



CHIMERA INVESTMENT CORPORATION

Corporate Responsibility Report

June 2022

Disclaimer

This report includes “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as “goal” “expect,” “target,” “assume,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “believe,” “predicts,” “potential,” “continue,” and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, including, among other things, those described in our most recent filings with the Securities and Exchange Commission (the “SEC”), including but not limited to, our most recent Annual Report on Form 10-K, any subsequent Quarterly Reports on Form 10-Q and Current Report on Form 8-K, under the caption “Risk Factors.” Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Chimera does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions, or circumstances on which any such statement is based. Additional information concerning these and other risk factors is contained in Chimera’s most recent filings with the SEC. All subsequent written and oral forward-looking statements concerning Chimera or matters attributable to Chimera or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

This report is for informational purposes only. It is not intended to be relied on to make any investment decisions and is neither an offer to sell nor a solicitation of an offer to buy any securities or financial instruments from Chimera. This report covers our owned or operated businesses and does not address the performance of our suppliers, contractors or partners unless otherwise noted. We have prepared the information contained herein solely to provide a general overview of our environmental, social, and governance (“ESG”) activities.

We have prepared the information contained herein solely to provide a general overview of our ESG activities. In addition, the information in this report is summarized and is not a complete description of all of our activities; therefore, we have made qualitative judgments as to certain information to include that could be determined to be inaccurate or incomplete.

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Introduction

Headquartered in New York City, Chimera Investment Corporation (“Chimera,” “We,” “Our,” “Us” or “the Company”) is an internally managed Real Estate Investment Trust (REIT) with total capital of \$3.3 billion. Since our establishment in 2007, we have declared \$5.8 billion common and preferred stock dividends and aim to provide attractive risk-adjusted returns to our shareholders over the long term. We have completed more than 90 securitizations totaling \$49.3 billion over the last 15 years.

At Chimera, we believe that environmental, social, governance (“ESG”) and sustainability considerations are necessary for the long-term success of any business, including ours. In addition to this, as part of our commitment to “doing the right thing,” we seek to make the most of opportunities to create social impact, promote a culture of strong and effective corporate governance, and mitigate environmental damage in our business operations where possible.



Through considering ESG themes that are material to our Company and to the communities we impact, we strive to be front-runners on sustainability leadership among our peers. Fundamentally, we believe our business plays an important role in creating and maintaining a healthy real estate market. Within our own Company, we strive to create a positive work environment, with well-considered opportunities for both personal and professional growth. At Chimera, we understand that “doing the right thing” benefits not only the greater social good and corporate citizenship, but also business performance. Supporting people and contributing to positive social impact can - and does - establish positive financial returns.

ESG considerations provide a valuable lens on certain financial risks and opportunities, particularly over the long term. For instance, by considering the impacts of climate risk, we can understand and adapt to the long-term effects of global warming and evolving climate conditions on our portfolio.

Where appropriate, ESG considerations are integrated within our business and operations to support our goals and investment objectives. As described in our “An Introduction to ESG & Corporate Responsibility at Chimera” report, we combine socially responsible investments and risk management with more traditional environmental, social, and governance themes.

Chimera's Integration Framework

This report marks the outset of our journey towards increased transparency. We are committed to voluntarily disclosing the information and metrics material to our industry and business activities, as identified by the leading sustainability reporting framework SASB¹ and through a third-party specialist ESG consultant supporting us in demonstrating our sustainability commitment. We seek to provide ESG transparency to our shareholders, employees, counterparties, vendors, and the communities that immediately benefit from our investment decisions.

SASB reporting standards outline the disclosure of financially material sustainability information made by companies. This enables communication of comparable and consistent reporting, with the aim to improve investor decisions. The SASB standards are compiled of 77 industry-specific sustainability accountability standards that are financially-material, industry-specific, and decision-useful. The SASB framework is aligned with the four other leading standard-setting organizations: The CDP (formerly known as the Carbon Disclosure Project), the Climate Disclosure Standards Board ("CDSB"), the Global Reporting Initiative ("GRI"), and the International Integrated Reporting Council ("IIRC"). Metrics referenced by SASB for industry-specific disclosure topics are used by almost 200 entities already, such as the World Health Organization ("WHO") and the Global Real Estate Sustainability Benchmark ("GRESB").

According to the SASB Sustainable Industry Classification System ("SICS"), Chimera falls under the Financials sector, and within the Mortgage Finance sub-sector. We have based our disclosures on those recommended by SASB, however sustainability risks and opportunities beyond Mortgage Finance that are also applicable to our business are also included.

Chimera is an internally managed REIT that seeks to maintain a diversified investment portfolio focusing on investing in residential mortgage loans and Mortgage-Backed Securities. We are not a mortgage lender, nor do we service mortgage loans, and in some cases, information is not currently available or aggregated in a manner that is consistent with the related SASB metric. Hence, Chimera has not disclosed certain information on SASB topics & metrics pertaining to Lending Practices, Discriminatory Lending, and Environmental Risk to Mortgaged Properties in the Mortgage Finance industry². If possible, we would seek to disclose on the required diversity and inclusion standards of our partners in the future - demonstrating our support for a fair and equitable financial system. Additionally, Chimera monitors weather related events and natural catastrophes and to date, our losses have not been financially material.

The metrics disclosed in this report represent the period ending June 30, 2022.

¹Sustainability Accounting Standards Board ("SASB")

²Referring to SASB disclosures FN-MF-270a.1, FN-MF-270a.2, FN-MF-270a.3, FN-MF-270a.4, FN-MF-270b.1, FN-MF-270b.2, FN-MF-270b.3, FN-MF-450a.1, FN-MF-450a.2, FN-MF-450a.3

Report on Key Themes

Our Activity

Disclosure of activity metrics enables understanding of our Company’s size and impact. Reporting in this way facilitates comparison and provides context to the following disclosures and commentary.

(1) Value of mortgages purchased by category since inception: (a) residential and (b) commercial³

Category	Value (Unpaid Principal Balance, \$ in millions)
Residential (Seasoned Re-performing Loans)	23,412
Residential (Business Purpose Loans)	760
Commercial	N/A
Total	24,172

Green House Gas (“GHG”) Emissions

As a small enterprise, our energy consumption and carbon footprint is relatively limited, however, we aim to reduce our environmental impact where possible. Where appropriate, we employ environmental considerations into our business operations, including implementing initiatives to reduce our emissions resulting from employee business travel. Business travel considerations are outlined in our policy on business travel, encouraging the reduction of air travel in favor of videoconferencing for example. We offer flexible working arrangements and a commuter program to reduce single-car travel and increase the use of public transportation. The estimated Scope 2 GHG emissions from our New York City office was 51.9 metric tons of greenhouse gas, which consisted of 10.2 metric tons from electricity and 41.7 metric tons from steam. We had no significant Scope 3 emissions. We are committed to exploring and implementing further methods of reduction of our GHG emissions where appropriate within our operations.

Energy Management

Human activity has significant impact on the environment, and as corporate citizens, we must consider this impact at our own business operations. Better management systems in place can increase efficiencies, reduce costs, and ensure compliance with relevant regulations. We have implemented initiatives to reduce our environmental impact and we are continuously re-evaluating and exploring additional ways to improve.

As an investment company with 40 employees, our energy consumption is relatively modest. Our headquarters in New York City is located in Leadership in Energy and Environmental Design (“LEED”) Silver certified premises, resulting in efficient energy usage. Additionally, our Miami office is located in an ENERGY STAR certified building which meets strict energy performance standards set by the U.S. Environmental Protection Agency (“EPA”). Under our cloud and desktop transformation initiatives, we are transitioning to more energy efficient computers.

³Following the principles of SASB disclosure FN-MF-000.B.

Lastly, out of the \$1.3 billion of responsible investments made through our Agency commercial mortgage-backed securities (“CMBS”) portfolio, \$843 million was made in environmentally friendly properties that meet the ICC 700-2021 National Green Building and U.S. Department of Housing and Urban Development (“HUD”) Standards.

Employee Engagement, Diversity & Inclusion

At Chimera, we understand that successful employee engagement, diversity, and inclusion in the workforce assists in attracting the best talent and contributes to a stronger business. Firms that enforce fair and equal pay, and equal advancement opportunities, help increase employee engagement and contribute to productivity and performance. Diversity and inclusion are intrinsic to our operations and success, and hence we are committed to reporting on this topic.

At Chimera, we aim to support and enrich our social and human capital. A diverse and inclusive workplace encourages a diversity of ideas and thoughts, and therefore dynamism. We aim to encourage and empower our diverse workforce to achieve not only our wider business goals, but to increase the opportunities available to our employees.

Talent development and employee satisfaction is vital to our continued growth and success. We have implemented an attractive employment package that includes flexible working options, profit-sharing programs, financial programs (including retirement benefits), personal development plans, and company-paid healthcare insurance and meal allowances. We value diversity and inclusion, and it is focal to our business operations. The topic commands priority in our business agenda, and we are committed to leading by example.

Percentage of gender and racial/ethnic group representation for (1) The Board of Directors (2) Executive Management, and (3) Professionals/Non-Executive/Others⁴

Gender representation of Global Employees (%)

	Female	Male
Board of Directors	25%	75%
Executive Management	0%	100%
Professionals/Non-Executive/Others	42%	58%
Total Company	38%	62%

Racial/Ethnic Group Representation of U.S. Employees (%)

	BIPOC*	White
Board of Directors	38%	62%
Executive Management	75%	25%
Professionals/Non-Executive/Others	50%	50%
Total Company	53%	47%

*Black, Indigenous, People of Color

⁴Following the principles of SASB disclosure FN-AC-330a. Data represented in the table is derived as of June 2022.

Data Privacy and Cybersecurity⁵

Data protection and cybersecurity are critical to our operations, and we seek to ensure our data is protected against external attacks and internal incidents. Chimera follows industry recognized *NIST cybersecurity framework and has engaged leading cybersecurity solutions provider to provide managed security and advisory consulting services to maintain strong security posture. Through our data protection protocols, we seek to prevent, detect and remediate potential threats to the security of our data. We also conduct cybersecurity training for our employees on a quarterly basis. Chimera has not experienced any data breaches in the history of our Company.

Chimera integrates data security measures into our daily operations; this is governed by four key data security policies.

1. Our Sensitive Assets Policy lays out the standards for the use of sensitive data, and the specific security controls to protect this data. Sensitive assets in this context constitute (1) Trading Positions; (2) Material Non-public Information; (3) Regulated Personally Identifiable Information; (4) Sensitive Personal Information; and (5) the networks, systems, computers, devices, and media that store or process information in the preceding four categories. The policy outlines processes required for the maintenance of data security standards, the requirements for storage of data, encryption and destruction of confidential data when required. Chimera has an Incident Response Playbook which details procedures upon the possibility of a potential data breach.
2. The Acceptable Use Policy for Information Processing and Communications Facilities. This compliance policy directs users on what is expected from them when they use Chimera's hardware, software, and any other Company provided tools to conduct business on behalf of Chimera. The policy also details access and use of confidential data, protection of data during use and protocol for suspected breaches of confidential data.
3. The Network Security Policy will provide the practical mechanisms to support the Company's comprehensive set of security policies. The policy covers logical security tools, guidelines and processes implemented to restrict access to programs, data, and other information to enhance security and data integrity.
4. The Vendor Policy specifies actions to take when selecting a provider of outsourced IT services or software, standards for secure communications with the provider, and what contractual terms should be in place to protect the Company, including standards for the protection of sensitive data.

⁵Following the principles of SASB disclosure FN-CB-230a.2

* National Institute Of Standards Technology

Business Ethics and Management of the Regulatory Environment⁶

Our Company is committed to fair, accurate and transparent accounting of its financial matters and expects all employees to act in accordance with the highest ethical standards in the performance of their duties and obligations. We conduct policy and legal compliance training for our employees at least annually and we prohibit violations of applicable laws, rules and regulations relating to fraud, and require full compliance by all employees with:

- the Company's Code of Business Conduct and Ethics
- the Company's policies and procedures
- all applicable laws, rules and regulations

Chimera had no reported instances or monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, or anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations.

Chimera had no assets subject to the regulations of the Investment Company Act of 1940 ("1940 Act"), the Employee Retirement Income Security Act of 1974 ("ERISA"), the Undertakings for Collective Investment in Transferable Securities ("UCITS") Directive, or the Commodity Futures Trading Commission's ("CFTC") Commodity Pool Operator ("CPO") regulations.

Whistleblower Policy⁷

As part of our commitment to transparency and ethical behavior, we have adopted a Whistleblower Policy and have made a third-party managed whistleblowing hotline available. The Whistleblower Policy establishes policies and procedures for submission of suspected violations, receipt, retention and treatment of such potential violations, and the protection of individuals reporting suspected violations from retaliatory actions. Reports received are then referred to the chairperson of our audit committee and Chief Legal Officer, who are then responsible for managing follow-up actions and managing an investigation as required, depending on the nature and complexity of the complaint. The identity of whistleblowing employees is kept confidential unless disclosure is required by law.

Risk Management

Due to the interconnected nature of actors within financial markets, systemic and operational risk are central concerns of national and international regulators. We understand our individual responsibility as an investor to support functional financial markets. As such, we ensure stress testing and compliance monitoring are regularly conducted, as well as consideration of the evolving regulatory landscape and its potential impacts on our operations.

Incorporation of Stress Testing into Planning and Business Activities⁸

We conduct voluntary stress testing, liquidity monitoring, and interest rate sensitivity analysis on our investment portfolio on a regular basis under various scenarios utilizing applications recognized by the financial industry.

⁶Following the principles of SASB disclosures FN-AC-510a.1 and FN-AC-000.A

⁷Following the principles of SASB disclosure FN-AC-510a.2

⁸Following the principles of SASB disclosure FN-IB-550a.2

Additionally, under our Counterparty Framework, we monitor and assess our risk exposure to our financing counterparties based on the strength of numerous credit and liquidity metrics. Lastly, we have incorporated a combination of mark-to-market, margin holiday, and longer-term non mark-to-market financing, across a diversified set of counterparties which we believe reduces exposure to margin calls and provides a more stable liquidity profile.

Supervision, Control, and Validation of Pricing of Level 3 Assets and Liabilities⁹

At Chimera, we apply fair value guidance in accordance with U.S. Generally Accepted Accounting principles ("GAAP") and categorize our investment portfolio, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). We determine the fair values of our investments using internally developed processes and validate them using an independent third-party pricing service. Level 3 assets represented approximately 93% of total assets as of December 31st, 2021.

Enterprise Risk Management

At Chimera, we employ a "Three Layers of Defense Approach" to Enterprise Risk Management ("ERM") designed to assess and manage risk to achieve our strategic goals. The "First Layer of Defense" consists of assessing key risks indicators ("KRIs") facing each respective business unit within Chimera. Chimera's Risk Management Unit is an independent group that acts as the "Second Layer of Defense". The Risk Management Unit partners with various business units to understand, monitor, manage and escalate risks as appropriate. The Financial Reporting Unit operates under the requirements of the Sarbanes Oxley ("SOX") Act and is subject to an independent, external quarterly review and an annual audit from Ernst & Young. Chimera's Board of Directors Risk Committee reviews risk, portfolio, and financial reporting material. The "Third Layer of Defense" consists of many of Chimera's internal controls which are subject to an independent evaluation by our third-party internal auditors. As an independent third-party, the mandate of the internal auditor is to objectively assess the adequacy and effectiveness of Chimera's internal control environment to improve risk management, control and governance processes. Periodic reporting from the Risk Management Unit is provided to Executive Management and to Chimera's Audit Committee.

Business Continuity Plan ("BCP")

At Chimera, our BCP is prepared with the intent of providing guidelines to facilitate (i) employee safety and relocation; (ii) preparedness for carrying out activities and receiving communication; (iii) resumption and restoration of systems and business processes and (iv) the protection and integrity of the Company's assets.

Our BCP is designed to facilitate business process resilience in a broad range of scenarios with a dedicated Disaster Recovery Team ("DRT") which is comprised of Executive Management, Head of Technology, and professionals across our various business units. Our BCP identifies the critical systems and processes necessary for business operations as well as the resources, employees, and planning needed to support these systems and processes. Critical systems and processes are defined as those which have a material impact on core operations, financial performance, or regulatory requirements. This includes applications which facilitate financial transactions, transaction settlements, financial reporting, and business communication and the personnel who perform such actions. Our BCP provides guidelines to aid in the timely resumption of business operations and for communication with employees, service providers and other key stakeholders needed to support these operations. Our BCP is a "living process" that will evolve with the input and guidance of the key stakeholders, subject matter experts and industry best practices and is reviewed and updated at least annually.

⁹Following the principles of SASB disclosure FN-IB-550b.3

Chimera's Next Steps

With this report we aim to provide our stakeholders with insight into how we measure up today and how we are positioned for the future. We also wish to communicate our goals going forward and how we plan on achieving them. Progress will be measured and disclosed annually.

As part of our commitment to ESG reporting, we will continue to seek opportunities to further align with SASB's recommended disclosures for mortgage lenders, including the metrics laid out below.

Physical Impacts of Climate Change: The Environmental Risk to Mortgaged Properties

As an investor relying on the financial performance of physical real estate assets, our financial performance may be subject to risks posed by increasingly frequent extreme weather events. We will seek to identify our exposure (particularly to assets in flood zones), consider potential losses given climate events, and incorporate climate change considerations into our long-term planning.

Conclusion

Increasingly, we have seen that investors and employees alike demand greater transparency around ESG. However, disclosures are not yet mandatory in our industry. By publishing this report, we hope to demonstrate our proactive attitude in tackling ESG challenges and considerations head on. We aim to provide transparency to our stakeholders and employees and build confidence in our ESG and responsible investing agenda. Over time, we aim to integrate reporting into all Chimera business practices. The first step to achieve this, is measuring the metrics most relevant to us and our business operations. We are starting with ourselves, and we hope to in the future, develop to measuring and reporting on our underlying assets. Our ambition is to build on this report and increase our commitment and alignment to SASB and other dominant sustainability frameworks.



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