



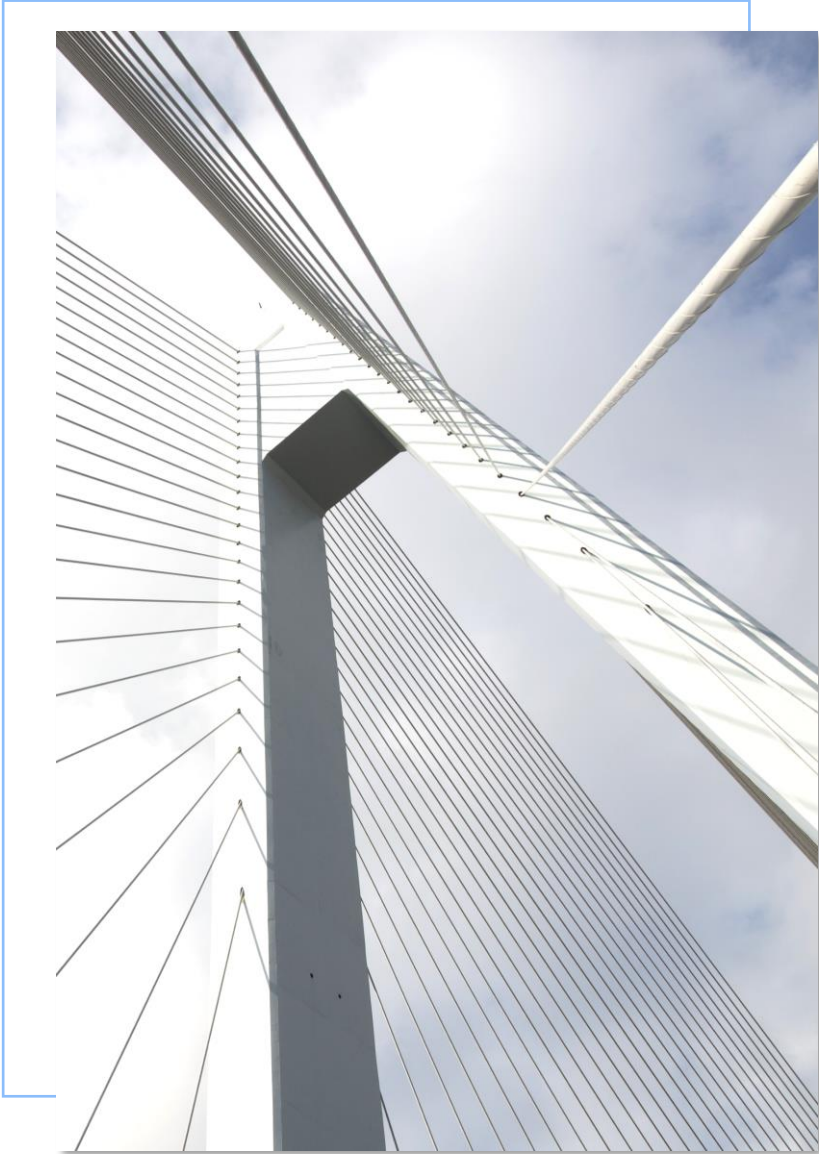
Annaly 2020 Corporate Responsibility Report

Leading with Purpose

July 2021

ANNALY®

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Annaly 2020 Corporate Responsibility Report

Message from Our CEO

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Message from Our CEO

Business Highlights

861%

Total return since IPO,
outperforming the S&P 500 by
~1.75x⁽¹⁾

6.2x

Economic leverage, down one full
turn from FY 2019

1.62%

Operating expense ratio for
FY 2020⁽²⁾, ~20bps reduction year-over-
year due to realized cost savings

\$8.7 billion

of unencumbered assets⁽³⁾,
including cash and unencumbered
Agency MBS of \$6.3bn

\$2.33 billion

Planned divestiture of
substantially all the assets that
comprise the Annaly Commercial
Real Estate Group⁽⁴⁾

2020 was a year filled with unprecedented and unpredictable challenges. As the world struggled to combat the COVID-19 pandemic and wrestled with social inequities, we all had moments to reflect on our values, what is important, and ways we can best serve our communities. At Annaly, we deepened our commitment to ESG integration, reaffirmed the core values that have guided this Company for over two decades, and embraced the opportunity to *Lead with Purpose* – which for us means accountability with respect to how we achieve results that benefit our stakeholders.

We are convinced that our ESG initiatives strengthen how we manage the Company and contribute to the returns we deliver to all of our stakeholders: shareholders, employees, and communities. Annaly is a long-term model with an ownership mentality and accountability embedded in how we operate, and ESG integration is fundamental to bringing that model to life. From corporate governance to human capital management, responsible investments, and risk management, to our environmental commitments, ESG integration informs our strategic and operational plans and helps us identify risks and opportunities.

I’m proud of our remarkable Corporate Responsibility accomplishments, including the significant progress made on the ESG goals and commitments we outlined in our last report.

Some of those achievements include:

- Strong performance while navigating volatile markets within a robust risk management and control environment
- Internalized management resulting in incremental cost control and greater transparency and disclosures around executive compensation
- Prioritizing the health and well-being of our employees and fostering our workplace culture and connections

- Conducting a robust Board candidate review process reflective of the Company’s commitment to seeking out highly qualified candidates of diverse gender and race
- SASB disclosures for Annaly and, new to this report, for our Residential Credit business
- Identifying a Head of Inclusion and conducting firmwide unconscious bias trainings
- Developing and teaching a course on fixed income and mortgage markets to City University of New York students to increase the pipeline of diverse real-estate professionals
- 100% offset of our greenhouse gas emissions for our corporate headquarters

In addition, we are excited to share that we have made a new commitment with this report to further assess climate change risks and opportunities taking into consideration the recommendations of the TCFD.

I invite you to read our Corporate Responsibility report to learn more about what we are doing in this critical area for our Company. We continue to make progress, welcome your feedback, and look forward to engaging with you about this important work.

Thank you for your continued support of Annaly.

Sincerely,



David Finkelstein
Chief Executive Officer &
Chief Investment Officer



Note: Company filings and Bloomberg. Financial data as of December 31, 2020. Market data as of January 29, 2021.
Please refer to “Message from Our CEO” in the Endnotes section for footnoted information.



Annaly 2020 Corporate Responsibility Report

About Our Company

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About Our Company

Annaly combines the power of capital with sound strategy to best serve our shareholders. With a culture that champions diversity and talent, we work relentlessly to optimize risk-adjusted returns.

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 stockholders and optimize our returns through prudent management of our diversified investment strategies. We use our capital coupled with borrowed funds to invest primarily in real estate related investments, earning the spread between the yield on our assets and the cost of our borrowings and hedging activities.

In doing so, we actively consider Environmental, Social and Governance (“ESG”) factors in a manner consistent with our fiduciary duties.

\$14 billion
Permanent Capital⁽¹⁾

~700,000
American Homes Financed⁽²⁾

\$20+ billion
Common and Preferred
Dividends Declared⁽³⁾

50%
of Annaly Employees Identify
as Women or Racially /
Ethnically Diverse

~\$295 million
Investments Supporting
Communities⁽⁴⁾

~180
Talented Professionals

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

Our Investment Strategies

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 and complementary investments within the Agency market, including mortgage servicing rights and Agency CMBS

Annaly
Residential Credit Group
 (“ARC”)

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

Annaly
Middle Market Lending Group
 (“AMML”)

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

Annaly
Commercial Real Estate Group⁽⁶⁾
 (“ACREG”) – Planned Divestiture

In March 2021, Annaly announced that it had entered into a definitive agreement to sell substantially all of the assets that comprise Annaly’s commercial real estate business

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

A decorative graphic consisting of a large square frame. The left half of the frame is orange, and the right half is dark blue. The background features a pattern of overlapping, semi-transparent triangles in shades of gray and white, creating a geometric, crystalline effect.

Annaly 2020 Corporate Responsibility Report

Our ESG Strategy

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Our ESG Strategy

Annaly's long-standing commitment to corporate responsibility, industry-leading corporate governance practices, and a culture that develops talent and champions diversity drive positive impact and 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 all of our stakeholders: our shareholders, employees, and communities. 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 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




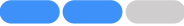
Environment

Promote sustainable and environmentally friendly practices in our daily operations

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 we aim to be a credible and reliable resource for those setting policy, including during periods of market volatility and uncertainty similar to those experienced in 2020.

ESG Goals and Commitments

Goals and Commitments		Status	2020+ Highlights
Corporate Governance	Continue to seek out highly qualified Board candidates of diverse gender and race/ethnicity	Achieved 	<ul style="list-style-type: none"> Amended Corporate Governance Guidelines and Nominating/Corporate Governance Committee Charter to formalize Board's commitment to seeking out highly qualified candidates of diverse gender and race/ethnicity Disclosed gender and racial/ethnic composition of our Board of Directors on an individual basis in our proxy statement <ul style="list-style-type: none"> 45% of Annaly's Directors identify as Women 27% of Annaly's Directors identify as Racially / Ethnically diverse
	As an internally managed company, provide greater transparency and disclosure around executive compensation	On Track 	<ul style="list-style-type: none"> Disclosed total compensation paid to each named executive officer for 2020 in 2021 proxy statement Introduced equity incentives, including performance-based awards, and the use of a quantitative corporate performance scorecard that reflects financial and nonfinancial goals Announced further executive compensation enhancements for 2021 in our 2021 proxy statement
	Further integrate ESG oversight across Board of Director committees and functions	New Goal	
Human Capital	Continue to advance our Diversity, Equity, and Inclusion efforts with a focus on three areas: employee experience, workplace practices, and community engagement	On Track 	<ul style="list-style-type: none"> Appointed a Head of Inclusion with support from a cross-functional team Developed an Inclusion Support Committee of Executive Sponsors Hosted periodic roundtables and surveys to understand the needs of our diverse workforce on topics such as remote work, mental health, childcare, and family life Developed and taught a class on fixed income and mortgage markets to City University of New York students Became a signatory of the CEO Action for Diversity and Inclusion
	Provide targeted training and development opportunities that maximize performance, enable upward mobility, and increase employee engagement	On Track 	<ul style="list-style-type: none"> Conducted firm-wide unconscious bias trainings to establish foundational knowledge, language, and understanding to support Annaly's diversity, equity, and inclusion initiatives Conducted individual style sessions as part of our initiative to further define and strengthen Annaly's culture and connect it to strategic vision, purpose, and business priorities Created a Management Development Program, including team building, strength-based executive coaching, and development opportunities Conducted a succession planning process to identify talent for key roles Expanded the mandate of the Management Development and Compensation Committee of the Board to include broad oversight of the Company's human capital management, including policies and strategies related to recruiting, retention, career development, management succession, corporate culture, diversity, and employment practices



ESG Goals and Commitments

Goals and Commitments		Status	2020+ Highlights
Responsible Investments	Further integrate the consideration of financially relevant ESG factors into our investment and portfolio management processes	On Track <div><div></div><div></div><div></div></div>	<ul style="list-style-type: none"> ▪ Included SASB disclosures under the Asset Management & Custody Activity Framework in our inaugural Corporate Responsibility Report ▪ Including SASB disclosures under the Mortgage Finance Standards for our Residential Credit business as part of this Corporate Responsibility Report ▪ Included assessment of additional relevant ESG factors into AMML credit investment memos
	Further assess climate change risks and opportunities, taking into consideration the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”)	New Goal	
Risk Management	Continue to enhance our risk governance and controls while remaining adaptive to changing strategic business objectives and environments	Achieved <div><div></div><div></div><div></div></div>	<ul style="list-style-type: none"> ▪ Strong performance while navigating volatile markets within a robust risk management and governance framework that includes regular stress testing, reporting, and controls ▪ Automated and increased frequency of reporting for all firm-wide Key Risk Indicators ▪ Streamlined and automated counterparty reporting ▪ Enhanced reporting for residential whole loan trading and added surveillance for new business development ▪ Invested in Annaly’s technology infrastructure to enhance resiliency, efficiency, cybersecurity, and scalability as employees fully transitioned to remote work
	Enhance technology and business processes to enable a safe and phased return to the office following evolving CDC and NYS guidance	New Goal	
Environment	Continue to track our energy consumption and greenhouse gas (“GHG”) emissions and look for ways to reduce our environmental footprint at our headquarters	Achieved <div><div></div><div></div><div></div></div>	<ul style="list-style-type: none"> ▪ Tracked, measured, and disclosed our total GHG emissions and energy consumption at our headquarters ▪ Purchased carbon credits to offset 100% of our Scope 2 GHG emissions

Achieved = We have developed and implemented policies, procedures, and/or disclosures that ensure that we are accountable to continuing to meet this commitment.

On track = We have made progress and are working to further formalize policies, procedures, and/or disclosures.

Oversight and Management of Corporate Responsibility

Corporate responsibility and ESG integration activities are routinely communicated to the relevant Committees of the Board of Directors (the “Board”) and, as appropriate, to the full Board. The Corporate Responsibility Committee (the “CR Committee”) of 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.

The CR Committee Chair liaises on certain ESG topics with the Chairs of other Board Committees, including the Risk 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.

We spoke to the Chair of the CR Committee, Katie Beirne Fallon, to get her views on how ESG integration is thought of at Annaly and the role the Board plays in overseeing Annaly’s sustainability initiatives.



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

Q & A with Our Chair of the Corporate Responsibility Committee of the Board

Q: Why are Corporate Responsibility and ESG important now more than ever?

A: 2020 and 2021 have been a historic and transformative time for society, full of challenges and opportunities. At times like this, leadership is critical.

Companies like Annaly that are guided by strong values and that have integrated ESG into their strategy and operations were prepared to meet the challenges of this past year. These are the companies that stand out from peers.

Companies are playing a prominent role in helping to navigate the COVID-19 pandemic and economic recovery and countering social inequities. And now, more than ever, they have a responsibility to align values with actions, delivering value and returns to investors, safeguarding and developing employees, and investing in communities. Annaly’s strategic focus on its key ESG areas supports our ability to do exactly these things.

Q: What is the Board of Directors’ role?

A: The Board’s role is to provide formal, effective, and comprehensive oversight of the Company’s key risks and opportunities on behalf of shareholders. With regards to ESG, that includes ensuring that the Company is focused on the appropriate areas, considers opportunities and risks, and understands the broader evolving policy, regulatory, and investor landscape.

Q: How is Board Oversight of ESG at Annaly evolving?

A: Annaly’s Board of Directors always seeks to incorporate leading practices. Oversight of Corporate Responsibility and ESG is no different. The Corporate Responsibility Committee has dug into our key ESG areas to understand the strategy and risks. In addition, ESG is a frequent topic at Board meetings throughout the year given its heightened importance to investors as well as our broader group of stakeholders. As the Chair of the Corporate Responsibility committee, I liaise with other Board Committee Chairs on ESG topics of mutual relevance and work closely with management to understand and monitor trends and risks and opportunities.

Corporate Responsibility Milestones

2017

Joined the National Assoc. of Corporate Directors and 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



“Annaly has thoughtfully built our ESG efforts over time in areas that contribute to our ability to achieve our business objectives, manage risks, and create value for all of our stakeholders. We are proud of our work and the progress we continue to make.”

Tanya Rakpraja
Head of Corporate Responsibility and Government Relations

2018

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

Enhanced parental leave policy

Appointed Head of Corporate Responsibility and Government Relations

Adopted bylaw amendment to declassify the Board

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 roles

2021

Elected a new Independent Director – 27% of Directors are racially / ethnically diverse

Significantly enhanced disclosures on compensation in our 2021 proxy statement

Disclosed racial/ethnic diversity of our Directors in our Board skills and experiences matrix

Became a signatory of CEO Action for Diversity and Inclusion

2020

Internalized management

Established Sustainability Leadership team

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

Published inaugural Corporate Responsibility report including SASB disclosures

Redesigned compensation program to reflect internally managed structure

Purchased carbon credits to offset 100% of Scope 2 GHG emissions

Note: Employee composition as of December 31, 2020. Board composition as of June 30, 2021.

Materiality Assessment and Stakeholder Engagement

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

We use the Global Reporting Initiative (“GRI”) Standards’ definition of materiality for the purposes of this report. 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 formal and informal assessments to determine the material ESG areas 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 are most important to our stakeholders and business objectives: corporate governance, human capital, responsible investments, risk management, and environment. Once we identified these relevant issues, we compared this list to the Sustainability Accounting Standards Board (“SASB”) and the GRI standards and frameworks. We share both the SASB and GRI disclosures indices in the Appendix.

2020-2021 Shareholder Engagement⁽¹⁾

Our shareholder outreach and engagement efforts have generated significant feedback and have resulted in a number of enhancements to the Company’s Corporate Responsibility and ESG practices and disclosures over the last few years. Annaly’s shareholders have been instrumental to and supportive of these initiatives and the Company looks forward to continuing to find innovative ways to engage them.

Outreach included:

100%

of top 100 institutional investors

90%

of institutional ownership

We actively engage our stakeholders 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 2020-2021 outreach included ⁽¹⁾ <ul style="list-style-type: none">100% of top 100 institutional investors90% of institutional ownership More than 100 one-on-one meetings with investors across the U.S., Canada, and Europe
	(in-person meetings, conferences, phone calls, electronic communication, and other platforms)	
Employees	Annual Engagement Surveys	Engagement tool to help identify our strengths, priorities, and targeted areas for improvement. We began utilizing this survey in 2015 to create an open and honest feedback forum. In 2020, our survey focused on identifying the hallmarks of our organizational culture. In 2021, our survey will once again focus on employee engagement throughout the firm.
	Periodic Town Hall Meetings	Forum for direct engagement between our CEO, senior leadership, and employees
	Employee Experience Surveys	Ad hoc surveys soliciting real time feedback on topics such as: <ul style="list-style-type: none">Learning & DevelopmentBenefits, Performance, and CompensationDiversity, Equity, and Inclusion InitiativesEmployee Activities
Board of Directors and Relevant Board Committees	Regular Meetings	Forums for the Board and 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 matching grant program
	Sustainability Leadership Team	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 Assessment and Stakeholder Engagement” in the Endnotes section for footnoted information.

Recognition, Acknowledgement, and Initiatives

Annaly has been recognized for achieving significant ESG results as part of our ongoing commitment to corporate responsibility best practices



Bloomberg Gender-Equality Index

Annaly was acknowledged in 2018, 2019, 2020, and 2021 as a member of the Bloomberg Gender-Equality Index, recognizing Annaly's commitment to advancing women in the workplace



50/50 Women on Boards

With 45% female representation among our Directors, Annaly is considered a company with a "Gender-Balanced Board" by 50/50 Women on Boards, a national campaign advocating for gender-balanced boards. Annaly is part of the 5% of companies with nearly half of the corporate board seats held by women



FTSE Russell FTSE4Good Index

In 2019 and 2020, Annaly was included in the FTSE4Good Index, an equity index series designed to measure the performance of companies demonstrating strong Environmental, Social and Governance practices



CEO Action for Diversity & Inclusion

At Annaly, we are committed to taking action to make our workplace and communities more inclusive. We are proud to be a signatory of CEO Action for Diversity & Inclusion

Annaly's corporate headquarters in midtown Manhattan follows environmentally friendly practices



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



Energy Star

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



NYC Carbon Challenge

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



Energy Attribute Certification

Annaly has made a commitment to offset 100% of our Scope 2 GHG emissions. In 2020, we purchased 403 MWh of Green-e Certified Renewable Energy Certificates sourced from U.S. wind facilities



Annaly 2020 Corporate Responsibility Report

Corporate Governance

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Corporate Governance

Goals and Commitments	Continue to seek out highly qualified Board candidates of diverse gender and race/ethnicity	As an internally managed company, provide greater transparency and disclosure around executive compensation	Further integrate ESG oversight across Board of Director committees and functions
Status ⁽¹⁾	Achieved	On Track	New Goal

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.

Corporate Governance at Annaly

“Annaly’s commitment to strong governance is unparalleled. We have made it a priority to seek out diverse directors to ensure that we have robust oversight, enabling us to steer through times of volatility and create long-term value for our shareholders.”

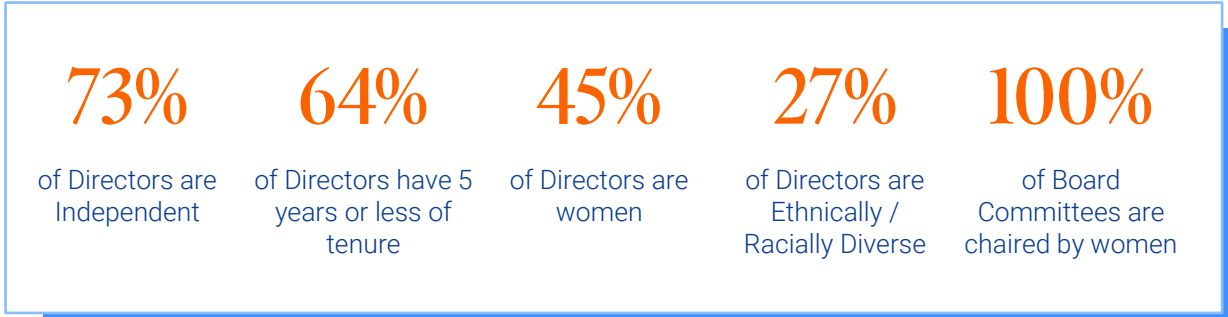
Francine J. Bovich
Chair of the Nominating / Corporate Governance Committee (“NCG Committee”) of the Board of Directors

Our Board is responsible for overseeing the long-term success of our Company on behalf of shareholders. 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 the majority of members of the Risk and CR Committees, are independent. These committees meet regularly to carry out their functions and responsibilities.

The NCG Committee endeavors to have a Board representing diverse backgrounds and a wide range of professional experiences. The NCG Committee annually evaluates its overall composition and rigorously evaluates individual Directors to ensure a continued match of their skill sets and projected tenure against the needs of the Company.

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

Board Composition



Note: Board composition as of June 30, 2021. Please refer to “Corporate Governance” in the Endnotes section for footnoted information.

Corporate Governance

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.

Director Independence and Oversight	<ul style="list-style-type: none">▪ Separate CEO and Independent Chair of the Board▪ Regular executive sessions of Independent Directors▪ Independent key Board Committees (Audit, MDC, NCG)▪ Board oversees a succession plan for the CEO and other senior executives
Board Refreshment and Diversity	<ul style="list-style-type: none">▪ Board refreshment policy triggered upon earlier of 15 years of service or 73rd birthday▪ Board is committed to considering factors that promote principles of diversity
Director Qualifications and Evaluations	<ul style="list-style-type: none">▪ Annual Board, Committee, and individual Director self-evaluations with periodic use of an external facilitator▪ Comprehensive Board succession planning process▪ Robust over-boarding policy limits the number of outside public company boards, other than Annaly, on which Directors can serve to three other boards for non-CEOs and one other board for sitting CEOs▪ Multiple Audit Committee financial experts
Shareholder Rights and Engagement	<ul style="list-style-type: none">▪ All Directors are elected annually▪ Majority vote standard for uncontested elections▪ Annual stockholder advisory vote on executive compensation▪ Majority voting to approve amendments to the Company's charter and bylaws
Corporate Responsibility and ESG	<ul style="list-style-type: none">▪ Board created Corporate Responsibility Committee in 2017▪ Created executive role to lead the Company's Corporate Responsibility initiatives in 2018▪ Released inaugural Corporate Responsibility Report in 2020▪ Established cross-functional Sustainability Leadership Team in 2020▪ Appointed our first Head of Inclusion and formed an Inclusion Support Committee of Executive Sponsors in 2020

Internalization Transaction and Executive Compensation

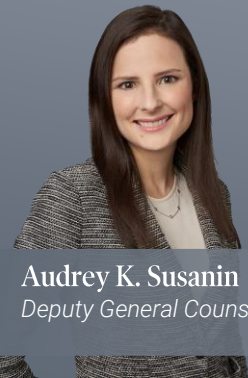
Annaly's internalization transaction, which closed on June 30, 2020, reflects the shared commitment of the Board and management to the long-term interests of the Company and our shareholders, who benefit from our increased transparency and disclosure around executive compensation.

In connection with the Internalization, the MDC Committee has redesigned the executive compensation program to reflect the Company's internally managed structure. Following peer benchmarking, shareholder outreach, and a review of best practices, the MDC Committee introduced a compensation philosophy that seeks to align the interests of the Company's employees with those of its shareholders and is driven by the following principles:

- **Pay for Performance:** A significant portion of executive officer compensation should vary with business performance
- **Create Long-Term Shareholder Value:** Equity incentive awards should have multi-year vesting and performance periods
- **Support Risk Management:** Compensation policies and practices should reflect the Company's risk management culture
- **Attract, Retain, and Incentivize Top Talent:** Compensation packages should be market-competitive to facilitate hiring, retaining, and motivating high-performing executives
- **Reinforce our Culture and ESG Priorities:** Compensation programs should incorporate our ESG goals and align leadership with our firm's culture and values

Ethics and Integrity

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.



Audrey K. Susanin
Deputy General Counsel

“ Ethics and integrity are the backbone of good corporate governance and are integral to Annaly’s success.”

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

- Applies to all of our Directors, Officers, and employees
- 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



Business Integrity and Fair Competition

- Strict policy to comply with the Foreign Corrupt Practices Act and to ensure that we do not engage in any anticompetitive behavior or violate any antitrust legislation
- Annaly employees are strictly prohibited from participating in any activities or practices that may be considered bribery or made for the purpose of deriving an improper benefit for the Company



Reporting Illegal or Unethical Behavior

- All employees are expected to report actual or suspected violations of laws, rules, regulations, or the Code
- Concerns can be reported anonymously through the Company’s whistleblower hotline or e-mail mailbox. All such reports will be treated confidentially 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



Mandatory Annual Training

- 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



A decorative graphic consisting of a large square frame. The left half of the frame is outlined in orange, and the right half is outlined in dark blue. The background features several overlapping, semi-transparent geometric shapes, including triangles and polygons, in shades of gray and white, creating a modern, abstract design.

Annaly 2020 Corporate Responsibility Report

Human Capital

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Human Capital

Goals and Commitments	Continue to advance our Diversity, Equity, and Inclusion efforts with a focus on three areas: employee experience, workplace practices, and community engagement	Provide targeted training and development opportunities that maximize performance, enable upward mobility, and increase employee engagement
Status ⁽¹⁾	On Track	On Track

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.

Our people are the driving force behind Annaly’s continued success and bring with them diverse personal and professional experiences across a variety of sectors, credit cycles, backgrounds, functions, and market environments. For this reason, we strive to cultivate an inclusive and caring culture that empowers our people to innovate, broaden and strengthen their abilities, and take shared ownership of firm goals. Moreover, we proactively review human capital management best practices on an ongoing basis to continuously enhance our employee experience.

Our People by the Numbers

~180

Full-time Employees

11

New hires in 2020, over 45% of which identify as women or racially / ethnically diverse

9%

Total turnover in 2020, well below the financial services average of 31%⁽²⁾

The Management Development and Compensation Committee of the Board

In 2020, we expanded the mandate of the Compensation Committee, which has been renamed as the Management Development and Compensation Committee (“MDCC”), to include broad oversight of the Company’s human capital management, including policies and strategies related to recruiting, retention, career development, management succession, corporate culture, diversity, and employment practices.

We also increased the amount of equity in our employees’ incentive compensation to further align employees with our shareholders through a culture that is focused on results and grounded in the values of ownership and accountability.

The MDC Committee has also assumed oversight of the Company’s executive compensation program.



“The expansion of the MDCC's oversight to include human capital management signifies the importance that the Board places on developing and retaining top talent to Annaly's overall performance and strategy.”

Vicki Williams

Chair of the Management Development and Compensation Committee of the Board of Directors

Note: Employee composition as of December 31, 2020.
Please refer to “Human Capital” in the Endnotes section for footnoted information.



“The pandemic is a watershed experience that has highlighted the resiliency of our people and their commitment to our culture and values. Throughout this time, we have prioritized our employees’ well-being and have focused on providing them with the flexibility to balance their professional and personal priorities.”

Anthony C. Green
Chief Corporate Officer and Chief Legal Officer

30+

events and activities with over 90% participation fostering connectivity, mental and financial wellness, and employee engagement

\$500

per employee technology stipend to improve home workstations

0

layoffs or reductions in pay due to COVID-19

Taking Care of Our People During COVID-19

The well-being and safety of our employees is our top priority and the guiding principle behind our COVID-19 response. Since the onset of the pandemic, our Crisis Management Team has continuously developed and evaluated a response strategy to keep employees safe, informed, and connected.

To promote our employees’ well-being and enable them to carry out their responsibilities, we have:

- Engaged a third-party medical provider to offer employees and their families information and resources to help manage and navigate the pandemic and COVID-19 testing
- Hosted several topical roundtables related to the COVID-19 pandemic including remote work, mental health, childcare and family life, and the future of work
- Provided access for our employees and their families to a mindfulness, well-being, and sleep application
- Sponsored virtual gatherings including a trivia night, book clubs, cooking classes, and food and wine tastings
- Provided technology stipends to improve employees’ home workstations
- Communicated frequently about planning for returning to the office
- Reconfigured our office space, enacted social distancing, and instituted mask-wearing policies in accordance with Centers for Disease Control and Prevention and New York State Department of Health guidance on best practices

As we look to fully reopen our office, our Crisis Management Team will continue to work diligently to update safety protocols.

Diversity, Equity, and Inclusion

We are driven by the principle that having a diverse group of employees is a business imperative, a social value, and an important part of helping us generate stronger returns for our shareholders.

The diversity of our employees is critical to ensuring a broad range of thought and experience throughout our Company, driving innovation, broader perspective, and agility. We believe diversity, equity, and inclusion are key to our ability to deliver strong shareholder returns as a company, and as such they are essential tenets of our organizational culture.

We think about diversity in a multidimensional framework that includes diversity of thought, gender, race/ethnicity, background, professional, and personal experience, among other things. We believe that all dimensions of diversity enhance our performance and, ultimately, create value for our employees and shareholders.

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

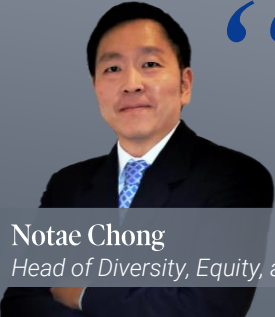
- **Employee Experience:** education, speaker series, and small-group activities
- **Workplace Practices:** human capital policies and practices
- **Community Engagement:** volunteerism and philanthropy

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.



Note: All data as of December 31, 2020, except as otherwise noted. Please refer to "Diversity, Equity, and Inclusion" in the Endnotes section for footnoted information.

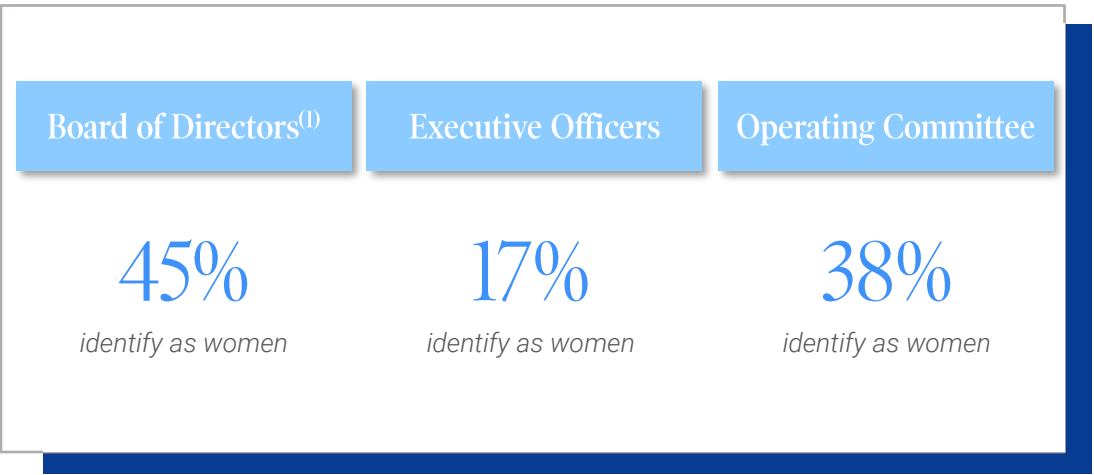
Annaly's Human Capital Management Group, in coordination with our recently named Head of Inclusion, Board and other senior leaders of the Company, is responsible for overseeing and continuing to improve our diversity initiatives. As an equal opportunity employer, we value the diversity of the unique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



“At Annaly, we are committed to fostering an inclusive culture that embraces diversity, in an equitable workplace where employees are empowered to bring their authentic selves to work.”

Notae Chong
Head of Diversity, Equity, and Inclusion

Women in Leadership



Organizational Culture and Employee Engagement

Culture at Annaly

In 2020 we took a deep dive into our organizational culture and partnered with a top leadership advisory firm in an effort to identify the hallmarks of our culture: the shared assumptions that drive thinking, behavior, and action within Annaly.

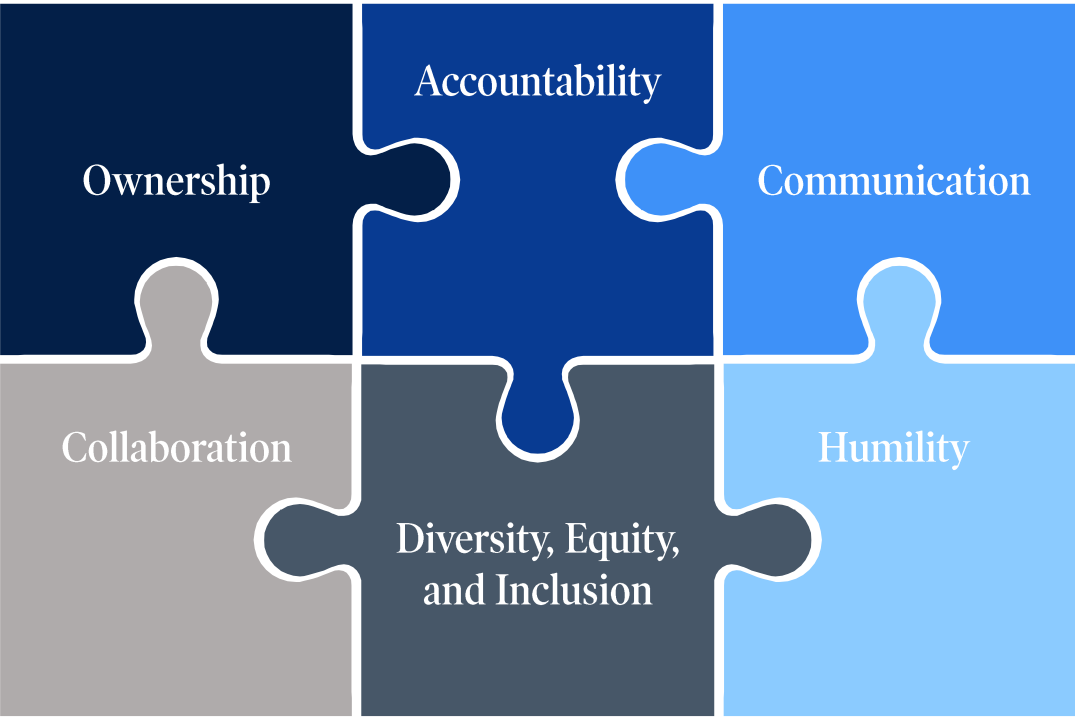
Since every person at Annaly helps shape our company's culture, a firmwide survey was conducted to better understand how our employees and executive management view our culture. Additionally, we held team workshops to review individual style profiles to build stronger relationships and communication through awareness and understanding of each other's individual styles. These exercises have helped us gain a fresh perspective and have provided our leaders and employees with the language and tools to connect our organizational culture to our strategic execution, employee engagement, purpose, and business priorities.

Moreover, this initiative has highlighted that our people are results driven and aim to safely lead the firm through all environments via strong collaboration.

In 2021, we will resume our Employee Engagement Survey. We remain committed to maintaining an open and honest feedback forum for our employees, and we work to ensure high employment satisfaction levels.

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. We believe only through a supportive and collaborative environment can we achieve continued results and success. Guided by this understanding, we are committed to investing in and developing the diverse and unique perspectives of our people. The MDC Committee of the Board oversees policies and strategies relating to human capital management. Additionally, the MDC Committee Chair liaises on certain human capital topics with the Chairs of other Board Committees as appropriate.

Annaly's Core Values



What we learned from the 2020 Culture Survey

87%
of employees believe the Company is committed to delivering high-quality services

82%
of employees feel motivated to go beyond what is required in their jobs to make Annaly successful

Corporate and Employee Philanthropy and Volunteerism

Annaly's corporate giving remains focused on high-impact strategic partnerships with non-profit organizations that combat homelessness and advance the professional development of underrepresented populations in finance. As well, through the COVID-19 pandemic, we support organizations that serve vulnerable New Yorkers in three areas: housing, food security, and workforce development.

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:

~\$850,000 to more than 90 organizations

500+ volunteer hours by more than 50% of our employees



Annaly employees created personalized cards with encouraging messages for the senior residents of Breaking Ground's Domenech and Redwood supportive housing residences and the Nehemiah Spring Creek resource center. Additionally, Annaly sponsored Thanksgiving meals for the residents at these sites.



+ Follow ...

Thank you to **Annaly Capital Management** for volunteering to work with our Cycle 10 Healthcare students, providing advice and insights to prepare them for real-world interview scenarios.

"My biggest take away from my Annaly partner was to take a breath before I answer the interviewer's question. It really gave me a second to really think about my response before I answered. I think it will give me confidence in my next interview. Thank you Steve!" - Kamil

Annaly employees helped students graduating from Strive's healthcare workforce training program prepare for job interviews.



Corporate and Employee Philanthropy and Volunteerism

Annaly X Project Destined Partnership

In 2020, we initiated a partnership with Project Destined, a leading social-impact platform that provides experiential training in financial literacy, entrepreneurship, and real estate to underserved youth. As part of Annaly's commitment to ensuring a more diverse pipeline of real estate professionals, Annaly developed and sponsored a six-week course focused on the fixed income and secondary mortgage markets and, together with Project Destined, launched a competitive application process for students at the City University of New York.

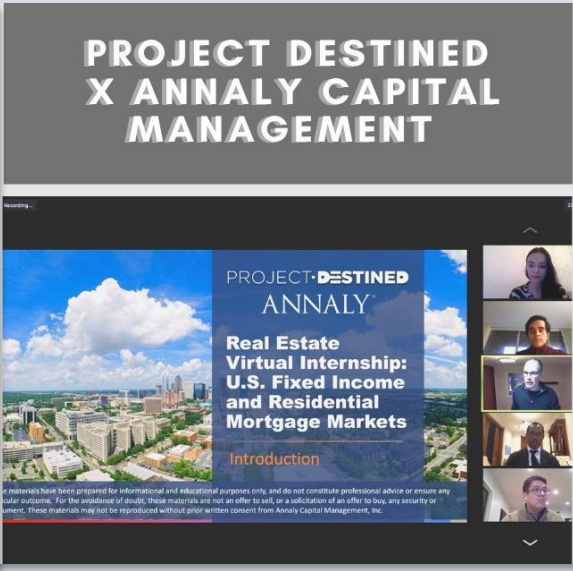
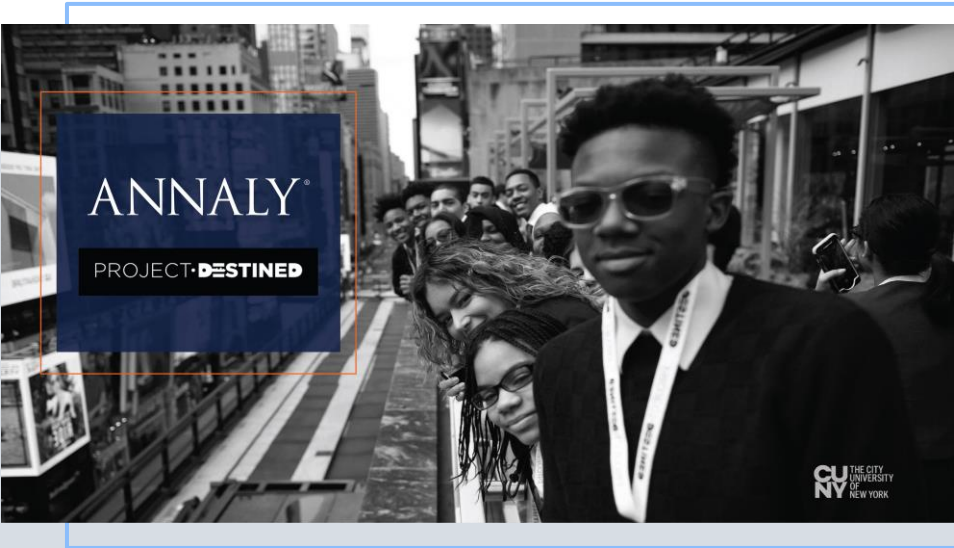
We welcomed a diverse cohort of 15 students in early 2021. As the students learned about a wide range of topics, they had the opportunity to apply their knowledge in several class competitions. Subjects covered ranged from the economic and financial factors to consider when deciding to rent or buy a house to prepayment risk and bond duration. Additionally, students met with Annaly's executive leadership and had the opportunity to, among other things, ask questions about starting careers in the financial services industry.

Following the course, we extended a six-week paid summer internship offer to two alumni of the inaugural Annaly X Project Destined program.

“The Annaly X Project Destined Course was a great experience that opened a door for me to learn about the fixed income market, and I am now grateful for the opportunity to join as a Summer Intern.”

– Satbir Singh, Baruch College

This first course was a success, and we look forward to continuing our work with Project Destined.



A decorative graphic consisting of a large square frame made of two parallel lines, one orange and one dark blue. The background features overlapping, semi-transparent geometric shapes, primarily triangles and polygons, in shades of gray and white, creating a modern, architectural feel.

Annaly 2020 Corporate Responsibility Report

Responsible Investments

ANNALY®

Responsible Investments

Support for American Housing

Goals and Commitments	Further integrate the consideration of financially relevant ESG factors into our investment and portfolio management processes	Further assess climate change risks and opportunities, taking into consideration the recommendations of the Task Force on Climate-related Financial Disclosures
Status ⁽¹⁾	On Track	New Goal

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.

Housing is a bedrock of economic health for individuals, communities, and the macroeconomy. Our investments in residential housing through Agency mortgage-backed securities, non-Agency residential credit, and commercial mortgage-backed securities have helped finance the housing sector since our inception in 1996.

Nearly **\$100 billion** of residential housing investments

Nearly **700,000** American homes financed in all 50 states⁽²⁾



Source: Company filings. Financial data as of December 31, 2020. Please refer to “Responsible Investments” in the Endnotes section for footnoted information.

Responsible Investments

Support for American Businesses

Our commercial investments strengthen key pillars of the American economy.

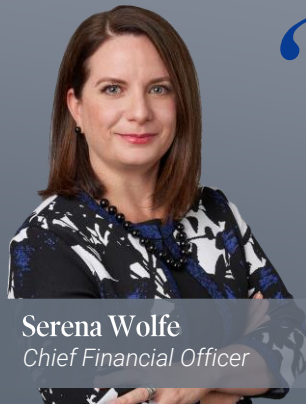
Our multibillion dollars of commercial investments help drive economic growth in the places where Americans live and work. Our investments support jobs across multiple sectors in the U.S. economy, from small towns in the South to cities in the Midwest to coastal municipalities. In aggregate, we have invested in:

<div>Healthcare⁽⁶⁾</div> <div>\$741 million</div> <div>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.</div> <div></div>	<div>Data and Technology⁽⁶⁾</div> <div>\$1.2 billion</div> <div>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.</div> <div></div>	<div>Sustainable Environment⁽⁶⁾</div> <div>\$540 million</div> <div>We invest in sustainable buildings and middle-market businesses that have adopted innovative, environmentally friendly practices. Additionally, approximately 14% of our investments in GSE-guaranteed CMBS are "Green Rewards," which consists of loans where the property owner must commit to improvements that are projected to reduce the whole property's annual energy and/or water usage by at least 30%.⁽⁷⁾</div> <div></div>	<div>Community Development and Economic Opportunity⁽⁶⁾</div> <div>\$295 million</div> <div>Annaly believes that strong local communities are vital to a healthy America and a sustainable future. 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.</div> <div></div>
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Source: Company filings. Financial data as of December 31, 2020.
Note: Please refer to "Responsible Investments" in the Endnotes section for footnoted information.

Responsible Investments

Social Impact Joint Venture⁽⁸⁾



“Quality housing, health care, and education are fundamental to the economic health and mobility of individuals and communities. We are heartened that the projects we have financed have been a source of stability and support to families throughout this challenging past year.”

Serena Wolfe
Chief Financial Officer

Annaly has financed more than 20 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:

Nearly 1.3 million

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

More than 9,000

Students receiving charter school education, including more than 80% who qualify for free and reduced-price lunch

Nearly 78,000

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

More than 48,000

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

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

More than 450

Affordable housing units financed in Washington, D.C.

More than 1,000

Low-income residents served



Source: Company filings. Financial data as of December 31, 2020.
Note: Please refer to “Responsible Investments” in the Endnotes section for footnoted information.

Responsible Investments

Social Impact Joint Venture – Case Study



Washington, D.C. Mayor Muriel Bowser speaks at an event celebrating the Worthington Woods financing.

Affordable Housing, An Anchor of Stability – Worthington Woods, Washington, D.C.

Housing in Washington, D.C. is rapidly becoming unaffordable for all but the most affluent. Residents living with low incomes are struggling to afford housing. The lack of viable options limits the District's potential to become an inclusive city and closes the path of opportunity for many, according to a D.C. Policy Center report.⁽⁹⁾

Annaly's partnership with Capital Impact Partners has helped mission-driven developers like Montgomery Housing Partnership ("MHP") preserve critically needed affordable housing in one of D.C.'s quickly gentrifying neighborhoods.

Concerned about the rapid redevelopment in their neighborhood, the tenants of Worthington Woods organized to exercise their right of first refusal to purchase the rental property and worked with MHP to ensure that the 394-unit apartment building would stay affordable. In addition, a portion of the rent and fees goes back to the tenants' organization, supporting community development programs and services like senior activities and after-school programs.

"Residents feared that a new owner was going to get rid of these apartments—redo and gentrify them like they do all around the city, making them unaffordable... The difference, just in the little time since MHP has acquired this property and we put in the tenants' association, is great. We're seeing changes already."

– Ronnie Jamison, Worthington Woods resident

As Montgomery Housing Partnership President Robert A. Goldman said, "Worthington Woods provides an anchor of stability that is in a prominent location and is of significant size."

ESG and Our Investments

As a responsible steward of capital, Annaly believes that consideration of financially relevant 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 for which 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. 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 to 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 about the underlying borrowers. Instead, we receive data on the MBS pools that impact prepayment speeds. We have had conversations with the GSEs on how ESG materiality factors into the operations of those firms. Additionally, we have raised and discussed financially relevant ESG topics with the GSEs and other industry participants with the aim of increasing disclosure and analysis of ESG criteria.

Our Commitment

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

Our Credit Businesses

Our credit teams 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 as available 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 has institutionalized an ESG-specific assessment that is part of every new credit memo to Annaly’s Investment Committee. This assessment is intended to ensure that specific ESG factors are part of Investment Committee discussions. Moreover, our team applies sector-specific exclusionary screens during our due diligence and seeks to avoid investing in companies which principally invest directly in one or more of the following sectors: alcohol and tobacco production, pornographic or violent material, gambling operations, commodities, payday lenders, pawnbrokers or gold purchasers, production or sale of weapons, oppressive regimes, and companies engaged in morally or ethically questionable businesses or business practices.

ARC engages with third-party due-diligence providers to test that the mortgage loans purchased from sellers have been originated in compliance with law and antidiscrimination statutes. In addition, in connection with mortgage loans where we own the servicing rights and are the servicer of such mortgage loans, 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 Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Fair Credit Reporting Act, the Homeowners Protection Act, the Flood Disaster Protection Act, the Fair Debt Collection Procedures Act, Unfair, Deceptive or Abusive Acts and Practices, and the Servicemembers Civil Relief Act.

Note: Company filings. Financial data as of December 31, 2020.

Climate Change

Climate-related risks currently have limited impact on Annaly’s portfolio due to our strategy and products. Our housing exposure is geographically diverse, especially given the size of our agency MBS investments. In addition, borrowers have considerable equity and are required to have property insurance. We continue to evaluate climate-related risks to help guide our management of longer-term risks.

Agency MBS

- The GSEs bear the credit losses associated with natural disasters
- The impact on prepayments from natural disasters is limited due to GSE policies regarding extended loan buyout timeframes, disaster payment deferral plans, and disaster-related modifications

ARC

- While we have meaningful exposure to California, across our nationwide portfolio less than 5% of the outstanding whole loans that we have purchased and securitized are in FEMA Special Flood Hazard Areas
- In general, borrowers on loans that we purchase are required to obtain hazard insurance. Additionally, borrower properties in FEMA-designated flood zones are required to obtain flood insurance
- On average, borrowers have approximately one-third of their home value in equity

AMML

- Environmental and climate risks are considered during underwriting
- Phase I and Phase II Environmental Reports are reviewed during due diligence if available
- Screens are done for environmental factors such as natural-resource constraints and government policy related to climate change

Our Commitment

We are committed to further assessing climate change risks and opportunities, taking into consideration the recommendations of the Task Force on Climate-related Financial Disclosures.

A decorative graphic consisting of a large square frame. The left and bottom portions of the frame are orange, while the top and right portions are dark blue. The background features several overlapping, semi-transparent geometric shapes, including triangles and polygons, in shades of gray and white, creating a complex, layered effect.

Annaly 2020 Corporate Responsibility Report

Risk Management

ANNALY[®]

Risk Management

Goals and Commitments	Continue to enhance our risk governance and controls while remaining adaptive to changing strategic business objectives and environments	Enhance technology and business processes to enable a safe and phased return to the office following evolving CDC and NYS guidance
Status ⁽¹⁾	Achieved	New Goal

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

Oversight

Risk management begins with the Board, through review and oversight of the Company’s risk management framework, and continues with executive management, through ongoing formulation of risk management practices and related execution. The Board exercises its oversight of risk primarily through its Risk Committee and Audit Committee with support from the other Board Committees. For example: the MDC Committee is responsible for oversight of risks related to our compensation policies and practices; the CR Committee oversees matters that may present reputational or ESG risks, and the NCG Committee oversees our corporate governance framework and annual self-evaluation of the Board.

At least annually, the full Board reviews with management the Company’s risk management program, which identifies and quantifies a broad spectrum of enterprise-wide risks, including cyber and technology-related risks, and related action plans.

How We Think About Risk⁽²⁾

We are subject to a variety of risks in the ordinary conduct of our business. The effective management of these risks is of critical importance to the overall success of Annaly. The objective of our risk management framework is to identify, measure, and monitor these risks.

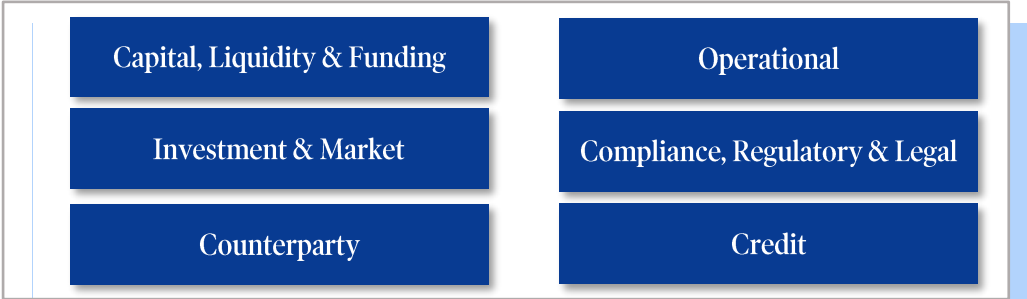
Our risk management framework is intended to facilitate a holistic, enterprise-wide view of risk that supports a strong and collaborative risk management culture across the Company. Our risk culture seeks to ensure that key risks are highlighted, understood, and managed appropriately.

Our overall investment model focuses on capital preservation and income generation through disciplined investing and proactive portfolio management. We maintain a conservative approach to our liquidity and leverage posture in anticipation of potential periods of heightened market volatility.

We maintain a firmwide risk appetite statement which defines the types and levels of risk we are willing to take in order to achieve our business objectives, and reflects our risk management philosophy.

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

Risk Categories



In addition, 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.

For more information on our risk management practices, please visit our website or our 2020 Annual Report on Form 10-K and 2021 Proxy Statement.

Shared Capital Model

Our shared capital model drives our capital allocation strategy, allowing us to rotate our investments based on relative value while also managing risk. This model ensures that each investment strategy is focused on finding the opportunities with the best relative value across our diversified investment platform. Our 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.

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

Business Continuity Planning (“BCP”)

Our well-established BCP was designed to ensure continued, effective operations through a variety of scenarios including natural disasters and pandemics. It identifies critical systems, processes, roles, and third parties, and can be adjusted on a real-time basis to address situations as they arise.

The BCP is regularly updated and tested. Annual testing includes extensive, remote Disaster Recovery testing and tabletop exercise scenarios with management. Key tenets of the planning include active communication between our Crisis Response Team, made up of senior leaders across a number of functions, and our internal and external stakeholders to afford efficient, thoughtful, effective responses to evolving emergency situations.

Historical tabletop exercises have included use of CDC Pandemic Influenza exercise materials. These exercises, along with regulatory and industry guidance, informed our staged response to the conditions created by COVID-19. To protect the health and well-being of our employees, their families and communities, we took proactive actions, which included prohibiting non-essential travel and instituting 100% remote working, ahead of New York State-mandated requirements. We have operated largely remotely since that time, though we have seen a limited number of employees return to the office on a voluntary and periodic basis. We continue to monitor guidance from federal, state, and local authorities to gauge how to further proceed in any efforts to return to the office.

At the present, we expect additional employees to return to the office in the second half of 2021 subject to continued successful vaccine rollout and revised guidance from federal, state, and local authorities.

Please refer to the Human Capital section of this report for further details on our COVID-19 response and the resources we have made available to our employees.





Annaly 2020 Corporate Responsibility Report

Environment

Goals and Commitments

Continue to track our energy consumption and greenhouse gas (“GHG”) emissions and look for ways to reduce our environmental footprint at our headquarters

Status⁽¹⁾

Achieved

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.



Energy Consumption

- We completed an energy audit in 2018, which found that our corporate office already incorporates many energy-reduction best practices and led to additional enhancements
- Since 2018, we have tracked our overall energy consumption, and starting in 2020, we have purchased offsetting carbon credits for our electricity use

Energy Consumption	2018		2019		2020	
	Measure	YoY	Measure	YoY	Measure	YoY ⁽²⁾
Total Consumption	2,220,750 kBtu	-	2,292,165 kBtu	+3.2%	2,118,616 kBtu	-7.6%
Energy Use Intensity	13,063 kBtu/FTE	-	12,734 kBtu/FTE	-2.5%	12,159 kBtu/FTE	-7.6%






Greenhouse Gas Emissions

- Since Annaly’s corporate headquarters are located on a floor in a large office building in midtown Manhattan and we do not generate energy on site or operate a transportation fleet, and there were no instances of HVAC refrigerant leaks, we have no Scope 1 greenhouse gas emissions

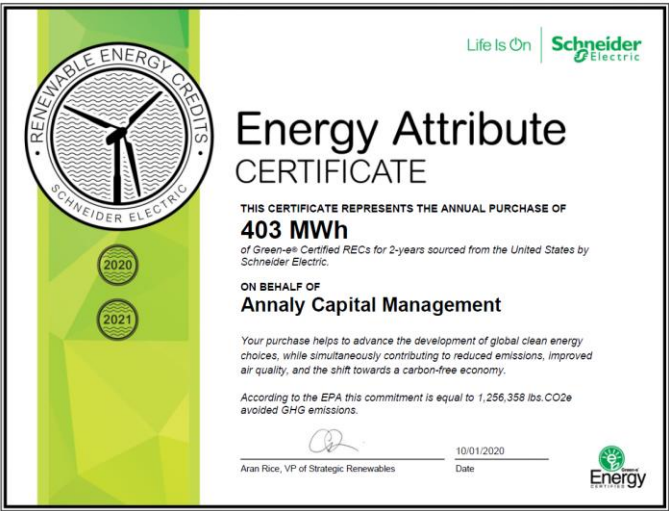
Scope 2 Greenhouse Gas Emissions	2018		2019		2020	
	Measure	YoY	Measure	YoY	Measure	YoY ⁽²⁾
Total Emissions	171,951 kgCO ₂	-	172,736 kgCO ₂	0.5%	163,833 kgCO ₂	-5.1%
Emissions Intensity	1011 kgCO ₂ e/FTE	-	960 kgCO ₂ e/FTE	-5.0%	910 kgCO ₂ e/FTE	-5.2%

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

	Our Employees	<ul style="list-style-type: none">As part of our responsibility to operate a sustainable business, we encourage our employees to adopt environmentally friendly habits. For example, we have increased the number and visibility of recycling bins throughout our corporate headquarters to increase employee participation, programmed default printer settings to minimize paper and ink waste, and promoted participation in our commuter benefits program
	Environmental Sustainability Policy	<ul style="list-style-type: none">Our Environmental Sustainability Policy outlines our commitment to protect the environmentThe 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	<ul style="list-style-type: none">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 is periodically updated on our environmental commitments and sustainability efforts

Annaly is Offsetting 100% of Our Scope 2 GHG Emissions

Annaly has made a commitment to offset 100% of our Scope 2 GHG emissions. In 2020, we purchased 403 MWh of Green-e Certified Renewable Energy Certificates sourced from U.S. wind facilities. This action ensures that the same amount of electricity our firm uses is generated by renewable energy projects and added to the grid on our behalf. According to the EPA, this action is equal to the carbon sequestered by 372 acres of U.S. forest in a year.





Annaly 2020 Corporate Responsibility Report

Appendix:

SASB Disclosure and 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 investment groups, Annaly has a number of 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. In an effort to provide high-quality sustainability information of interest to our stakeholders, we are once again supplementing this report with disclosures under the Sustainability Accounting Standards Board (“SASB”) standards framework.

After careful evaluation, we are disclosing information pursuant to two SASB industry standards in an effort to provide greater transparency. We believe that SASB’s Asset Management & Custody Activities industry standards most align with our overall business across all assets because of its focus on investment portfolio management, which is Annaly’s primary activity across business lines. Additionally, we are supplementing our disclosure with SASB’s Mortgage Finance industry standard since it closely aligns with one of our businesses, our Residential Credit investment strategy, because of the standard’s focus on risks associated with financing homes.

This section focuses 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 the Asset Management & Custody Activities SASB category. In addition, Annaly’s Residential Credit investment strategy is subject to different legal and regulatory requirements than the mortgage lenders contemplated in the Mortgage Finance 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 and excluding certain metrics that are not relevant or could be misleading.

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, 2020, 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 41
	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 41
	FN-AC-270a.3	Description of approach to informing customers about products and services	Page 41
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 41
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 42
	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 42
	FN-AC-410a.3	Description of proxy voting and investee engagement policies and procedures	Page 43

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, antitrust, anticompetitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	Page 43
	FN-AC-510a.2	Description of whistleblower policies and procedures	Page 43
Systemic Risk Management	FN-AC-550a.1	Percentage of open-end fund assets under management by category of liquidity classification	Following SASB’s proposal 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 43
	FN-AC-550a.3	Total exposure to securities financing	Page 43
	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 Annual Report on Form 10-K.
Mortgage Finance Accounting Standard			
Topic	Code	Accounting Metric	Page Reference
Lending Practices	FN-MF-270a.1	(1) Number and (2) value of residential mortgages of the following types: (a) Hybrid or Option Adjustable-rate Mortgages (ARM), (b) Prepayment Penalty, (c) Higher Rate, (d) Total, by FICO scores above or below 660	Page 44
	FN-MF-270a.2	(1) Number and (2) value of (a) residential mortgage modifications, (b) foreclosures, and (c) short sales or deeds in lieu of foreclosure, by FICO scores above and below 660	Page 44
	FN-MF-270a.3	Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators	Page 44
	FN-MF-270a.4	Description of remuneration structure of loan originators	Annaly is not a residential mortgage originator and as such does not employ loan originators.
Discriminatory Lending	FN-MF-270b.1	(1) Number, (2) value, and (3) weighted average Loan-to-Value (LTV) ratio of mortgages issued to (a) minority and (b) all other borrowers, by FICO scores above and below 660	Page 45
	FN-MF-270b.2	Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage lending	Page 45
	FN-MF-270b.3	Description of policies and procedures for ensuring nondiscriminatory mortgage origination	Page 45
Environmental Risk to Mortgaged Properties	FN-MF-450a.1	(1) Number and (2) value of mortgage loans in 100-year flood zones	Page 45
	FN-MF-450a.3	Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting	Page 45

SASB Disclosure

Discussion of Accounting Metrics Under the Asset Management & Custody Activities Sustainability Accounting Standard

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, Equity, and Inclusion are an important part of our organizational culture that enhance our overall performance and, ultimately, create value for our employees and shareholders. For more information on our recent Diversity, Equity, and Inclusion initiatives, programs and policies, see the Human Capital section in this Corporate Responsibility Report, page 19.

The tables below provide breakdowns of gender and racial/ethnic group representation over the last three years.

Gender Representation (%)						
	Female			Male		
	2018	2019	2020	2018	2019	2020
Executive Management	33	42	38	67	58	62
Non-Executive Management	20	19	22	80	81	78
Professionals	35	37	34	65	63	66
All Other Employees	–	–	–	–	–	–
New Hires	39	57	9	61	43	91

Racial/Ethnic Group Representation (%)															
	Asian			Black or African American			Hispanic or Latino			White			Other		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Executive Management	0	0	0	11	8	8	0	0	0	89	92	92	0	0	0
Non-Executive Management	16	22	19	0	0	0	4	4	4	80	74	78	0	0	0
Professionals	20	23	22	5	5	6	7	5	4	65	64	64	4	3	4
All Other Employees	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
New Hires	28	32	27	6	0	9	6	11	9	56	57	55	6	0	0

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

Discussion of Accounting Metrics Under the Asset Management & Custody Activities Sustainability Accounting Standard

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

a) 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.

- More than 90% of our AUM is invested in the agency MBS market, pools of mortgages for which 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. 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 to 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 borrowers. Instead, we receive data on the MBS pools that impact prepayment speeds. We have had conversations with the GSEs on how ESG materiality factors into the operations of those firms. Additionally, we have raised and discussed financially relevant ESG topics with the GSEs and other industry participants with the aim of increasing disclosure and analysis of ESG criteria.

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

ESG Integration: Our credit teams consider ESG factors such as board structure, management experience, employee skill and turnover, and legal, social and environmental track record, 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 \$30 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: AMML has institutionalized an ESG-specific assessment that is part of every new credit memo to Annaly’s Investment Committee. This assessment is intended to ensure that specific ESG factors are part of Investment Committee discussions. Moreover, our team applies sector-specific exclusionary screens during our due diligence process 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, pawnbrokers or gold purchasers, production or sale of weapons, oppressive regimes, and companies engaged in morally or ethically questionable businesses or business practices.

Additionally, Annaly Residential Credit Group engages with third-party due-diligence providers to test that the mortgage loans purchased from sellers have been originated in compliance with law and anti-discrimination statutes. In addition, in connection with mortgage loans where we own the servicing rights and are the servicer of such mortgage loans, 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 Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Fair Credit Reporting Act, the Homeowners Protection Act, the Flood Disaster Protection Act, the Fair Debt Collection Procedures Act, Unfair, Deceptive or Abusive Acts and Practices, and the Servicemembers Civil Relief Act.

b) 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.

- 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 continue to work 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 31 of this Corporate Responsibility Report.

SASB Disclosure

Discussion of Accounting Metrics Under the Asset Management & Custody Activities Sustainability Accounting Standard

c) FN-AC-410a.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.

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.

b) 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 9 of our Annual Report on Form 10-K or page 18 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 they 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 74-80 of our Annual Report on Form 10-K.

b) FN-AC-550a.3

Total exposure to securities financing.

- Our total securities exposure to financing transactions as of 2020 was approximately \$6.0 billion. This includes our exposure to financing transactions related to securities as well as our exposure to financing transactions related to our loans.⁽³⁾

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.

Discussion of Accounting Metrics Under the Mortgage Finance Accounting Standard

The following disclosures are only with respect to Annaly's Residential Credit investment strategy, which invests 7% of Annaly's capital. Annaly is not a residential mortgage originator. These metrics reflect our Residential Credit Team's purchases of whole loan residential mortgages in the secondary market, including whole loans we have since securitized or plan to securitize at a later date, and are included in our Consolidated Statements of Financial Condition. As of December 31, 2020, the unpaid principal balance of our whole loan residential credit portfolio stood at about \$3.5 billion. Securitized loans, for which we retain some risk exposure, represented approximately 91% of the reported unpaid principal balance amount.

VI. Lending Practices

a) FN-MF-270a.1

(1) Number and (2) value of residential mortgages of the following types: (a) Hybrid or Option Adjustable-rate Mortgages (ARM), (b) Prepayment Penalty, (c) Higher Rate, (d) Total, by FICO scores above or below 660.

FN-MF-270a.1 ¹⁾	Number of Loans	Principal	Fair Market Value	% of loans (UPB)
(a) Hybrid or Option Adjustable-rate Mortgages (ARM)				
FICO scores above 660	1,976	1,175,437	1,210,720	33.7%
FICO scores below 660	33	10,511	10,690	0.3%
No FICO score reported	251	91,561	93,037	2.6%
Total	2,260	1,277,509	1,314,447	36.7%
(b) Subject to Prepayment Penalty				
FICO scores above 660	445	214,112	222,098	6.1%
FICO scores below 660	2	680	713	0.0%
No FICO score reported	119	68,802	70,729	2.0%
Total	566	283,594	293,540	8.1%
(d) Total FICO score breakout				
FICO scores above 660	6,834	3,312,133	3,420,459	95.1%
FICO scores below 660	207	44,703	42,097	1.3%
No FICO score reported	325	126,029	132,505	3.6%
Total Residential Loans as of 12/31/2020	7,366	3,482,865	3,595,061	100.0%

Note: Annaly is not a residential mortgage originator. \$ thousands, except number of loans.
1. Figures represent residential mortgage loans and residential mortgage loans transferred or pledged to securitization vehicles on Annaly Capital Management's consolidated balance sheet as of December 31, 2020.

b) FN-MF-270a.2

(1) Number and (2) value of (a) residential mortgage modifications, (b) foreclosures, and (c) short sales or deeds in lieu of foreclosure, by FICO scores above and below 660.

FN-MF-270a.2 ¹⁾	Number of Loans	Principal	Fair Market Value	% of loans (UPB)
(a) Residential Mortgage Modifications				
FICO scores above 660	9	5,367	5,434	0.2%
FICO scores below 660	0	0	0	0.0%
No FICO score reported	0	0	0	0.0%
Total	9	5,367	5,434	0.2%
(b) Foreclosures				
FICO scores above 660	4	3,566	3,787	0.1%
FICO scores below 660	1	425	468	0.0%
No FICO score reported	0	0	0	0.0%
Total	5	3,991	4,255	0.1%
(c) Short sales				
FICO scores above 660	0	0	0	0.0%
FICO scores below 660	0	0	0	0.0%
No FICO score reported	0	0	0	0.0%
Total	0	0	0	0.0%

Note: Annaly is not a residential mortgage originator. \$ thousands, except number of loans.
1. Figures represent activity related to residential mortgage loans and residential mortgage loans transferred or pledged to securitization vehicles during the year ended December 31, 2020.

c) FN-MF-270a.3

Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators.

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

Discussion of Accounting Metrics Under the Mortgage Finance Accounting Standard

VII. Discriminatory Lending

a) FN-MF-270b.1

(1) Number, (2) value, and (3) weighted average Loan-to-Value (LTV) ratio of mortgages issued to (a) minority and (b) all other borrowers, by FICO scores above and below 660.

FN-MF-270b.1 ⁽¹⁾	Number of Loans	Principal	Fair Market Value	Wtd Average LTV	% of loans (UPB)
Weighted Average LTV					
FICO scores above 660	6,834	3,312,133	3,420,459	66.58	95.1%
FICO scores below 660	207	44,703	42,097	89.09	1.3%
No FICO score reported	325	126,029	132,505	62.65	3.6%
Total Residential Loans	7,366	3,482,865	3,595,061	66.72	100.0%

Note: Annaly is not a residential mortgage originator. \$ thousands, except number of loans.
1. Figures represent residential mortgage loans and residential mortgage loans transferred or pledged to securitization vehicles on Annaly Capital Management's consolidated balance sheet as of December 31, 2020.

b) FN-MF-270b.2

Total amount of monetary losses as a result of legal proceedings associated with discriminatory mortgage lending.

- Annaly did not sustain any material monetary losses in the reporting period as a result of legal proceedings associated with discriminatory mortgage lending. 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-MF-270b.3

Description of policies and procedures for ensuring nondiscriminatory mortgage origination.

- Annaly is not a residential mortgage originator. However, Annaly Residential Credit Group engages with due-diligence providers to test that the loans purchased from originators comply with applicable law and anti-discrimination statutes. As a servicer for mortgage loans where we own the servicing rights, we have robust oversight of our sub-servicers to ensure compliance with all applicable federal, state, and local laws. This includes, but is not limited to, polices 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.

VIII. Environmental Risk to Mortgaged Properties

a) FN-MF-450a.1

(1) Number and (2) value of mortgage loans in 100-year flood zones.

- Less than 5% of the whole loans that Annaly has historically purchased have been located in 100-year flood zones. Generally, Annaly purchases whole loans with the intention of securitizing them within a few months. Consistent with SASB's guidance for this metric that mortgages held for sale and mortgage-backed securities should be excluded, we do not view these loans as having a material risk to Annaly.

FN-MF-450a.1 ⁽³⁾	Number of Loans	Principal	Fair Market Value	% of loans (UPB)
100-Year Flood Zones				
FICO scores above 660	296	158,457	163,254	4.5%
FICO scores below 660	3	1,079	1,105	0.0%
No FICO score reported	25	8,562	8,614	0.2%
Loans in 100-Year Flood Zones	324	168,098	172,973	4.8%

Note: Annaly is not a residential mortgage originator. \$ thousands, except number of loans.
1. Figures represent residential mortgage loans and residential mortgage loans transferred or pledged to securitization vehicles on Annaly Capital Management's consolidated balance sheet as of December 31, 2020.

b) FN-MF-450a.3

Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting.

- Annaly is not a residential mortgage originator and as such does not underwrite or originate loans. In general, we require borrowers to obtain property insurance to cover the risk of damage to their property resulting from hazards such as fire, wind and, for properties in areas identified by FEMA as Special Flood Hazard Areas, flooding. At the time of origination, a borrower is required to provide proof of such insurance, and our servicers have the right and the obligation to obtain such insurance, at the borrower's cost, if the borrower allows the policy to lapse. We do not generally require property insurance to cover damages from flooding in areas outside a Special Flood Hazard Area, or to cover earthquake damage to single-family properties and to multifamily properties unless required by a seismic-risk assessment.

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 <i>About Our Company</i> , page 6, or page 2 of our Form 10-K.
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 2-4 of our Form 10-K
Scale of the organization	102-7	Total number of employees: page 7 on our Form 10-K Total number of operations: pages 3-4 on our Form 10-K Net income: page 59 on our Form 10-K Total capitalization: page 59 on our Form 10-K
Information on employees and other workers	102-8	<i>Human Capital</i> , pages 19-25 <i>SASB Disclosures</i> , pages 40-45
External initiatives	102-12	GRI, SASB, Bloomberg Gender Equality Index, MSCI, Sustainalytics, ISS ESG, FTSE4Good Index, 50/50 Women on Boards, CEO Action for Diversity and Inclusion.
Membership of Associations	102-13	Securities Industry and Financial Markets Association, Structured Finance Association, Mortgage Bankers Association.
Statement from senior decision-maker	102-14	<i>Message from Our CEO</i> , page 4
Key impacts, risks, and opportunities	102-15	A detailed discussion of our identified risk factors is described on pages 11-49 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 Annaly's Code of Business Conduct and Ethics available on our website.
Mechanisms for advice and concerns about ethics	102-17	
Governance structure	102-18	<i>Corporate Governance</i> , pages 15-18
Delegating authority	102-19	
Executive-level responsibility for economic, environmental, and social topics	102-20	
Consulting stakeholders on economic, environmental, and social topics	102-21	<i>Materiality Assessment and Stakeholder Engagement</i> , page 13

Disclosure Title	Disclosure Number	Annaly Response
GRI 102: General Disclosures (cont'd)		
Composition of the highest governance body and its committees	102-22	<i>Corporate Governance</i> , page 16, or see page 19 of our proxy statement
Chair of the highest governance body	102-23	Michael Haylon Independent Chair of the Board
Nominating and selecting the highest governance body	102-24	See page 26 of our proxy statement
Conflicts of interest	102-25	See Annaly's Code of Business Conduct and Ethics available on our website
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 <i>Our ESG Strategy</i> , pages 7-14.
Collective knowledge of highest governance body	102-27	
Evaluating the highest governance body's performance	102-28	<i>Corporate Governance</i> , page 16, or see page 25 of our proxy statement
Review of economic, environmental, and social topics	102-31	<i>Our ESG Strategy</i> , pages 7-14
Highest governance body's role in sustainability reporting	102-32	The CR Committee of the Board is responsible for approving the CR Report.
Communicating critical concerns	102-33	<i>Our ESG Strategy</i> , page 7-14
Remuneration policies	102-35	See pages 32-53 of our proxy statement
Process for determining remuneration	102-36	
Stakeholder's involvement in remuneration	102-37	
Annual total compensation ratio	102-38	See page 60 of our proxy statement
List of stakeholder groups	102-40	<i>Materiality Assessment and Stakeholder Engagement</i> , page 13, or see pages 4-5 of our proxy statement
Approach to stakeholder engagement	102-43	
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	<i>Materiality Assessment and Stakeholder Engagement</i> , page 13
List of material topics	102-47	
Reporting period	102-50	The data for this report is as of December 31, 2020, unless otherwise specified.

GRI Content Index

Disclosure Title	Disclosure Number	Annaly Response
GRI 102: General Disclosures (cont'd)		
Date of most recent report	102-51	Annaly's previous GRI disclosure, with data as of December 31, 2019, was published in October 2020.
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 46-48
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 55-94) and Risk Factors (pages 11-49).
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 55-94) and Risk Factors (pages 11-49).
	103-2	
	103-3	
Direct economic value generated and distributed	201-1	See page 56 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 available on our website.
	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.
Communication and training about anti-corruption policies and procedures	205-2	All employees and members of management are required to complete Code of Business Conduct and Ethics training at commencement of employment and annually thereafter.
Confirmed incidents of corruption and actions taken	205-3	In 2020, Annaly had no material confirmed incidents of corruption.
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 available on our website.
	103-2	
	103-3	
Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	206-1	In 2020, Annaly had no material legal actions regarding anticompetitive behavior and incurred no violations of antitrust 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 <i>Environment</i> , pages 36-38.			
	103-2				
	103-3				
Energy consumption within the organization	302-1		2018	2019	2020
		Total Electricity Consumption:	1,337,548 kBtu	1,372,867 kBtu	1,316,436 kBtu
		Annual Steam Usage:	883,202 kBtu	849,961 kBtu	732,803 kBtu
		Chilled Water:	N/A	69,337 kBtu	69,337 kBtu
		Total Energy Use:	2,220,750 kBtu	2,292,165 kBtu	2,118,616 kBtu
Energy intensity	302-3		2018	2019	2020
		Energy Use Intensity:	13,063 kBtu/FTE	12,734 kBtu/FTE	12,159 kBtu/FTE
Reduction of energy consumption	302-4	See <i>Environment</i> , pages 36-38			
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	305-2 305-4		2018	2019	2020
		GHG Emissions	171,951 kgCO ₂ e	172,736 kgCO ₂ e	163,833 kgCO ₂ e
		Emissions Intensity	1011 kgCO ₂ e/FTE	960 kgCO ₂ e/FTE	910 kgCO ₂ e/FTE
Non-compliance with environmental laws and regulations	307-1	In 2020, Annaly had no material fines or non-monetary sanctions for non-compliance with any environmental laws or regulations.			
GRI 401: Employment, GRI 404: Training and Education, GRI 405: Diversity and Equal Opportunity					
GRI 103: Management Approach	103-1				
	103-2				
	103-3				
New employee hires and employee turnover	401-1	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 2020, we hired 11 new employees and had a total of 9% employee turnover. For more information, visit the "Careers" section of our website.			
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				

GRI Content Index

Disclosure Title	Disclosure Number	Annaly Response
GRI 406: Non-Discrimination		
Incidents of discrimination and corrective actions taken	406-1	In 2020, Annaly had no material reported incidents of discrimination or harassment.
GRI 419: Socioeconomic Compliance		
Non-compliance with laws and regulations in the social and economic area	419-1	In 2020, Annaly had no material fines or non-monetary sanctions due to non-compliance with any laws or regulations in the social and economic area.

Message from Our CEO

1. Total return represents total shareholder return for the period from October 7, 1997 to January 29, 2021.
2. Represents operating expenses as a percentage of average equity and excludes transaction expenses and nonrecurring items for the year ended December 31, 2020.
3. Unencumbered assets represents Annaly's excess liquidity and defined as assets that have not been pledged or securitized (generally including cash and cash equivalents, Agency MBS, CRT, Non-Agency MBS, residential mortgage loans, MSRs, reverse repurchase agreements, CRE debt and preferred equity, corporate debt, other unencumbered financial assets and capital stock).
4. Deal announced on March 25, 2021. Subject to customary closing conditions, including applicable regulatory approvals, the transaction is expected to be completed in Q3 2021.

About Our Company

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

1. Permanent capital represents Annaly's total shareholders' equity as of December 31, 2020.
2. Represents the estimated number of homes financed by Annaly's holdings of Agency MBS, residential whole loans and securities, as well as multi-family commercial real estate loans, securities, and equity investments as of December 31, 2020. 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, 2020 and includes common and preferred dividends declared.
4. Represents the cumulative commitment value of Annaly's commercial investments, including current and prior investments in our middle market and commercial real estate businesses.
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 as of December 31, 2020. Our portfolio includes securities, loans, and equity in both the residential and commercial real estate markets.
6. On March 25, 2021, Annaly announced the planned divestiture of its Commercial Real Estate business, which is expected to have an immaterial impact on key financial metrics, including book value, core earnings and the Company's dividend. Subject to customary closing conditions, including applicable regulatory approvals, the transaction is expected to be completed in Q3 2021.

Materiality Assessment and Stakeholder Engagement

1. Representative of outreach during 2020-2021 proxy season and shareholder base as of December 31, 2020.

Corporate Governance

Note: Board composition as of June 30, 2021.

1. Achieved status signifies that we have developed and implemented policies, procedures, and/or disclosures that ensure that we are accountable to continuing to meet this commitment. On track status signifies that we have made progress and are working to further formalize policies, procedures, and/or disclosures.

Human Capital

Note: Employee composition as of December 31, 2020.

1. Achieved status signifies that we have developed and implemented policies, procedures, and/or disclosures that ensure that we are accountable to continuing to meet this commitment. On track status signifies that we have made progress and are working to further formalize policies, procedures, and/or disclosures.
2. Financial activities 2020 turnover rate data per Bureau of Labor Statistics, "Annual total separations rates by industry and region" <https://www.bls.gov/news.release/jolts.t16.htm>.

Diversity, Equity, and Inclusion

Note: All data as of December 31, 2020, except as otherwise noted.

1. Board composition as of June 30, 2021.

Responsible Investments

Source: Company filings. Financial data as of December 31, 2020.

1. Achieved status signifies that we have developed and implemented policies, procedures, and/or disclosures that ensure that we are accountable to continuing to meet this commitment. On track status signifies that we have made progress and are working to further formalize policies, procedures, and/or disclosures.
2. Represents the estimated number of homes financed by Annaly's holdings of Agency MBS, residential whole loans and securities, as well as multi-family commercial real estate loans, securities, and equity investments as of December 31, 2020. 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. 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 September 30, 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.
4. Represents the cumulative amount of current and prior residential whole loans owned by Annaly.
5. 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.
6. All figures quoted in this section represent the cumulative commitment value at investment date of Annaly's commercial investments, including current and prior investments in our middle market and commercial real estate businesses. On March 25, 2021 we entered a definitive agreement to sell substantially all of the assets that comprise the Annaly Commercial Real Estate Group. The transaction is expected to be completed by Q3 2021.
7. Fannie Mae - Multifamily Specialty Finance. <https://multifamily.fanniemae.com/financing-options/specialty-financing/green-rewards>.
8. All figures quoted in this section represent the cumulative impact of Annaly's investments, including current and prior investments, with Capital Impact Partners.
9. Yesim Sayin Taylor, D.C. Policy Center. "Taking Stock of the District's Housing Stock" <https://www.dcpolicycenter.org/publications/taking-stock-full-report/>.

Risk Management

1. Achieved status signifies that we have developed and implemented policies, procedures, and/or disclosures that ensure that we are accountable to continuing to meet this commitment. On track status signifies that we have made progress and are working to further formalize policies, procedures, and/or disclosures.
2. 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. Achieved status signifies that we have developed and implemented policies, procedures, and/or disclosures that ensure that we are accountable to continuing to meet this commitment. On track status signifies that we have made progress and are working to further formalize policies, procedures, and/or disclosures.
2. For a substantial portion of 2020, our personnel worked remotely, which reduced our energy consumption and greenhouse gas emissions. Year over year reductions were largely due to this factor.

SASB Disclosure

- 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. On March 25, 2021, Annaly announced the planned divestiture of its Commercial Real Estate business, which is expected to have an immaterial impact on key financial metrics, including book value, core earnings and the Company's dividend. Subject to customary closing conditions, including applicable regulatory approvals, the transaction is expected to be completed in Q3 2021.

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 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; and the timing and ultimate completion of the sale of our commercial real estate business. 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 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, 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 presentation 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.