



An Introduction to ESG & Corporate Responsibility at Chimera

November 2021



Chimera Investment Corporation ("Chimera") is an internally managed Real Estate Investment Trust (REIT), founded in 2007 and headquartered in New York City. Our business objective is to provide attractive risk-adjusted returns to our shareholders over the long-term, predominantly through dividends and preservation of capital. We have \$3.8 billion in total capital consisting of both common and preferred stock.

We seek to maintain a diversified investment portfolio focusing on investing in residential mortgage loans, Non-Agency and Agency residential mortgage-backed securities (RMBS) and Agency commercial mortgage-backed securities (CMBS). We use several funding sources to finance our investments including asset securitization, repurchase agreements (repo), warehouse lines, and equity capital.

A significant part of our business and growth strategy is to engage in securitization transactions to finance the acquisition of residential mortgage loans. Securitization provides long-term stable financing and structural leverage to potentially enhance returns and mitigate risk.



Message From Our CEO and CIO

Under the guidance of our Board of Directors, and on behalf of Executive Management and the entire Chimera team, we are pleased to present you with an introduction to Chimera Investment Corporation's (Chimera) ESG Framework. At Chimera, we think about social responsibility through five primary areas by integrating socially responsible investments and risk management with the more traditional Environmental, Social and Governance themes.

Chimera's Board of Directors, Executive Management and the entire Chimera team fundamentally believe that generating positive social impact and being mindful of environmental performance is accretive to financial performance.

As I reflect on the unprecedented events of the last two years and the difficulties, we have all faced, I am reminded of the challenges experienced just after we launched Chimera in 2007.

At the time, we were on the cusp of the Global Financial Crisis - the most devastating financial event of most of our lifetimes. The housing market was ravaged, and millions of hard-working families lost their homes to foreclosure. It was during that period, so early in our corporate existence, that our eyes were opened to who we are as a company. The Global Financial Crisis, as terrible as it was, turned out to be an important event in terms of shaping our values and defining our corporate responsibilities.

Keeping families in their homes is a central value in a much larger approach to how we contribute to the social good through responsible investing. Keeping families in their homes is not just good for them, it's good for our communities and society and it's also good for business.

The belief in people's ability to bounce back when given the opportunity underlies our investment philosophy. We invest in "re-performing loans" - or more accurately, we invest in "re-performing borrowers" - people who have demonstrated that they will find a way to repay their mortgage loans.

Message From Our CEO and CIO

We could not achieve the level of success we have obtained for our shareholders without our greatest asset, Chimera's employees. Chimera believes in the strength of diversity and is proud to have built a diverse and inclusive workforce. We strive to create a positive work environment rich with opportunity for personal and professional growth. As part of our employee compensation package, we incent employees with ownership of Chimera's common stock which vests over time. We feel employee ownership contributes to improved long-term performance for all shareholders. The Executive Management team is committed to seek ways to provide a "best-in-class" work environment for our employees.

Chimera's ESG Framework highlights many of the initiatives as well as the business framework we currently have in place. We have always understood the value of ESG on our business and we hope this represents the beginning of our long-term dialogue concerning these many important issues and the positive societal contributions we hope to achieve for our stakeholders: our shareholders, our employees, and our communities.

Mohit Marria

Accomplishments and Highlights

Over the last 14 years, Chimera has grown into a team of 38 people. Through their dedication and commitment, we have proudly delivered significant benefits to our shareholders and other stakeholders. Since inception, we have:

- ✓ **Delivered a Differentiated Operating Business Model:**
 - Completed a total of 86 securitizations totaling \$45.9 billion
 - Received non-mark-to-market term financing on \$33.8 billion of assets. Successfully used securitizations to manage liquidity risk and limit mark-to-market volatility in our portfolio
- ✓ **Since inception, we purchased \$21.9 billion of seasoned, reperforming loans with an average loan size of \$100 thousand and an estimated average loan-to-value (LTV) ratio of 95%. In addition, we purchased \$2.2 billion of agency (GSE) eligible investor loans and \$712 million of rehabilitation loans.**
- ✓ **Provided our shareholders with a stable and sustainable dividend.**
 - Declared \$5.5 billion common and preferred stock dividends
- ✓ **Continue to maintain a relative low expense ratio of 0.54%.**
- ✓ **Demonstrated Ongoing, Effective Risk Management:**
 - Implemented leading institutional-grade enterprise and counterparty risk management tools and processes
 - Maintained liquidity and low recourse leverage to deliver an attractive dividend yield to shareholders
- ✓ **Seed investment in minority owned asset management firm Kah Capital Management (KCM) which is focused on mortgage credit.**
- ✓ **Invested in our organization to train and retain diversified, high performing employees.**

Our Response to the COVID-19 Pandemic

While it has been an extraordinarily challenging time for all of us, Chimera successfully met its obligations to its employees, the market and all of its stakeholders through a series of actions.

- ✓ **Executed on our Business Continuity and Technology Plan to avoid disruption to our business operations.**
 - Successfully shifted to a work from home structure to prevent employees from exposure to COVID-19
 - Ultimately instituted a flexible work policy to accommodate employees' personal needs, providing technology to work remotely with minimal impact on normal working patterns
- ✓ **Met all margin calls resulting from market volatility brought on by the COVID-19 pandemic.**
- ✓ **Continued to make all dividend distributions despite market volatility.**
- ✓ **Continued to issue securitizations and sponsored two residential mortgage loan securitizations to bolster liquidity during unprecedented market conditions.**



ESG & CORPORATE RESPONSIBILITY



At Chimera, we have always believed that doing the ‘right thing’ is not only good corporate citizenship, but that it’s also good for business. For more than a decade, we have proven that thesis to be true.

When we began our business in 2007, terms such as ‘ESG’ and ‘sustainable investing’ were not part of the typical asset manager’s vernacular. Yet our business is inherently and fundamentally sustainable.

We believe that positive social impact – in our case, keeping borrowers in their homes – can be the foundation of a profitable investment opportunity, rather than a detractor from financial returns.



“We fundamentally believe that generating positive social impact and being mindful of environmental performance is accretive to financial performance”

Our Integration Framework

Chimera’s ESG Framework is built upon five areas that describes how we think about our commitment to sustainability.



The result is what we believe to be a robust and comprehensive approach to integrating ESG at all levels of our business which supports our goals and investment objectives.



1. Responsible Investments

Aligning our
investments
with our
sustainability
beliefs

Homeownership has become synonymous with 'the American Dream.' The social benefits of homeownership are well known whether they are a means of individual wealth creation or a way to stabilize communities. As a result of these benefits, U.S. housing policy seeks to increase homeownership.

We believe we play an important role in U.S. housing by providing private capital to underserved markets that need it most. This includes lower credit and high loan-to-value borrowers and the multifamily market.

Social Impact and Environmental Performance

Our investments are underpinned by our commitment to improving the well-being of our stakeholders, as well as by our conviction that when borrowers are supported to do well and live well, then financial performance is enhanced.

Within our Agency CMBS portfolio, we have made responsible investments of \$1.3 billion including \$761 million in environmentally sustainable properties that meet the ICC 700-2012 National Green Building and HUD Standards, \$377 million in healthcare facilities such as hospitals and nursing homes, and \$147 million in low-income apartment buildings with tenant rents subsidized by Section 8 Housing Assistance Payments (HAP) and properties receiving low-income housing tax credits (LIHTC).



Since 2018, Chimera has engaged Kah Capital, a minority owned asset management firm, for servicing oversight on its loan portfolio to provide solutions that are economical, scalable and socially responsible.

Given our business relates to mortgages we do not invest in tobacco, coal, oil sands, civilian firearms or cluster weapons.



2.

Environment

As an investment company with less than 40 employees our environmental impact is relatively modest.

Human activity has had a profound effect on our planet's environment, damaging the viability of our ecosystem to sustain our current ways of life.

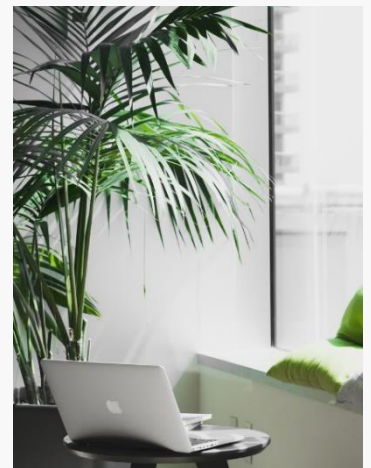
As corporate citizens, we have a duty to consider the impact of our business operations on the environment. We are mindful of these considerations and are committed to doing our part to help create a healthy environment.

We have, therefore, implemented a number of initiatives that can reduce our environmental footprint and, going forward, we are committed to exploring additional ways in which we can improve this further.

Key Initiatives

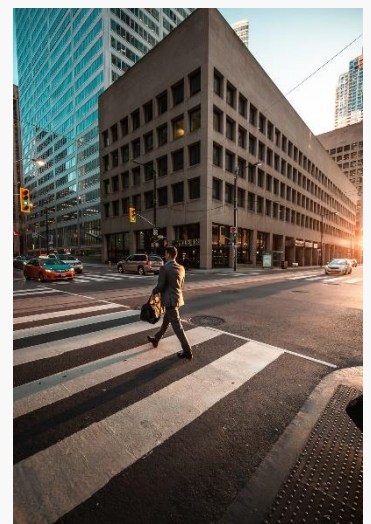
Offices:

- Our offices are headquartered in LEED (Leadership in Energy and Environmental Design) Silver Certified premises, meaning they provide a healthy environment for our employees and are highly efficient in terms of energy usage, helping to reduce our direct environmental footprint.
- Computers and lighting are set up with automatic shut off features to further reduce energy usage and promote energy efficiency.
- Kitchen facilities encourage our employees to make more sustainable choices. For example, filtered water is available onsite to discourage the use of single use plastics.
- Recycling facilities and programs are in place to reduce waste sent to landfill.



Employee Travel:

- We have implemented a commuter program to encourage the use of public transportation where possible.
- We have enabled flexible working arrangements for our employees to help to further reduce travel.
- Video conferencing is used wherever possible to reduce business travel.





3. Social & Human Capital

Putting our social and human capital at the center of our decision-making

We are committed to supporting and enriching our social and human capital.

We believe that the success of our business depends on the quality of our team, and subsequently that fostering a work environment that puts our social and human capital at the heart of our culture is a critical part of our past and future achievements.

Our efforts are centered around enhancing the well-being of our employees through a number of policies and initiatives, as well as building a diverse and inclusive culture that makes Chimera a dynamic place in which our employees thrive.

Enhancing the Well-Being of Our Employees

We offer an attractive employment package, including the following elements:

Flexible working

Technology to assist in providing a flexible working environment for our employees.

Compensation

Compensation programs providing both annual and compelling long-term incentives to employees, including equity incentives.

Financial Programs

401(k) pension contributions matching employee contributions to support retirement planning which is 100% vested, and supplemental insurance programs to protect employee incomes.

Personal Development

Tuition reimbursement for continuing education, matching charitable donations to support 501(c) organizations, and actively encouraging attendance in training programs, conferences and networking and volunteering events.

Health and Wellness

Employee assistance programs, company-paid healthcare, dental and vision, with work life balance promoted by holiday allowances and bereavement and parental leave.

Diversity And Inclusion: Our Value Add

Growing evidence suggests something that Chimera has long known: that diversity and inclusion is conducive to a stronger workplace and better decision making. This is a topic that has always been – and will always be – high up on our business agenda.

As of September 30th, 2021, 50% and 65% of our Board of Directors and workforce, respectively, is either gender or racially diverse. On a governance level, the Board of Directors is actively searching for racially and gender diverse members.

As we continue to grow our business, we strive to lead by example in developing a diverse and dynamic workforce.



In 2018, Chimera seeded Kah Capital Management (KCM), taking a minority ownership stake in the firm. KCM is a minority owned asset management firm focused on mortgage credit, including distressed mortgage loans. The basis of this investment was two-fold:

- 1. To gain interest in a business fundamentally aligned with Chimera's responsible investing beliefs, by prioritizing home retention for struggling families.** The firm's technology and proprietary analytics-driven servicing oversight platform drives good borrower outcomes and favorable economic returns by catching "at risk" borrowers early before they fall too far behind on their payments, helping home retention and preserving the value of the loan.

We believe this will drive better credit performance and boost shareholder returns while improving underserved and credit impaired borrower outcomes.
- 2. To reaffirm our commitment to diversity and inclusion by establishing the first SMA fund to help KCM build a platform that could attract other investors.**

It is extremely challenging for start-ups to gain access to capital, and this is especially true for minority groups. Our objective in investing in a start-up founded by BAME individuals is to foster inclusive growth through a commercially sustainable entrepreneurial venture.



4. Corporate Governance

Promoting a culture of strong and effective corporate governance

We believe that strong corporate governance forms the basis of an effective business.

Since a well-managed business is one that is run sustainably, we have implemented a corporate governance program that ensures that ESG and sustainability is considered at the highest levels of decision making and is, above all, aligned with the long-term interests of our shareholders.

➤ **Accountability**

- The Board is lead by an independent Chair.
- The Board has four committees which consists of: Audit, Risk, Compensation, and Governance. Each committee is led by an independent director and only independent directors are on the committees.
- Members of the Board are subject to an annual self-evaluation and mandatory retirement age to ensure that it remains dynamic.
- All employees are bound by Chimera's Code of Business Conduct and Ethics, Governance Guidelines and Committee Charters (amongst others). These documents outline Chimera's expectations in terms of business conduct and empower employees to act in a way that upholds Chimera's business reputation.

➤ **Communication and Reporting**

- We encourage shareholder engagement during quarterly earnings calls and industry conferences.
- We also answer questions from investors through emails and have a contact number on the company website for further inquiries.

➤ **Shareholder Alignment**

- Our transparent internal management provides alignment with our shareholders.
- Stock ownership for Directors and Officers further aligns the economic interests of our employees with those of our shareholders, helping to ensure their value is maximized.



5. Risk Management

Leveraging risk management to gain a competitive advantage

Chimera takes a holistic approach to risk management and mitigation that is supportive of the company's overall strategic goals. Key areas of risk for Chimera consist of enterprise risks, investment risks, and capital, liquidity and funding risks.

A dedicated and experienced Risk Management Group (RMG) oversees this function and implements Chimera's "Three Layers of Defense" approach.

We have strong internal controls which are subject to annual audits in addition to an annual enterprise risk management assessment which helps us continuously monitor and mitigate the risks faced by each business unit in our organization. The results of the assessment are presented to and discussed with Executive Management and the Board of Directors.

Areas of Focus and Our Approach to Risk Management

Portfolio stress testing and interest rate scenario analysis is conducted on a regular basis with leading modelling and analytics applications. Comprehensive third-party due diligence is also carried out on our Residential Credit portfolio. Our Counterparty Framework and Policies are in place to monitor and assess risk, and our business is diversified across several counterparties with exposure limited based on the strength of credit metrics and profile. We have incorporated longer term non-mark-to-market financing which we believe reduces exposure to margin calls and provides a more stable liquidity profile.

Investment and Financial Risks

Credit

Interest rate

Prepayment

Reinvestment

Derivatives

Capital and Liquidity Risks

Counterparty

Liquidity

Leverage

Enterprise Risks

Operational

Legal, Regulatory and Compliance

Cybersecurity

