,” page 27
	103-2	
	103-3	
Energy consumption within the organization	302-1	In 2019 our Headquarter energy consumption was as follows: Total electricity consumption- 1,372,867kBtu Annual steam usage – 849,961 kBtu Chilled water – 69,337 kBtu Total Energy use – 2,292,165 kBtu 2018 Total Energy use – 2,220,750 kBtu
Energy intensity	302-3	In 2019 our Headquarter energy use intensity was 12,734 kBtu/FTE In 2018 our Headquarter energy use intensity was 13,063 kBtu/FTE
Reduction of energy consumption	302-4	Energy Consumption and 2018 Energy Audit, page 27
Direct (Scope 1) GHG emissions	305-1	As Annaly's corporate headquarters are located on a floor in a large office building in midtown Manhattan and we do not generate energy onsite or operate a fleet, we have no material Scope 1 emissions
Energy indirect (Scope 2) GHG emissions	305-2	2019 GHG emissions – 172,736 kgCO ₂ e 2019 Emissions intensity – 960 kgCO ₂ e/FTE 2018 GHG emissions – 171,951 kgCO ₂ e 2018 Emissions intensity – 1,011 kgCO ₂ e/FTE
Non-compliance with environmental laws and regulations	307-1	In 2019, Annaly had no material fines or non-monetary sanctions for non-compliance with any environmental laws or regulations

GRI Content Index

Disclosure Title	Disclosure Number	Annaly Response
GRI 401: Employment, GRI 404: Training and Education, GRI 405: Diversity and Equal Opportunity		
GRI 103: Management Approach	103-1	Annaly is focused on fostering an inclusive and rewarding work environment for all our employees, with ongoing opportunities for career development and wellness support that facilitates the achievement of their personal and professional goals. In 2019, we hired 28 new employees and had a 7% total turnover rate. For more information, including details on benefits, parental leave, training and diversity, see "Human Capital," pages 14-18.
	103-2	
	103-3	
New employee hires and employee turnover	401-1	
Benefits provided to full-time employees that are not provided to temporary or part-time employees	401-2	
Parental leave	401-3	
Programs for upgrading employee skills and transition assistance programs	404-2	
Percentage of employees receiving regular performance and career development reviews	404-3	
Diversity of governance bodies and employees	405-1	

About Our Company

Source: Company filings. Financial data and employee composition as of December 31, 2019. Board composition as of October 2020.

- 1. Permanent capital represents Annaly’s total stockholders’ equity as of December 31, 2019.
- 2. Represents the estimated number of homes financed by Annaly’s holdings of Agency MBA, residential whole loans and securities, as well as multi-family commercial real estate loans, securities and equity investments as of December 31, 2019. The number includes all homes related to securities and loans wholly-owned by Annaly and a pro-rata share of homes in securities or equity investments that are partially owned by Annaly.
- 3. Data shown since Annaly’s initial public offering in October 1997 through December 31, 2019 and includes common and preferred dividends declared.
- 4. Represents the cumulative commitment value of Annaly’s commercial investments, including current and prior investments since Annaly’s initial public offering.
- 5. Total assets represent Annaly’s investments that are on balance sheet, as well as investments that are off-balance sheet in which the Company has economic exposure. Our portfolio includes securities, loans, and equity in both the residential and commercial real estate markets.

Materiality & Stakeholder Engagement

Source: Shareholder data per Ipreo.

- 1. Representative of outreach during 2019-2020 proxy season and shareholder base as of December 31, 2019.

Corporate Governance

Note: Board composition as of October 2020.

- 1. For more information on the internalization transaction, please refer to the press releases and Form 8-Ks filed on February 12, 2020 and July 1, 2020.

Human Capital

Note: Employee composition as of December 31, 2019.

- 1. Financial Services Sector data per United States Department of Labor, Bureau of Labor Statistics, "Job Openings and Labor Turnover Summary," using December 2018 - November 2019 totals.

Women at Annaly

Note: Employee composition statistics as of December 31, 2019. Board composition statistics as of October 2020.

- 1. S&P 500 board composition and Named Exeuctive Officer data per ISS Corporate Solutions as of February 2020.
- 2. 2020 Women on Boards is a national campaign to increase the percentage of women on U.S. company boards to 20% or greater by the year 2020. "Winning" companies are those with 5 or more women on their Board.

Responsible Investments

Source: Company filings. Financial data as of December 31, 2019.

- 1. Represents the estimated number of homes financed by Annaly’s holdings of Agency MBA, residential whole loans and securities, as well as multi-family commercial real estate loans, securities and equity investments as of December 31, 2019. The number includes all homes related to securities and loans wholly-owned by Annaly and a pro-rata share of homes in securities or equity investments that are partially owned by Annaly.
- 2. Represents all of the loans included in low loan balance (<\$85,000) and medium loan balance (\$85,000-\$110,000) Agency MBS pools wholly-owned by Annaly and a pro-rata share of loans in low loan balance and medium loan balance Agency MBS pools partially-owned by Annaly. Based on FHFA’s March 31, 2020 seasonally adjusted House Price Index, which is calculated using home sales price information from mortgages sold to, or guaranteed by, Fannie Mae and Freddie Mac.
- 3. Represents residential whole loans owned by Annaly.
- 4. CRTs include the loans in the CRT reference pool for CRT securities partially-owned by Annaly. In rare cases, some individual borrowers may be counted multiple times if they are present in Annaly’s holdings of multiple asset types.

Responsible Investments (continued)

Source: Company filings. Financial data as of December 31, 2019.

- 1. All figures quoted in this section represent the cumulative commitment value at investment date of Annaly’s commercial investments, including current and prior investments.
- 2. Represents total projects financed through Annaly’s social impact joint ventures with Capital Impact Partners, including those that have paid off, through December 31, 2019.

Risk Management

- 1. Content on this page does not purport to be a comprehensive account of all risks that we manage. For additional information, please refer to our most recent Annual Report on Form 10-K, including the Risk Factors, and any subsequent Quarterly Reports on Form 10-Q.

Environment

- 1. Analysis conducted by CodeGreen in accordance with the quantification methodologies of the GHG Protocol.

SASB Disclosure

Source: Company filings.

- 1. ‘Covered employees’ is defined by SASB as employees subject to filing the following forms: Forms U4, U5, and U6 with the Central Registration Depository (“CRD”) of the Financial Industry Regulatory Authority (“FINRA”); Form BD with the Investment Adviser Registration Depository (“IARD”) of the U.S. Securities and Exchange Commission (“SEC”); and Form BDW with the IARD of the SEC. As applied to Annaly, ‘covered employees’ pertains only to employees that support our broker-dealer and registered investment subsidiaries.
- 2. Note, however, that this metric only directly applies to our employees that support the broker dealer and registered investment advisor subsidiaries and, that as a publicly owned company, we follow all SEC reporting guidelines.
- 3. Our exposure to securities financing presented within this report differs from our counterparty exposure presented on page 79 in our Form 10-K. The counterparty table within our 10-K presents exposure related to repurchase agreements (but not other secured financing), swaps and other derivatives. Consistent with the SASB standard, the exposure presented in this report only includes exposure specific to financing transactions (specifically repurchase agreements and other secured financing).

Important Notices

This Corporate Responsibility Report is issued by Annaly Capital Management, Inc. ("Annaly"), an internally-managed, publicly traded company that has elected to be taxed as a real estate investment trust for federal income tax purposes. This report is provided for investors in Annaly for informational purposes only and is not an offer to sell, or a solicitation of an offer to buy, any security or instrument.

Forward-Looking Statements

This report, other written or oral communications, and our public documents to which we refer contain or incorporate by reference certain forward-looking statements which are based on various assumptions (some of which are beyond our control) and may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," or similar terms or variations on those terms or the negative of those terms. Such statements include those relating to the Company's future performance, macro outlook, the interest rate and credit environments, tax reform and future opportunities. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, risks and uncertainties related to the COVID-19 pandemic, including as related to adverse economic conditions on real estate-related assets and financing conditions; changes in interest rates; changes in the yield curve; changes in prepayment rates; the availability of mortgage-backed securities ("MBS") and other securities for purchase; the availability of financing and, if available, the terms of any financing; changes in the market value of the Company's assets; changes in business conditions and the general economy; the Company's ability to grow our commercial real estate business; the Company's ability to grow its residential credit business; the Company's ability to grow its middle market lending business; credit risks related to the Company's investments in credit risk transfer securities, residential mortgage-backed securities and related residential mortgage credit assets, commercial real estate assets and corporate debt; risks related to investments in mortgage servicing rights; the Company's ability to consummate any contemplated investment opportunities; changes in government regulations or policy affecting the Company's business; the Company's ability to maintain its qualification as a REIT for U.S. federal income tax purposes; the Company's ability to maintain its exemption from registration under the Investment Company Act of 1940, as amended; and the risk that the expected benefits, including long-term cost savings, of the Internalization are not achieved. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except as required by law.

We routinely post important information for investors on our website, www.annaly.com. We intend to use this webpage as a means of disclosing material information, for complying with our disclosure obligations under Regulation FD and to post and update investor presentations, Corporate Responsibility reports and similar materials on a regular basis. Annaly encourages investors, analysts, the media and others interested in Annaly to monitor the Investors section of our website, in addition to following our press releases, SEC filings, public conference calls, presentations, Corporate Responsibility reports, webcasts and other information we post from time to time on our website. To sign-up for email-notifications, please visit the "Email Alerts" section of our website, www.annaly.com, under the "Investors" section and enter the required information to enable notifications. The information contained on, or that may be accessed through, our webpage is not incorporated by reference into, and is not a part of, this document.

Past performance is no guarantee of future results. There is no guarantee that any investment strategy referenced herein will work under all market conditions. Prior to making any investment decision, you should evaluate your ability to invest for the long-term, especially during periods of downturns in the market. You alone assume the responsibility of evaluating the merits and risks associated with any potential investment or investment strategy referenced herein. To the extent that this material contains reference to any past specific investment recommendations or strategies which were or would have been profitable to any person, it should not be assumed that recommendations made in the future will be profitable or will equal the performance of such past investment recommendations or strategies. The information contained herein is not intended to provide, and should not be relied upon for accounting, legal or tax advice or investment recommendations for Annaly or any of its affiliates.

Regardless of source, information is believed to be reliable for purposes used herein, but Annaly makes no representation or warranty as to the accuracy or completeness thereof and does not take any responsibility for information obtained from sources outside of Annaly. Certain information contained in the report discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.