

Climate-Related Disclosures

Annaly is committed to evaluating climate change risks and opportunities for our business and operations, taking into consideration the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These assessments help inform our risk management and strategy.

For additional information on Annaly's commitment to TCFD disclosures and our governance, strategy, risk management, and GHG emissions please see our latest [Corporate Responsibility Report](#).

Climate-related risks currently have limited impact on Annaly's portfolio due to our diversified strategy and products as described below. Our housing exposure is geographically dispersed, especially given the size of our agency MBS investments. In addition, borrowers have considerable equity and are required to have property insurance.

Annaly Agency Group

Agency Mortgage-Backed Securities (MBS)

- The Government Sponsored Enterprises (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

Mortgage Servicing Rights (MSR)

- The GSEs' cap on obligations to advance principal and interest and borrower disaster programs limit the impact of natural disasters
- The costs associated with servicing loans that require special handling or become delinquent due to natural disasters have been minimal

Annaly Residential Credit Group

- Of the outstanding whole loans that we have purchased and securitized, less than 5% of our nationwide portfolio are in FEMA Special Flood Hazard Areas
- Our other securitized holdings are generally credit enhanced and properties are geographically diverse
- Generally, across the residential credit portfolio,
 - On average, borrowers have more than one-third of their home value in equity
 - Borrowers are required to obtain hazard insurance. Additionally, borrower properties in FEMA-designated flood zones are required to obtain flood insurance

Annaly Middle Market Lending Group

- 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

Climate-Related Disclosures

We have identified potential climate-related short, medium, and long-term risks and opportunities.

We use the Global Reporting Initiative (“GRI”) Standards’ definition of materiality.¹ Issues and factors that are material under that definition are not necessarily material to an investment or voting decision concerning the Company.

	Short-Term	Medium-Term	Long-Term
Risks	- Climate events that could impact home prices and/or disrupt borrowers’ ability to pay their mortgage/loan - Enhanced environmental reporting obligations - Increased instances of business interruption	- Increased severity and frequency of climate events could: - Have more persistent negative impacts on house prices and/or housing-related costs - Disrupt borrower ability to make mortgage/loan payments - Increased instances of business interruption	- Repricing of assets (land, property, securities) - Macroeconomic and demographic shifts - Increased instances of business interruption
Opportunities	- Increased investment opportunities - Enhanced reputational benefits as an ESG leader, including attracting and retaining top talent through our commitment to ESG initiatives - Enhanced evaluation of risks, including increased operational resiliency	- More differentiated value in investment products due to changes in consumer preferences and behavior - House price appreciation and lower housing turnover due to rising costs of raw materials and greater regulation - Lower prepayment risks as a result of natural disasters and GSE disaster programs for borrowers - Enhanced evaluation of risks, including increased operational resiliency	- Increased investment opportunities as a result of repricing of assets (land, property, securities) - More differentiated value in investment products due to macroeconomics and demographic shifts - Enhanced evaluation of risks, including increased operational resiliency

1. 'Materiality' are "those topics that have a direct or indirect impact on an organization's ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large".