

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

ARMOUR, its Business and Operations

ARMOUR Residential REIT, Inc. ("ARMOUR") is a mortgage real estate investment trust ("REIT") that invests solely in Mortgage-Backed Securities (MBS) issued by Fannie Mae ("FNMA"), Freddie Mac, and Ginnie Mae ("GNMA") (the "Agencies"). Other than cash and US Treasury securities, these MBS comprise substantially all of ARMOUR's assets. We believe FNMA, Freddie Mac, and GNMA have very strong commitments to ESG principles in both the strategy of their businesses as well as their execution. Their discussion of ESG principles can be found at the following links:

FNMA	https://www.fanniemae.com/about-us/esg
Freddie MAC	http://www.freddiemac.com
GNMA	https://www.ginniemae.gov

We believe ARMOUR's business model to invest in MBS issued by the Agencies is very consistent with ESG principles as well as broader social goals. Our investments bring private capital to the US housing market and supports the attractive pricing, availability, and liquidity of mortgage finance. An effective, efficient, and broadly available mortgage finance market supports a vibrant housing market and broad home ownership.

ARMOUR is externally managed by ARMOUR Capital Management ("ACM"). ARMOUR has no employees and all day-to-day management activity is conducted by ACM. ACM has 23 full time employees all located in its offices in Vero Beach, Florida.

INITIATIVES

ARMOUR is committed to the best practices in our environmental, social and governance policies. We have incorporated many ESG principles into our corporate culture over time in growing the Company. We understand that ESG practices can create value by improving the environment and the lives of our employees, shareholders, business partners, and the community and we recognize that understanding our efforts on ESG practices is increasingly important to those key relationships. To demonstrate our commitment, ARMOUR's Nominating and Corporate Governance Committee recently assumed primary oversight of our efforts in ESG policies, activities, and communications. Together, we will assess our practices with a goal of meeting or exceeding industry and peer standards. We will continually seek opportunities to enhance the communities where we operate through corporate giving, employee volunteering, human capital development, and environmental sustainability programs. Additional information regarding our efforts to implement environmental and social factors in the operation of our business is available in the Corporate Responsibility section of our website at www.armourreit.com. Furthermore, we continue to evaluate relevant corporate sustainability reporting frameworks with a goal of adopting and implementing best practices in our reporting framework.

ENVIRONMENT AND SUSTAINABILITY

OUR COMMITMENT

ARMOUR, through ACM, is committed to environmental responsibility in its business operations. We strive to integrate environmental considerations into our planning and decision-making process, with the goal of promoting sound environmental practices internally and externally.

As an investment firm with 23 office-based employees, our operational footprint has a modest environmental impact. However, energy conservation and sustainability efforts are a priority at ARMOUR.

We routinely analyze our environmental policies and procedures in an effort to comply with applicable laws and regulations and continue to observe industry standards.



RECYCLING:

- paper, glass, plastic, and aluminum cans.
- electronic equipment, batteries, and ink cartridges.

REDUCE CARBON FOOTPRINT THROUGH:

- video conferencing as an alternative to travel.
- utilizing LED lighting throughout office.
- films on windows to reduce HVAC needs.
- low flow water fixtures in bathrooms.
- power management features that automatically put the computers and printers into a "sleep mode" after a designated period of inactivity.

ENERGY STAR® CERTIFIED PRODUCTS:

- laptops, monitors, printers, and televisions.
- filtered water dispenser to eliminate the need for plastic bottles.

REDUCTION OF WASTE:

- all single use plastics by providing reusable, compostable and recycled kitchen products.
- office paper usage by emphasizing electronic communications, record storage and signing up for e-statements and invoices.

LATEST OFFICE UPDATES:

- Installed eco-friendly porcelain tile, produced with 40% of pre-consumer recycled materials, in high traffic areas. Tile emits zero VOCs and moderates indoor temperature swings meaning less work for our HVAC system.
- Installation of a Self-Contained Commercial Air Cleaner with HEPA filter that removes airborne contaminants like smoke, dust, pollen, and dander that contribute to allergies and asthma. Reduces BTU loads associated with larger amounts of outside air. Helps lower on-going energy costs and maintenance.

SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY

Our primary social impact comes from our investment activity. As a provider of housing capital, we are honored to assist and strengthen the U.S. housing market and those seeking homeownership. Through thoughtful investment and risk management, our focus on residential real estate finance supports homeownership for a broad and diverse spectrum of Americans. We take this duty seriously, as the benefits of homeownership are wide-reaching and well documented. Homeownership has long been understood as an important part of individual wealth creation and social mobility.

Improving homeownership rates stabilizes communities because homeowners are often engaged in and beneficial to their communities due to their financial and emotional investments in the space. The residential real estate market is an important part of the U.S. economy, and investing in home mortgages is a strong way to support and improve this market and the economy as a whole.

ARMOUR also recognizes its responsibility to the people we touch directly through our relationships with ACM, our vendors, counterparties, and our community. To each of these relationships, we bring a commitment to professional dignity and mutual respect.

COVID-19 RESPONSE

The health, safety, and security of ACM employees is our highest priority. Our approach to a COVID-19 response was grounded in our company's purpose and striving to make a difference in our community and workplace. ACM executives were constantly monitoring the evolving situation and along with our IT Department adapted our efforts and responses to ensure a seamless transition to a remote working environment. All of our employees were working remotely ahead of any mandated guidelines and continue to operate this way until we are able to start safely returning to the office. We increased company-wide internal communications and virtual meetings. We did not have any layoffs or implement any salary cuts in response to COVID-19.

ARMOUR has also installed a Self-Contained Commercial Air Cleaner with HEPA filter that removes airborne contaminants and provides better indoor air quality.

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

COMMUNITY

COMMUNITY INVOLVEMENT

We believe that sharing our success is key to community and employee development. We strive to create a positive impact in the community in which we do business, making it a better place to live and work. ACM's community involvement is a combination of charitable contributions and employees volunteering in local civic and charitable organizations or financial support. Below are some of the organizations we have supported:

			
<p>UNITED AGAINST POVERTY EMPOWERS PEOPLE TO ACHIEVE ECONOMIC SELF-SUFFICIENCY BY PROVIDING CRISIS CARE, TRANSFORMATIVE EDUCATION, FOOD AND HOUSEHOLD SUBSIDY, EMPLOYMENT TRAINING AND PLACEMENT.</p>	<p>IN PARTNERSHIP WITH FARMERS, MANUFACTURERS, RETAIL STORES, AND NEARLY 300 SCHOOLS AND PARTNER AGENCIES, TREASURE COAST FOOD BANK SERVES AS A BRIDGE BETWEEN FOOD SOURCES AND INDIVIDUALS WHO ARE STRUGGLING TO PUT FOOD ON THE TABLE.</p>	<p>THE UNITED WAY IS FOCUSED ON CREATING COMMUNITY-BASED AND COMMUNITY-LED SOLUTIONS THAT STRENGTHEN THE CORNERSTONES FOR A GOOD QUALITY OF LIFE: EDUCATION, FINANCIAL STABILITY, HOUSING ASSISTANCE AND HEALTH.</p>	<p>THE AMERICAN CANCER SOCIETY DIRECTLY SUPPORTS BREAKTHROUGH CANCER RESEARCH, 24/7 LIVE SUPPORT FOR CANCER PATIENTS, TRANSPORTATION TO TREATMENT, LODGING FOR PATIENTS AND CAREGIVERS AND ACCESS TO LIFESAVING SCREENINGS.</p>



While employees have the opportunity to donate time and funds to the community organization of their choice, ARR has chosen some key areas of high impact focus that ARR, ACM and its employees feel strongly connected to:

- FOOD SECURITY
- AFFORDABLE HOUSING PROJECTS
- CANCER SUPPORT
- CHILDREN'S HEALTH AND SOCIAL SERVICES
- FINANCIAL LITERACY
- CAREER COUNSELING

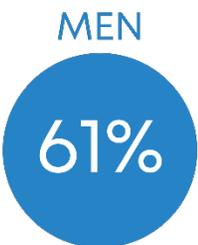
EMPLOYEE DIVERSITY

DIVERSITY AND INCLUSION

We believe that fostering an internal climate that is supportive and allows people of all backgrounds to flourish lends itself to the highest levels of team and company performance and facilitates the attraction and retention of best-in-class talent. We also believe it is inherently the right way to conduct business. We support an innovative, creative culture where people can bring their best and most authentic selves to work. Employees who hold divergent opinions are encouraged to voice their views.

Decisions regarding staffing, selection, and promotions are made on the basis of individual qualifications related to the requirements of the position. We endeavor to select qualified individuals from a diverse pool of candidates derived from broad outreach efforts when we are recruiting.

23 Full Time Employees



EMPLOYEE BENEFITS

WELL-BEING AND BENEFITS

In addition to offering competitive base salaries and discretionary, performance-based cash bonuses for ACM employees, we are committed to continuously evaluating and ensuring the competitiveness of our benefits offerings so that we meet the various needs of each of our employees and their families.

We offer the following benefits to our employees:

Employer Paid Benefits

Medical Insurance

100% of premium paid for employee, spouse (including domestic partners) and dependent children.

Dental Insurance

100% of premium paid for employee, spouse (including domestic partners) and dependent children.

Health Savings Account (HSA)

Company contributes maximum allowable per IRS annual limits.

Teladoc®

100% of fees paid. No cost to employees or their dependents.

Term Life Insurance

100% of employee's annual salary.

AD&D Insurance

100% of employee's annual salary.

Leave Policy

Paid vacation, sick and personal days
11 paid holidays
6 paid early close days
Paid parental leave

Additional Benefits

Benefits offered by ARMOUR

Retirement Plan

401(k) and Roth 401(k) with company match incentive.

Blue 365®

Discounted gym memberships, healthy deals and discounts

Healthy Addition®

Prenatal education program

Flexible work hours and telework option

Vision Insurance

Group Voluntary Term Life

Short Term Disability

Long Term Disability

Voluntary Term AD&D

AFLAC Insurance

Accident, Cancer, Critical Illness, Hospital

In a rising cost of healthcare environment, ACM continues to pay **100%** of the cost of the premiums under our employees' healthcare insurance.

EMPLOYEE SUPPORT

MIND YOUR MENTAL HEALTH

Mental health is essential to everyone's overall health and well-being. ACM employees and their beneficiaries have access to Magellan Healthcare's Mind Your Mental Health initiative. This Initiative aims to raise awareness and reduce stigma around mental illness by providing education, tools and resources to help employees learn practical ways to improve their own mental health and understand how to help others. With online resources and support from mental health organizations to help enhance emotional wellness, reduce stress and increase productivity.

PHYSICAL WELLNESS

Our approach to physical wellness is built on the things we can do to help address health risks and manage health care costs for our employees, including robust health and insurance benefits and wellness resources. Through Blue 365[®] our employees have access to health and wellness related deals on fitness products and gym memberships.

TRAVEL ASSISTANCE

Employees and their beneficiaries have access to a variety of benefits provided through AXA Assistance. These services include travel and medical assistance plus emergency medical evacuation benefits.

BENEFICIARY SUPPORT

Beneficiaries receive help coping with the emotions and financial decisions that surface when a loved one dies. Services include grief support from Magellan Healthcare and financial review from Principal[®].

CULTURE AND FOSTERING ENGAGEMENT

EMPLOYEE ENGAGEMENT

Our greatest strength and most important assets are the members of the ARMOUR team, and their overall well-being is paramount. ACM ensures its employees have a rewarding, supportive, and healthy working environment in which to thrive, and endeavors to support their success in all things. ACM provides employees with opportunities for growth and development, both in the personal and professional spheres, as well as a wide variety of resources to support their work and personal lives. ACM's compensation and comprehensive benefits are thoughtfully designed to recognize and reward their professional skills, resulting in a low voluntary turnover rate for ARMOUR.

AVERAGE TENURE OF CURRENT EMPLOYEES	AVERAGE ANNUAL TURNOVER RATE 2015-2020
8.61 YRS	2.47%

30% of employees have a tenure of 10+ years.

100% of employees work full time.

RETENTION AND SATISFACTION

We want our employees to share and practice our commitment to sustainability. We also want them to be engaged to drive our business forward and to want to work with us for the long term. We care about our employees' employment experience and care about them as individuals who are all motivated in different ways. We intend to measure our employees' engagement via a formal survey or other such tools on a periodic basis.

All employees participate in our annual reviews which cover different performance metrics, and allow employees and managers to cover goals, development opportunity, strengths, and weaknesses.

HEALTH AND SAFETY

HEALTH AND SAFETY

We are committed to fostering a safe and healthy working environment for all employees. In addition to our open, spacious, and naturally sun-lit office environment, we maintain a workplace that endeavors to be free from injury in compliance with the Occupational Safety and Health Administration (OSHA) standards and regulations.

PREPAREDNESS TRAINING

ACM hosts an OSHA compliant, CPR and AED Certification course where employees receive hands on training from a Red Cross certified instructor. 62% of ARMOUR employees participated in our most recent training course.

DISASTER RECOVERY AND EMERGENCY PLANNING

ACM's Crisis Management Team is comprised of key decision makers who coordinate operations in a crisis. ACM's plan for Business Continuity and Disaster Recovery is designed to provide timely, efficient, and controlled recovery and restoration of essential company operations and office productivity so that key business needs can be met.

DEVELOPMENT AND TRAINING

LEARNING AND DEVELOPMENT

ACM is committed to the professional development and career advancement of our employees. All employees can take advantage of opportunities for career development, training, coaching and tuition reimbursement. We adhere to a blended learning approach with the understanding that our people learn from experiences (on the job), from other people (mentors or managers), and formal learning and training programs. We acknowledge that learning is highly individualized and needs to be offered in a way that is most conducive to a specific learner's needs. We also support the pursuit of advanced certifications and degrees. ACM provides tuition reimbursement for continued education and relevant professional certifications.

COMPLIANCE TRAINING

All ACM employees upon hire are required to acknowledge and certify the ARMOUR Compliance Manual, Code of Business Conduct and Ethics, Employee Handbook, IT Policies, Insider Trading Policy, Whistleblower Policy, and Broker Accounts Disclosure. We conduct on-going training and ARMOUR requires all employees to recertify annually.

CYBER SECURITY TRAINING

All ACM employees have been taking mandatory cybersecurity training since 2015. The courses in this program are designed to help employees identify and avoid common computer and network security risks, understand how security breaches can affect the company, remain vigilant and understand how to utilize available computer and network security resources.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

ARMOUR strives to maintain a well-rounded and diverse Board that balances financial industry expertise with independence, and the institutional knowledge of longer-tenured directors with the fresh perspectives brought by newer directors. Our directors bring to our Board a variety of skills and experiences developed across a broad range of industries, both in established and growth markets, and in each of the public, private, and not-for-profit sectors.

Name	Age	Director Since	Committee Memberships		
			AC	CC	NGC
Z. Jamie Behar Independent Director	63	2019	●		
Marc H. Bell Director, Founder	53	2009			
Carolyn Downey Independent Director	71	2013			●
Thomas K. Guba Lead Independent Director	70	2009		●	●
Robert C. Hain Independent Director	67	2009	●		C
John P. Hollihan, III Independent Director	70	2009	●	C	
Stewart J. Paperin Independent Director	72	2009	C	●	
Daniel C. Staton Non-Executive Chairman, Founder	67	2009			
Scott J. Ulm Co-CEO, Co-Vice Chairman & Chief Risk Officer, Founder	62	2009			
Jeffrey J. Zimmer Co-CEO, Co-Vice Chairman & President, Founder	63	2009			

AC: Audit Committee CC: Compensation Committee NGC: Nominating & Governance Committee C: Chairperson

BOARD INDEPENDENCE

	DIRECTORS	INDEPENDENCE OF DIRECTORS
ARR Board	10	6
Audit Committee	4	All
Compensation Committee	3	All
Nominating/Corporate Governance	3	All

CORPORATE GOVERNANCE

DIRECTOR SKILLS AND EXPERIENCE



DIRECTOR DIVERSITY

AVERAGE TENURE	AVERAGE AGE	DIVERSITY BY GENDER	NON-U.S. OR DUAL CITIZENS	DIVERSITY BY RACE
9.65 YRS	66	20%	20%	10%

HUMAN RIGHTS STATEMENT

PRINCIPLES

ACM is committed to the protection and advancement of human rights and to ensuring that our operations function with integrity. The principles outlined in this Human Rights Statement relate to and confirm key commitments and principles in our **Code of Business Conduct and Ethics** which applies to our officers, directors, and employees. Our culture and policies establish standards whereby we do not tolerate violations of basic human rights of life, liberty, and security. We do not condone any inhumane treatment, particularly, sexual harassment, sexual abuse, verbal abuse, mental or physical coercion, corporal punishment, forced labor, child labor, human trafficking, and slavery.

CHILD LABOR AND FORCED LABOR

ACM prohibits the use of child labor, in accordance with ILO Convention 138. ACM also rejects the use of forced labor in all its forms, including prison or debt bondage labor, trafficking, and the lodging of deposits or identity papers by employers or by outside recruiters.

DISCIPLINE

ARMOUR forbids any form of corporal punishment, mental or physical coercion, or verbal abuse.

ANTI-CORRUPTION

ARMOUR prohibits corruption in all its forms, including extortion and bribery.

FREEDOM OF ASSOCIATION AND RIGHT TO COLLECTIVE BARGAINING

ARMOUR also demonstrates its dedication to its employees through its labor policies. We are committed to protecting employees' freedom of association and right to collective bargaining and are guided by the [guidelines of the] International Labor Organization (ILO) and Bureau of International Labor Affairs (ILAB).

COMPENSATION

ARMOUR is committed to ensuring that all employees are compensated fairly and equitably from the moment we hire them through the milestones of their career. The Human Resources department undertakes compensation reviews periodically and uses the results to ensure we are meeting or exceeding the market rates of pay and are competitive within our industry.

ETHICS AND INTEGRITY

BUSINESS ETHICS

ACM is committed to upholding the highest ethical standards in all business activities and transactions. This includes issues of anti-corruption, money-laundering and compliance with all applicable laws and regulations pertaining to the US Patriot Act and other national security related issues. We provide annual training for all employees, officers and Board members to address these issues. The Code of Business Conduct and Ethics is available for viewing on our website at www.armourreit.com. We will conduct annual compliance meetings with all staff to reinforce our collective understanding of our ethical obligations and to ensure familiarity with new policies and important trends emerging from the Environmental, Social and Governance (ESG) environment.

WORKPLACE HARASSMENT TRAINING

As part of our commitment to fostering a healthy, productive work environment free from intimidation and harassment, we require all employees to complete anti-harassment training. This training is an important resource that helps employees understand what harassment is and the appropriate ways to interact with each other, our shareholders, counterparties, vendors and any others with whom we conduct business.

REPORTING VIOLATIONS

All employees are strongly encouraged to report misconduct and potential infractions in accordance with the procedures outlined in our Code of Business Conduct and Ethics and Whistleblower policies.

CONFIDENTIALITY

ACM will not retaliate or tolerate retaliation by any director, officer or employee of ACM, directly or indirectly, against any person or group who, in good faith, makes a report or provides assistance to the Chief Compliance Officer, management or any other person or group, including governmental, regulatory or law enforcement agency, investigating the allegations.

EQUAL OPPORTUNITY AND NON-DISCRIMINATION

NON-DISCRIMINATION POLICY

ACM advocates fairness and equality of opportunity. ARMOUR makes employment decisions (e.g., hiring, promotions, job assignments, job training, promotions, benefits, terminations) without regard to a person's race, ethnicity, religion, sex, national origin, sexual orientation, gender identity, pregnancy or family status, age, disability, social class, veteran status, or any other status protected by the applicable federal, state or local laws (i.e., "Protected Status").

ANTI-HARASSMENT POLICY

ACM is committed to maintaining a work environment free of harassment which is based upon protected characteristics. ACM foster policies and/or practices to ensure that all employees work in an environment that is neither hostile nor discriminatory. Actions, words, jokes or comments based upon an individual's race, ethnicity, religion, sex, sexual orientation, gender identity, pregnancy or family status, national origin, age, veteran status, social class, physical or mental disability, or any other legally protected characteristic will not be tolerated. ACM further believes in and supports all federal, state, and local guidelines regarding harassment and discrimination.

EQUAL PAY

Our policy is "equal pay for equal work" in compliance with applicable state law. Compensation for our employees is based upon experience, seniority, educational-attainment, individual contribution, and company performance against goals. "Compensation" refers to basic salary, bonuses, long-term equity incentives and other contractual benefits.

INFORMATION SECURITY

CYBERSECURITY

ACM is committed to the protection of our computer systems, software, networks, and other assets and devotes significant resources to maintain a high level of security against cybersecurity threats. In order to address cybersecurity risks associated with our increasing reliance on technology, we have implemented a wide range of processes, procedures, and internal controls to help mitigate cybersecurity risks and cyber intrusions which are periodically reviewed by our IT Steering Committee.

RESPONSIBILITY

Making ACM a more cyber-secure environment is the responsibility of everyone with authorized access to our network. Training is a key component of our information security program. Throughout the year, all authorized users of our network are required to complete various online information security training modules to help them detect data security threats and malicious activity. Each module engages the user and drives knowledge retention through embedded assessment activities. In 2020, all of ACM's employees completed assigned training modules focused on topics such as Security Essentials, Personally Identifiable Information Fundamentals, Phishing and Email Security, Insider Threat Overview and Mobile Application Security.

In addition, our information security team regularly highlights threat trends and shares data protection best practices. Through targeted messaging and timely articles, our information security team disseminates security awareness content and continuously reminds our workforce to remain diligent in protecting our data and systems.

We maintain policies to set expectations and have implemented procedures for monitoring, reporting, mitigating and escalating information security risk. We require users of our internal information technology resources to proactively report cybersecurity incidents. We also have a robust incident response plan to handle suspected loss of, or unauthorized access to, information.

ASSESSMENT AND OVERSIGHT

We regularly evaluate the effectiveness of our information security program. This assessment, which includes social engineering, vulnerability scanning and penetration testing, is conducted by our information security team and third-party industry experts. The program is further subject to internal audit, with results reported to our Board.