

Legg Mason, Inc. 2008 Sustainability Report

Based on the Global Reporting Initiative
(GRI) Guidelines





To all Legg Mason Stakeholders and Interested Parties,

I am pleased to present Legg Mason's first corporate sustainability report, which follows the well-established Global Reporting Initiative (GRI) Guidelines.

Sustainability is critical to the success of any organization, and in today's global economy, it is nothing less than a requirement to stay competitive, to satisfy the needs of shareholders, investors and business partners and to remain an employer of choice.

At Legg Mason, we strive to be a "best in class" global asset manager with superior investment performance over the long term, world-class distribution, and excellent service management. We also believe that "best in class" means being a responsible corporate citizen with a strong commitment to sustainability and transparency across environmental, social and governance (ESG) indicators. And across our investment firms, we continue to provide investment solutions that integrate ESG concerns into the portfolio construction process for both individual and institutional investors.

2008 was a significant year for Legg Mason and our sustainability commitment. We became a signatory to, and member of, the Carbon Disclosure Project (CDP), a collaboration of leading global companies that is working together to create more corporate disclosure around environmental practices by gathering data from over 1500 global corporations worldwide. We completed the CDP annual survey for the first time and were pleased to be ranked among the top ten participating financial services firms in the 2008 S&P 500 Carbon Disclosure Leadership Index. Legg Mason received a survey score of 89, compared to the average for the financial services sector of 59.6, in the reporting of carbon emission risks and opportunities, emissions accounting, plans to reduce emissions and governance.

Additionally, our Sustainability Task Force has made great progress over the past year in identifying ways to operate our business in a more sustainable way, to inform both management and employees of the company's efforts and progress, and to solicit input from across the enterprise. The grass-roots engagement of our global work force is a primary reason why we have been able to generate so many volunteer efforts that support sustainability initiatives and to work effectively with clients and partners on a broad set of issues and opportunities.

As a global firm, it is vital that we support the many communities in which we live and work. Despite difficult macro-economic conditions, we look forward to building on our sustainability efforts in the year ahead and stand firm in our commitment to best practices in corporate citizenship. Thank you for your support and for your interest in Legg Mason.

Sincerely,

A handwritten signature in black ink that reads "Mark R. Fetting". The signature is fluid and cursive, with a small flourish at the end.

Mark R. Fetting
Chairman and Chief Executive Officer
Legg Mason, Inc.



PROFILE

1. STRATEGY AND ANALYSIS

1.2 Description of key risks and opportunities

Legg Mason has identified several types of risks and opportunities relative to climate change. These include:

Key Risks

Regulatory Risks

Possible regulatory risks might involve the monetization of carbon through future governmental regulations that limit emissions. Monetization of carbon might increase the costs of doing business materially for certain industries, potentially affecting both the value of companies held in the investment portfolios of Legg Mason subsidiaries and the value of the portfolios themselves. An example of this would be if an industrial company, whose stock is held by a mutual fund managed by a Legg Mason subsidiary, were to incur increased expenses in markets where it operates; these regulatory actions might change the cost structure of the company and have an impact on its share price, which would, in turn, affect the value of the holdings of that company within a Legg Mason fund. On a potentially broader scale, more general regulatory requirements on emissions might have a more across-the-market impact on companies that Legg Mason subsidiaries invest in, and on Legg Mason itself.

Physical Risks

With increased global warming, higher expenses for energy, possible impact on health and safety and the need for greater limits on emissions, Legg Mason is exposed to risks associated with ongoing deterioration of the environment, and to risks posed by extreme weather events or catastrophic failures of infrastructure that might suddenly disrupt operations.

General Risks

Legg Mason might be subject to several additional types of risk related to climate change, beyond regulatory and physical risks, including:

Reputational Risk

As a global company, it is essential that Legg Mason act as a responsible corporate citizen and take into account the wants and needs of multiple constituents, including shareholders, clients, business partners and employees. Legg Mason would run unacceptable risks of reputational damage if the Company were to ignore the real impacts of climate change and the importance of sustainability to our many constituents.

Reputational damage to Legg Mason could impact the perspectives and, ultimately, the choice and preference of clients and shareholders. Many well-known companies have suffered from adverse public opinion by neglecting to engage with stakeholders who raise legitimate concerns, and so we are pledged to solicit feedback from critics, as well as supporters, and to maintain dialogue on major issues that affect business. Finally, it is now widely recognized that employees want to work for a company that is viewed favorably and has a good reputation, and so we view our corporate citizenship efforts as a key part of building our human capital and continuing to attract the best talent in the investment business.

Business/Competitive Risk

In today's business environment, sustainability has become a requirement to remain competitive, to satisfy the needs of shareholders, clients and business partners and to remain an employer of choice. Accordingly, to avoid business/competitive risk, it is important that Legg Mason participate in the climate change dialogue and join all engaged parties in a sincere effort to balance the need for environmental and economic sustainability.

Additionally, to be regarded as a "best in class" financial services firm and to maintain and grow the loyalty and goodwill of our clients, Legg Mason must continue to anticipate marketplace demand by offering clients solutions that combine superior investment performance with socially responsible components. We view this very much as a



collaboration between our portfolio managers and client service teams and our clients, because of the many variables that go into sustainable investment and the rapid evolution of this class of investment solutions.

Simply put, if Legg Mason does not meet marketplace demand, clients will go elsewhere, and we will have lost an opportunity to integrate the needs of business and society.

Operational Risk

Legg Mason might incur risk with regard to the following operational items:

Energy and Material Use: Rising energy costs might present a risk to Legg Mason in several ways, including: 1) increased energy costs might have an adverse impact on the company's bottom line; 2) these higher costs might also affect companies which Legg Mason subsidiaries invest in as part of their portfolio holdings.

Transportation: Increased energy costs due to climate change might impact our business travel expenses, and hence, our bottom line, as well as possibly affect the ability of our employees to manage expenses associated with their commute to work.

Talent: It is critical that companies embrace climate change for talent retention and acquisition reasons. Top talent wants to work for firms committed to climate change and energy initiatives and current employees are asking for that now. Legg Mason knows that sustainability is critically important to many of our employees around the world.

Opportunities

Regulatory Opportunities

There may be new investment opportunities for our investment subsidiaries relative to companies that will prosper as a result of the increased regulation. Moreover, as regulations might increase energy costs, Legg Mason would have an opportunity to further assess and modify its operations for increased energy efficiencies, and possibly gain cost efficiencies in the process.

Physical Opportunities

Legg Mason is currently designing its new headquarters interior space and will apply for LEED certification with Silver status. The base building is pre-certified LEED with Silver status. Additionally, we have incorporated many LEED elements into the build-out of all new office locations and are working towards a long-term lease commitment in sites where Legg Mason is leasing a significant amount of space.

General Opportunities

Climate change has been a catalyst for Legg Mason to deal proactively with shareholders, clients and business partners on sustainability issues, to gain some cost efficiencies in energy savings management and to enhance our employee culture through a "Go Green" employee information and involvement program. Moreover, the new public focus on the environment has generated additional interest in our socially responsible investment products. All of these initiatives can help the bottom line, increase our operating efficiency and can also spur innovation.



2. ORGANIZATIONAL PROFILE

Overview

Legg Mason, Inc., a global asset management firm, is structured as a holding company, with different investment subsidiaries which collectively comprise "Legg Mason." Acting through our subsidiaries, we provide investment management and related services to institutional and individual clients, company-sponsored mutual funds and to governments and other entities. We offer these products and services directly and through various financial intermediaries.

2.1 Name of the organization

Legg Mason, Inc.

2.2 Primary brands products and/or services

Legg Mason Principal Affiliates include:

- Batterymarch Financial Management
- Brandywine Global Investment Management
- ClearBridge Advisors
- Legg Mason Capital Management
- The Permal Group
- Private Capital Management
- Royce & Associates
- Western Asset Management

Other Affiliates:

- Bartlett & Co.
- Legg Mason Global Asset Allocation
- Legg Mason Investment Counsel & Trust Company
- Legg Mason Real Estate Investors
- Legg Mason Global Equities Group
- Congruix Investment Management
- Esemplia Emerging Markets
- Global Currents Investment Management
- Legg Mason Australian Equities
- Legg Mason Brasil
- Legg Mason Hong Kong
- Legg Mason Poland

2.3 Operational structure of the organization

We operate in one reportable business segment, Global Asset Management, which is comprised of three divisions: Managed Investments, Institutional, and Wealth Management. Managed Investments is primarily engaged in providing investment advisory services to proprietary investment funds or to retail separately managed account programs. Institutional focuses on providing asset management services to institutional clients. Wealth Management is primarily engaged in providing asset management services to high net worth individuals and families and endowments and includes our funds-of-hedge funds business.

Legg Mason is structured as a diversified portfolio of investment affiliates, each with different specialties, that operate with full investment autonomy but that collaborate in non-investment areas of the business such as technology, legal, compliance, human resources and marketing. All of the products and services of Legg Mason are developed by our subsidiaries and are sold through intermediaries, including banks, brokerage firms, insurance companies and other business partners.



2.4 Location of organization's headquarters

Global Headquarters
Legg Mason, Inc.
100 Light Street
Baltimore, Maryland 21202
USA

2.5 Number and name of countries where the organization operates

Legg Mason has full-service corporate operations in the United States of America and the United Kingdom and has offices in Australia, Bahamas, Brazil, Canada, Chile, China, Dubai, France, Germany, Italy, Japan, Luxembourg, Poland, Singapore, Spain, Hong Kong and Taiwan.

2.6 Nature of ownership and legal form

Legg Mason, Inc. is a holding company and is one of the largest publicly traded asset managers in the United States. Its common stock is traded on the New York Stock Exchange (symbol: LM).

Additional information is available in Legg Mason's 10-K report which can be found at www.leggmason.com.

2.7 Markets served

Legg Mason serves individual and institutional clients in over 190 countries and has on-the-ground investment operations around the world.

2.8 Scale of reporting organization

Legg Mason and its affiliates currently employ 4,224 employees globally.

Net revenues were \$4.3 billion, on a trailing twelve month (TTM) basis, as of September, 30, 2008.

Legg Mason assets under management (AUM) as of September 30, 2008 were \$842 billion. AUM by Asset Class was comprised of: 25% in Equity, 54% in Fixed Income, 21% in Liquidity. AUM by Division was: 53% in Institutional, 41% in Managed Investments, 6% in Wealth Management.

2.9 Significant changes during the reporting period regarding size, structure or ownership

There have been no significant changes in 2008.

2.10 Awards received in the reporting period

In *Pensions & Investments'* 2008 ranking of "The World's Largest Money Managers," Legg Mason is ranked as the fifth-largest institutional manager in the world, the ninth-largest manager of U.S.-client assets and the ninth-largest manager overall, based on our worldwide assets under management at the end of calendar year 2007.*

According to this same survey, Legg Mason is ranked as the sixth-largest manager of U.S. pension fund assets**. Within this critical market segment, Legg Mason is ranked the largest manager of active U.S. fixed income and the sixth-largest hedge fund manager in the world, a category that included fund-of-hedge-funds assets.



Among the individual recognitions our investment subsidiaries received during the year are the following:

- The Legg Mason Partners Managed Municipals Fund, subadvised by Western Asset, won the 2008 Lipper Fund Award for General Municipal Debt Funds, given to the highest Lipper Leader for Consistent Return value within its fund classification over the last three years, based on historical risk-adjusted returns adjusted for volatility.
- Five Royce portfolios were awarded the 2007 Lipper Performance Achievement Award—ranked as the number one performing fund in its Lipper Classification for various periods ended December 31, 2007.
- Brandywine Global was awarded the best three- and ten-year risk-adjusted performance in the category of global fixed income (unhedged) in *AsianInvestor's* 2008 Achievement Awards, the fifth consecutive year that Brandywine has won an award from the publication.***
- Western Asset was cited by *AsianInvestor* as the 2007 Best Global Fixed Income (hedged) Manager for three-year-risk adjusted performance, the second consecutive year that Western Asset has received this award.***
- Permal earned *Financial News'* Award for the Best Strategic Allocation Process among fund-of-hedge-fund managers.

In September 2008, Legg Mason was ranked among the top ten participating financial services firms in the 2008 S&P 500 Carbon Disclosure Leadership Index. Legg Mason received a survey score of 89, compared to the average for the financial services sector of 59.6 in the measurement of carbon emission risks and opportunities, emissions accounting, plans to reduce emissions and corporate governance. *For more information, please visit www.cdproject.net.*

**Pensions & Investments*, May 26, 2008. The survey ranked and profiled 775 managers of U.S. institutional tax-exempt assets, with rankings based on assets under management as of December 31, 2007. Pensions & Investments is a trademark of Crain Communications, Inc, which is not affiliated with Legg Mason.

**Measured by the assets managed internally on behalf of US institutional, tax-exempt clients.

****AsianInvestor* is owned by Haymarket Publishing, which is not affiliated with Legg Mason.



3. REPORT PARAMETERS

Report Profile

3.1 Reporting period for information provided

2008 (calendar year) for qualitative sections, except where noted. 2007 (calendar) is our base year for Greenhouse Gas (GHG) emissions data.

3.2 Date of most recent report

Not applicable (this is our first time filing a corporate sustainability report and completing the Global Reporting Index).

3.3 Reporting cycle

Annual

3.4 Contact point for questions regarding the report or its contents

Timothy F. Munoz
Senior Vice President, Head of Corporate Marketing and Communications
Legg Mason, Inc.
tfmunoz@leggmason.com
410.454.5240

Report Scope and Boundary

3.5 Process for defining report content

For transparency and disclosure purposes, Legg Mason has completed the core questions outlined in the GRI framework, though some sections have more relevance to Legg Mason than others. Given our industry and business model – we are a knowledge based business that does not own its own facilities and has no supply chain or significant plant or equipment – the Economic indicator seems to have the highest applicability to our business. Additionally, the Environmental and Social indicators are all important areas of consideration in our Corporate Citizenship efforts. Human Rights is important because we are a global company, though the nature of our business limits our involvement in this set of issues.

Key stakeholders include our shareholders, Board of Directors, employees, and clients (individual, institutional and governments). Additional stakeholders include regulators, non-governmental organizations, business partners, industry peers and the communities in which Legg Mason is located. Legg Mason expects our external constituents to use this report to reference and continually learn more about the Company's ongoing Corporate Citizenship initiatives. Likewise, Legg Mason is pleased that our internal stakeholders can view our comprehensive environmental, social and governance programs.

Legg Mason stakeholders include:

- Board of Directors
- Business Partners
- Clients
- Communities
- Employees
- Industry Peers
- Non-governmental Organizations



Through the assistance of a third party consultant, Legg Mason identified Carbon Disclosure Project compliant metrics for our base calendar year 2007.

Stakeholders are further defined in Sections 4.14 - 4.17.

3.6 Boundary of the report

Legg Mason has included all leased Legg Mason facilities both in the U.S. and internationally. Legg Mason has not included data on its subsidiaries because the subsidiaries operate with a high degree of autonomy and the parent company does not have operational control over their day-to-day business operations. The parent company seeks to provide guidance to its subsidiaries and to provide support to them as needed. Legg Mason has also included business travel emissions for flights and reimbursed mileage for Legg Mason employees.

3.7 State any specific limitations on the scope of the report

Legg Mason has calculated emissions for 2007 as part of our initial inventory effort and has chosen 2007 as our base year at this time. The base year inventory will be used internally for benchmarking purposes. 2007 serves as our base year primarily due to recent changes in business structure that required multiple changes in facility locations. In many cases, data were no longer available for sites prior to 2007.

3.8 Basis for reporting

Please see 3.7.

3.9 Data measurement techniques and the bases of calculations

Legg Mason has used the Greenhouse Gas Protocol (GHG Protocol), a Corporate Accounting and Reporting Standard (Revised Edition) developed by World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), to calculate the majority of our emissions. Legg Mason has employed recently updated air travel emissions factors as published by EPA Climate Leaders GHG Inventory Protocol Option Module Guidance, Optional Emissions from Employee Commuting, Business Travel and Product Transport (February 2008).

3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such restatement

Not applicable (this is our first time filing a corporate sustainability report and completing the Global Reporting Index).

3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report

Not applicable (this is our first time filing a corporate sustainability report and completing the Global Reporting Index).



GRI Content Index

3.12 Standard disclosures in the report

Strategy and Analysis

Organizational Profile

Report Parameters

Governance, Commitments, and Engagement

Disclosure of Management Approach, per category

Core Performance Indicators

GRI Financial Services Sector Supplement Indicator

GRI Application Level Criteria

Appendix

Assurance

3.13 Policy and current practice with regard to seeking external assurance for the report

Legg Mason did not seek external assurance for this report. The report was compiled and reviewed by the relevant functional areas within the Company.



4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT

Governance

4.1 Governance structure of the organization including committees under the highest governance body responsible for specific tasks such as setting strategy or oversight for the organization

The Legg Mason Board of Directors is the highest governance body and is responsible for oversight of the Company, including all matters on economic, social and environmental performance.

The objective of the Board is to oversee and direct corporate management in building long-term value for the Company's stockholders. The Board recognizes that in order to achieve this goal, it must be sensitive to the interests of the Company's clients, employees, suppliers and the communities in which the Company operates and to manage prudently within the Company's diversified operating structure.

Board of Directors:

Harold L. Adams
Chairman Emeritus,
RTKL Associates, Inc.

Robert E. Angelica
Private Investor;
Former Chairman and CEO,
AT&T Investment Management Corporation

Dennis R. Beresford
Professor, University of Georgia
Former Chairman of Financial Accounting,
Standards Board (Chairman of Audit Committee)

Mark R. Fetting
Chairman, President & Chief Executive Officer,
Legg Mason, Inc.

John E. Koerner III
Managing Member,
Koerner Capital, LLC

Cheryl Gordon Krongard
Private Investor;
Former CEO,
Rothschild Asset Management

Scott C. Nuttall
Member,
Kohlberg Kravis Roberts & Co.



W. Allen Reed
Private Investor;
Retired CEO,
GM Asset Management Corporation
(Lead Independent Director and Chairman
of Nominating and Corporate Governance Committee)

Margaret Milner Richardson
Private Consultant and Investor;
Former U.S. Commissioner of Internal Revenue

Roger W. Schipke
Former Visiting Professor,
University of Kentucky
Gatton School of Business & Economics
(Chairman of Compensation Committee)

Kurt L. Schmoke
Dean, School of Law at Howard University,
Former Mayor of Baltimore

Nicholas J. St. George
Private Investor

James E. Ukrop
Chairman,
Ukrop's Super Markets, Inc.

The Board is comprised of the following committees:

Audit Committee:

Dennis R. Beresford, Chairman
Robert E. Angelica
Margaret Milner Richardson

Compensation Committee:

Roger W. Schipke, Chairman
John E. Koerner, III
Cheryl Gordon Krongard
Scott C. Nuttall
Kurt L. Schmoke

Nominating and Corporate Governance Committee:

W. Allen Reed, Chairman
Nicholas J. St. George
James E. Ukrop
Harold L. Adams

Executive Officers:

Mark R. Fetting
Chairman, President & Chief Executive Officer

Peter L. Bain
Senior Executive Vice President

Charles J. Daley, Jr.
Senior Vice President, Chief Financial Officer and Treasurer



Ronald R. Dewhurst
Senior Managing Director

David R. Odenath
Senior Executive Vice President

Joseph A. Sullivan
Senior Executive Vice President

4.2 Indicate if the Chair of the highest governance body is also an executive officer and if so their function within the organization's management and the reasons for this arrangement

The Chairman of the Board is Mark R. Fetting. Mr. Fetting is also President & Chief Executive Officer of Legg Mason, Inc.

4.3 For organizations that have a unitary board structure state the number of members of the highest governance body that are independent and/or non-executive directors

Legg Mason has a unitary board structure. All of its members are independent directors with the exception of Mark R. Fetting, Chairman, President & Chief Executive Officer, Legg Mason, Inc.

The Board determines Director independence in accordance with the New York Stock Exchange definition of an "independent director." Accordingly, an independent director is a Director whom the Board has determined does not have any material relationship with the Company or its subsidiaries (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company or its subsidiaries). A Director is not independent if he or she fails any of the specific tests set forth in the New York Stock Exchange listing standards.

4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body

All interested parties who wish to communicate with our Board of Directors, the Lead Independent Director and our non-employee directors as a group may do so by addressing their written correspondence to the director or directors, c/o Corporate Secretary, Legg Mason, Inc., 100 Light Street, Baltimore, Maryland 21202, USA. Our Corporate Secretary will forward all correspondence received from stockholders or other interested parties to the director or director to whom it is addressed.

Additionally, the Audit Committee has developed procedures for receiving and handling complaints or concerns about our financial statements, internal controls or other financial or accounting matters. Any such complaints or concerns should be sent by mail to the Chairman of the Audit Committee, c/o Legg Mason, Inc., 100 Light Street, Baltimore, Maryland 21202, USA.

Legg Mason also has a "Contact Us" area on our public website so that external parties can communicate with the Company as well as an internal mailbox for the CEO for employee use.

Legg Mason has a number of mechanisms in place to both collect and disseminate information from and to our employees. The most direct method is quarterly town hall meetings hosted by our CEO. During these meetings, employees are updated on firm-wide activities as well as encouraged to ask questions. These town halls take place in different domestic and international offices on a rotating basis. Occasional focus groups and surveys also serve as mechanisms for employees to provide recommendations or direction to our leadership.

Additionally, employees have ongoing access to our CEO through a formal and regular series of e-mail communications. Through standard organizational management channels, employees have access to our senior leadership, including the Executive Committee which is comprised of the highest level executives at Legg Mason. The Executive Committee relays critical items to our CEO who presents them to the Board. The Legg Mason organization



is relatively flat and non-hierarchical and employees are always encouraged to speak their minds.

We also have several working groups/councils at Legg Mason, two of which are the Legg Mason Diversity Council and the Sustainability Task Force. The executives, who are members of these groups are empowered to escalate ideas, recommendations and concerns to the Legg Mason Executive Committee.

The Legg Mason Diversity Council helps to foster a working environment that promotes respect and values acceptance of all regardless of race, gender, age, national origin, sexual orientation, religion, socio-economic status, education, job level, disability or marital status. The Council also helps to serve as a forum to share ideas and make recommendations to promote diversity within the firm.

The Sustainability Task Force, led by senior management, is a multi-disciplinary team that is dedicated to identifying initiatives to enhance the firm's sustainability programs.

4.5 Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organization's performance (including social and environmental performance)

The compensation programs for our executive officers, including those who are named in the compensation tables or our proxy statements, are designed to attract, motivate and retain the management talent Legg Mason needs to maintain and strengthen our position in the asset management business and to achieve our business objectives.

See Proxy Statement which is available on leggmason.com.

4.6 Processes of the highest governance body to ensure conflicts of interest are avoided

The Board of Directors of Legg Mason, Inc. has adopted Corporate Governance Principles to assist the Board and its committees in the performance of their duties and the exercise of their responsibilities.

See Corporate Governance Principles in Appendix (also available on leggmason.com)

Legg Mason has a Code of Conduct which applies to all officers, directors and employees. The company expects that its officers, directors and employees will follow the highest standards of honest conduct and business ethics in all aspects of their activities on behalf of Legg Mason.

See Code of Conduct in Appendix (also available on leggmason.com)

4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics

Our Director Nomination Process is as follows:

The Nominating and Corporate Governance Committee will consider all qualified candidates for seats on our Board of Directors identified by members of the Committee, by other members of the Board of Directors, by our management and by our stockholders.

The Board of Directors has set minimum qualification requirements for director nominees in our Corporate Governance Principles. Director nominees are required to possess a broad range of skills, expertise, industry or other knowledge and business or other experience that will be useful to the Company. The Nominating and Corporate Governance Committee will review each candidate's biographical information and determine whether the candidate meets these minimum qualification requirements. The Nominating and Corporate Governance Committee will typically retain, and pay fees to, a third party firm to conduct background investigations of candidates under consideration.



After the Nominating and Corporate Governance Committee has determined that a candidate meets the minimum qualification requirements, the Committee will determine whether to nominate the candidate to our Board of Directors. In making this determination, the Nominating and Corporate Governance Committee will consider a number of factors, including:

- The current size of the Board of Directors, and whether vacancies on the Board are anticipated;
- The candidate's judgment, character, expertise, skill, knowledge, experience and collegiality;
- The overall diversity perspectives, backgrounds and experiences of the current directors;
- Whether the candidate has special skills, expertise or a background that add to and complement the range of skills, expertise and background of the existing directors; and
- Whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director.

Application of these factors involves the exercise of judgment and cannot be measured in any mathematical or formulaic way.

Our Amended and Restated Bylaws provide written procedures by which stockholders may recommend nominees to our Board of Directors. The Nominating and Corporate Governance Committee will consider nominees recommended by stockholders under the same procedure used for considering nominees recommended by other directors or management. Stockholders who would like to propose a director candidate for election to our Board of Directors at an annual meeting of stockholders must send written notice to our Corporate Secretary between the 120th day and 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the mailing date of the prior year's proxy statement (i.e. between January 25, 2009 and February 24, 2009 for a recommendation in 2009). If Legg Mason advances or delays our annual meeting by more than 30 days from the first anniversary of the preceding year's annual meeting, notice must be delivered between the 150th day prior to the date of the annual meeting and 5:00 p.m., Eastern Time, on the later of the 120th day before the meeting or 10th day following the day on which Legg Mason publicly announces the date of the meeting. Notice from a stockholder nominating a director must include the following:

- The name, age, business address and residence address of the recommending stockholder;
- The class, series and number of all shares of stock of Legg Mason that the recommending stockholder beneficially owns;
- The date the shares were acquired and the investment intent behind the acquisition; and
- All other information about the candidate that is required to be disclosed in solicitations of proxies for election of directors in an election contest or is otherwise required pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended (including nominee's written consent to being named in the proxy as a nominee and to serve as a director if elected).

Legg Mason may require that a proposed director nominee furnish other information to enable the Nominating and Corporate Governance Committee to determine the nominee's eligibility to serve. The Nominating and Corporate Governance Committee will consider a nomination as it deems appropriate in its discretion. However, a nomination that does not comply with requirements discussed above may not be considered. Any nominations should be addressed to Corporate Secretary, Legg Mason, Inc., 100 Light Street, Baltimore, Maryland 21202, USA.

4.8 Internally developed mission and values statements, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation

Legg Mason has a Code of Conduct which applies to all officers, directors and employees. The company expects that its officers, directors and employees will follow the highest standards of honest conduct and business ethics in all aspects of their activities on behalf of Legg Mason.

See Code of Conduct in Appendix (also available on leggmason.com)

Additionally, Legg Mason has a metaphor for ethical behavior, “No Chalk.” This idea is one that the former Legg Mason Chairman and CEO, Raymond A. “Chip” Mason, instituted in the firm. The “No Chalk” premise is this: when players go out of bounds in outdoor sports, the chalk used to line the field leaves a telltale mark on the shoes. Legg Mason employees are expected to make ethical decisions on behalf of the Firm and in doing so, stay far enough from the sidelines i.e., from an area of potential risk, that they avoid getting any chalk on their shoes.

Legg Mason expects its employees to follow the highest standards of honest conduct and business ethics, applying both the knowledge of rules and regulations as well as common sense and personal integrity, in all aspects of business activities. Key areas of compliance include:

- Compliance with Laws and Regulations
- Conflicts of Interest
- Corporate Opportunities
- Gifts and Entertainment Related to Company Business
- Confidential Information
- Insider Trading
- Fair Dealing
- Safeguarding Assets and Property
- Accuracy of Books and Records
- Accurate Public Disclosure and Reporting
- Treatment of Others

Legg Mason is committed to diversity in its workforce and expects that all relationships among persons in the workplace will be professional and free of bias, harassment or violence.

Our fundamental beliefs are straightforward:

- Legg Mason must deal with our clients fairly and in good faith.
- Legg Mason must never put the firm’s interests ahead of those of our clients.
- Legg Mason must never compromise our personal ethics or integrity, or even give the appearance that Legg Mason may have done so.

4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including the identification and management of relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles

The Legg Mason Board of Directors adheres to the Corporate Governance principles and the Code of Conduct in overseeing the organization. Additionally, there are three board committees, each of which has a charter.

- Audit Committee
- Compensation Committee
- Nominating/Corporate Governance Committee

Committee charters are available on leggmason.com

See Corporate Governance Principles in Appendix (also available on leggmason.com)

See Code of Conduct in Appendix (also available on leggmason.com)

4.10 Processes for evaluating the performance of the highest governance body, particularly with respect to economic, environmental and social performance

The Board will annually review the functioning and performance of the Board and its committees (including assessing the size, composition and structure of the Board and its committees; the information Directors receive; and the Board’s



other processes and procedures). The Nominating Committee will coordinate such a review.

The Chairman and members of the Committee shall be appointed by and serve at the pleasure of the Board and may be removed at any time by majority vote of the Board members present at a meeting at which a quorum is present.

Commitments to External Initiatives

4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization

Risk Management is an important and ongoing strategic initiative at Legg Mason. Our Risk Management group focuses on the firm's operational risk management matters and our Strategic Initiatives area reviews Legg Mason's corporate risk management capabilities. Both groups are headed by corporate officers.

4.12 Externally developed, economic, environmental and social charters, sets of principles, or other initiatives to which the organization subscribes or which it endorses

Legg Mason is a signatory to, and member of, the Carbon Disclosure Group (CDP), a collaboration of leading global companies that is working together to create more corporate disclosure around environmental practices by gathering data from over 1500 companies worldwide. Legg Mason participated in CDP6 as a first-time respondent in 2008 and is compiling and evaluating greenhouse gas (GHG) emissions data for the first time. Legg Mason is currently reviewing this data and plans to set reduction targets in 2009.

Legg Mason also completed the Global Initiative Reporting Index for the first time in December 2008.

4.13 Significant memberships

Carbon Disclosure Group (CDP)
Financial Services Roundtable
Financial Industry Regulatory Authority, Inc. (FINRA)
Investor Advisors Association
Investment Company Institute (ICI)
National Association of Stock Plan Professionals
National Association of Business Groups on Health
New York Stock Exchange, Inc. (NYSE)
Profit Sharing Council of America
Society for Human Resource Management (SHRM)
Securities Industry and Financial Markets Association (SIMFA)

Stakeholder Engagement

4.14 List of stakeholder groups engaged by the organization

Key stakeholders include our shareholders, Board of Directors, employees, and clients (individual, institutional and governments). Additional stakeholders include regulators, non-governmental organizations, business partners, industry peers, and the communities in which Legg Mason conducts business.

4.15 Basis for identification and selection of stakeholders to engage

All Legg Mason stakeholders have a vested interest in the success of the Company and are highly relevant to our business, albeit in very different ways. As such, it is our responsibility to deliver on our "best in class" commitment



and conduct business with the highest standards of ethics and integrity. Moreover, it is our responsibility to keep our stakeholders well informed.

4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group

Shareholders: Legg Mason holds an annual meeting of stockholders.

All interested parties who wish to communicate with our Board of Directors, the Lead Independent Director and our non-employee directors as a group may do so by addressing their written correspondence to the director or directors, c/o Corporate Secretary, Legg Mason, Inc., 100 Light Street, Baltimore, Maryland 21202, USA. Our Corporate Secretary will forward all correspondence received from stockholders or other interested parties to the director or director to whom it is addressed.

The Audit Committee has developed procedures for receiving and handling complaints or concerns about our financial statements, internal controls or other financial or accounting matters. Any such complaints or concerns should be sent by mail to the Chairman of the Audit Committee, c/o Legg Mason, Inc., 100 Light Street, Baltimore, Maryland 21202, USA.

Board of Directors: Members of Management will be generally available to assist the Board, or to report or discuss matters with the Board, upon the Board's request. In addition, individual Directors may seek out and confer with members of Management about any company matter. The Lead Independent Director, the CEO and Company Secretary will generally act as liaisons between Management and the Board. *For additional information, please see Legg Mason, Inc. Corporate Governance Principles in the attached appendix or on leggmason.com.*

Employees: Our CEO engages in quarterly town halls with employees. Legg Mason also keeps our employees informed via leadership e-mails, through our company intranet, and via occasional focus groups and surveys. Additionally, employees have ongoing access to our CEO through our "Ask Mark" e-mail address. Through standard organizational management channels, employees have access to our senior leadership.

Clients: Legg Mason continually engages with our clients through in-person meetings and calls as well as written correspondence. Excellent client service is one of our key tenets and strategic initiatives.

Regulators: As part of our business, Legg Mason maintains ongoing dialogue and engagement with our regulators.

Non-governmental Organizations: Legg Mason works with numerous non-governmental organizations on an ongoing basis, particularly in regard to environmental, social and governance issues.

Business Partners: Legg Mason has strong working relationships with our many business partners and engages in ongoing dialogue on matters of direct commerce, industry issues and larger trends in business and society. Especially in the institutional segment of our business, where Legg Mason counts as clients many of the largest and most sophisticated investors in the world, the nature of the asset manager-client relationship requires a high degree of dialogue, collaboration and forward-looking actions.

Industry Peers: Legg Mason employees continually network and exchange best practices with industry peers, including other asset managers, distribution partners and industry associations.

Communities: Through our philanthropic and community/volunteerism efforts, we embrace the communities in which Legg Mason employees live and work. We want the areas in which our offices are located and employees live to thrive.



4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.

We have active and extensive engagement with our stakeholders and address concerns as they arise.

Shareholders: Shareholder concerns are addressed by the Board and by Management in accordance with our Corporate Governance Procedures. Proposals may be submitted pursuant to the Company's bylaws. *Please see Appendix.*

Board of Directors: The Board addresses concerns in accordance with our Corporate Governance principles. *For more information, please reference the attached Appendix or leggmason.com.*

Employees: Concerns are addressed via standard management channels, through quarterly town halls with the CEO and via our internal "Ask Mark" CEO mailbox. Additionally, through our "Volunteerism" and "Go Green" internal mailboxes, we have received many suggestions from employees. In response, we have created more volunteer opportunities and more internal communication around our community outreach initiatives.

Clients: Concerns are addressed via our client service and portfolio management teams. Excellence in client service is one of our key objectives and we measure our progress on a comparative basis, in partnership with major industry partners, and make continuous improvements.

Regulators: Our Legal and Compliance group addresses all regulatory items on behalf of the firm.

Non-governmental Organizations: We work with multiple non-governmental organizations (NGOs) such as Ceres and the Carbon Disclosure Project who consult on appropriate disclosure; they have been a great resource to us as we shape our sustainability efforts, especially in our first year of reporting. We are also affiliated with the Interfaith Center on Corporate Responsibility through our subsidiaries.

Business Partners: Concerns are addressed via the most relevant and appropriate business group.

Industry Peers: We work with our peers through various trade organizations on many issues common to the financial services industry including the Investment Company Institute (ICI), the Financial Roundtable and others. Collective concerns are brought to the attention of industry leaders and/or regulators, if applicable.

Communities: We are involved in the communities in which we live and work and have an ongoing dialogue with area constituents. Our local team of associates and Legg Mason corporate groups such as Corporate Citizenship, Corporate Real Estate, and Communications handle our many interactions with the community.



5. MANAGEMENT APPROACH AND PERFORMANCE INDICATORS

PRODUCT AND SERVICE IMPACT

Legg Mason is a global asset management firm that through its domestic and international subsidiaries, serves institutional, individual and high-net worth investors around the world. Legg Mason is structured as a diversified portfolio of investment firms, each with different specialties, that operate with full investment autonomy but that collaborate on non-investment areas of the business such as technology, legal, compliance and marketing. All of the products and services of Legg Mason are developed by our subsidiaries and are sold through intermediaries, including banks, brokerage firms, insurance companies, and other business partners.

Product decisions in the areas of customer health and safety, product service and labeling, marketing communications, customer privacy and compliance are all made at the subsidiary level, with corporate oversight in some cases.

Product responsibility is handled at the subsidiary level, with corporate oversight in some cases. At the corporate level, product oversight is shared by the heads of Legal and Compliance and Marketing and Communications, and ultimately by our Executive Management Committee.

All Legg Mason employees are collectively in pursuit of excellence in investment performance, excellence in distribution and excellence in service management as they relate to Legg Mason products and services.

The Legg Mason Board of Directors has an Audit Committee and the company has an Internal Audit Department. Both entities work to ensure that Legg Mason employs excellent governance practices in its daily business operations.

Through our investment subsidiaries, we manage socially responsible mutual funds which fund boards oversee. All fund board directors are charged with the responsibility of putting shareholders first.

Financial Services Sector Specific Disclosure on Management Approach

Aspect: Product Portfolio

FS1 Policies with specific environmental and social components applied to business lines

Legg Mason is structured as a diversified portfolio of investment firms, each with different specialties, that operate with full investment autonomy but that collaborate on the non-investment areas of the business such as technology, legal, compliance and marketing. All of the products and services of Legg Mason are developed by our subsidiaries and are sold through intermediaries, including banks, brokerage firms, insurance companies and other business partners.

Through many of our managers, including Western Asset Management, ClearBridge Advisors, Brandywine Global Investment Management, Legg Mason Investment Counsel and others, we have a long history of providing investment solutions that integrate environmental, social and governance concerns into the portfolio construction process for both institutional and individual investors.

Specific policies with regard to specific environmental and/or social components are created and/or managed at the subsidiary level.



FS2 Procedures for assessing and screening environmental and social risks in business lines

Legg Mason is structured as a diversified portfolio of investment firms, each with different specialties, that operate with full investment autonomy but that collaborate on the non-investment areas of the business such as technology, legal, compliance and marketing. All of the products and services of Legg Mason are developed by our subsidiaries and are sold through intermediaries, including banks, brokerage firms, insurance companies and other business partners.

Procedures for assessing and screening environmental and social risks in business lines are created and/or managed at the subsidiary level.

FS3 Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions

Legg Mason is structured as a diversified portfolio of investment firms, each with different specialties, that operate with full investment autonomy but that collaborate on the non-investment areas of the business such as technology, legal, compliance and marketing. All of the products and services of Legg Mason are developed by our subsidiaries and are sold through intermediaries, including banks, brokerage firms, insurance companies and other business partners.

Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions are created and/or managed at the subsidiary level.

FS4 Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines

Legg Mason is structured as a diversified portfolio of investment firms, each with different specialties, that operate with full investment autonomy but that collaborate on the non-investment areas of the business such as technology, legal, compliance and marketing. All of the products and services of Legg Mason are developed by our subsidiaries and are sold through intermediaries, including banks, brokerage firms, insurance companies and other business partners.

Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines are created and/or managed at the subsidiary level.

FS5 Interactions with clients/investees/business partners regarding environmental and social risks and opportunities

At the corporate level, Legg Mason has engaged with many of its constituents regarding environmental and social risks and opportunities. We are a signatory to, and member of the Carbon Disclosure Project. Our investment subsidiaries work directly with leading firms committed to sustainable investing including Boston Common, Calvert, Domini and others. As a corporation, we seek ongoing counsel from Ceres, a major force in the sustainability community, as well as with peer financial firms.

Aspect: Product Portfolio

FS6 Percentage of the portfolio for business lines by specific region, size and by sector

Legg Mason assets under management (AUM) as of September 30, 2008 were \$842 billion. AUM by Asset Class was comprised of: 25% in Equity, 54% in Fixed Income, 21% in Liquidity. AUM by Division was: 53% in Institutional, 41% in Managed Investments, 6% in Wealth Management.



FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose

The value of the total Legg Mason portfolio of sustainable investing products and services, across all our subsidiaries, is difficult to quantify, because of the customized nature of such offerings and the variability of their value (all Legg Mason subsidiaries are “active” investment managers, i.e., they adjust their investment positions and portfolio holdings frequently following established investment strategies, to respond to market dynamics and to seek better return.) Because of the nature of the investment process, especially in the larger institutional segment, as well as the investment autonomy with which Legg Mason subsidiaries operate, total monetary value is not a metric that Legg Mason employs. We have established, however, a range of between 5-10% of total global assets under management that can reliably be defined as passing through some form of sustainability or ESG portfolio screen as a matter of investment strategy.

FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose

Please see FS7.

Aspect: Audit

FS9 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

The Internal Audit Department of Legg Mason, Inc. operates under a Department Charter, approved by the Audit Committee of the Board of Directors. The Internal Audit Department assists Management as well as the Audit Committee of the Board of Directors in the effective and efficient discharge of their responsibilities by providing independent assessments, analyses and recommendations of the adequacy of the Company’s financial, operational, and information technology controls and procedures, as well as the systems and processes designed to achieve compliance with laws, rules and regulations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

We also continually review and audit our many ESG initiatives as we gather information across the firm for reporting purposes. Through the collection of this data, we identify gaps and areas in need of improvement as well as share best practices and information amongst our internal business groups and subsidiaries, with leadership from the Sustainability Task Force.

Aspect: Active Ownership

FS10 Percentage and number of companies held in the institution’s portfolio with which the reporting organization has interacted on environmental or social issues

Legg Mason, Inc. does not typically invest corporate cash in securities. However, under special circumstances, and for a limited amount of time, the company may hold securities for operational/business purposes. Our subsidiary firms operate with investment autonomy.

FS11 Percentage of assets subject to positive and negative environmental or social screening

Legg Mason, Inc. does not typically invest corporate cash in securities. However, under special circumstances, and for a limited amount of time, the company may hold securities for operational/business purposes. Our subsidiary firms



operate with investment autonomy.

FS12 Voting policies applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting

Legg Mason, Inc. does not typically invest corporate cash in securities. However, under special circumstances, and for a limited amount of time, the company may hold securities for operational/business purposes. Our subsidiary firms operate with investment autonomy.



ECONOMIC

Legg Mason views the economic dimension of sustainability to be of key importance as the global financial system is an intricate and interrelated one with implications for all of our stakeholders. Superior investment performance over the long term is a constant goal and guides our daily work as a “best in class” global asset manager. We strongly believe in our business model as a pure-play diversified asset manager with a substantial worldwide presence and will continue to evolve and build upon our leading position in global asset management. Importantly, we believe that investment performance can be combined with sustainability objectives and that sound environmental, social and governance practices are indicators of long-term economic viability.

The extreme volatility of the financial markets of late has been a challenge for our industry and has affected investment performance for all asset managers across all asset classes. However, we reaffirm the long-term value of our industry as a source of capital appreciation and preservation, and we believe that a disciplined, diversified and global approach will guide long-term success across market cycles and over time.

Our fundamental goals include:

- To increase shareholder value
- To be, and to be recognized, as a “best in class” global asset management firm
- Superior investment performance over time
- World-class distribution
- Client driven service excellence
- Uncompromised ethics
- A “great place to work”

As stated in our 2008 Annual Report, we view our growth opportunities to be the following:

- Utilizing our global footprint to increase traction in our non-U.S. institutional separate account business;
- Continuing to penetrate third-party distributors, both within the United States and globally through our wholesaling efforts;
- Expanding our institutional funds presence into insurance and other sub-advisory channels;
- Supporting managers in product development initiatives, such as expansion in our cross-border fund products; and
- Enhancing our capabilities in the European equities space

At Legg Mason, environmental aspects are jointly managed by the senior executive who heads up the firm’s Corporate Citizenship efforts and the senior officer in charge of Legg Mason Corporate Real Estate. Together, they lead a multi-disciplinary officer-led Sustainability Council dedicated to firm-wide initiatives, and provide ongoing updates to Legg Mason’s CEO and Executive Management Committee. Additionally, the firm’s technology team is actively involved with the firm’s sustainability and energy initiatives.

Economic Performance Indicators

Aspect: Economic Performance

EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments

Please refer to the Company’s annual form 10-K included in the fiscal year 2008 Annual Report and available on www.leggmason.com.

Additionally, in Fiscal Year 2008, the Legg Mason Charitable Foundation disbursed approximately \$1.4 Million in charitable contributions spanning the following categories: Education, Health and Human Services, Community Development, Arts and Culture and Environment. We also support our communities through strong employee volunteerism via corporate programs such as “Days of Caring” (a series of Community Based volunteerism initiatives), “Earth Days” (a series of environmentally based volunteerism initiatives), “Holiday Outreach” (food drive



and volunteerism opportunities in November and December) and “International Volunteerism” (a program whereby employees can use a paid day off to volunteer in their own communities). Legg Mason employees logged over 2,000 hours of community service in the calendar year 2008.

EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change

Legg Mason has identified several types of risks and opportunities relative to climate change. These include:

Key Risks

Regulatory Risks

Possible regulatory risks might involve the monetization of carbon through future governmental regulations that limit emissions. Monetization of carbon might increase the costs of doing business materially for certain industries, potentially affecting both the value of companies held in the investment portfolios of Legg Mason subsidiaries and the value of the portfolios themselves. An example of this would be if an industrial company, whose stock is held by a mutual fund managed by a Legg Mason subsidiary, were to incur increased expenses in markets where it operates; these regulatory actions might change the cost structure of the company and have an impact on its share price, which would, in turn, affect the value of the holdings of that company within a Legg Mason fund. On a potentially broader scale, more general regulatory requirements on emissions might have a more across-the-market impact on companies that Legg Mason subsidiaries invest in, and on Legg Mason itself.

Physical Risks

With increased global warming, higher expenses for energy, possible impact on health and safety and the need for greater limits on emissions, Legg Mason is exposed to risks associated with ongoing deterioration of the environment, and to risks posed by extreme weather events or catastrophic failures of infrastructure that might suddenly disrupt operations.

General Risks

Legg Mason might be subject to several additional types of risk related to climate change, beyond regulatory and physical risks, including:

Reputational Risk

As a global company, it is essential that Legg Mason act as a responsible corporate citizen and take into account the wants and needs of multiple constituents, including shareholders, clients, business partners and employees. Legg Mason would run unacceptable risks of reputational damage if the Company were to ignore the real impacts of climate change and the importance of sustainability to our many constituents.

Reputational damage to Legg Mason could impact the perspectives and ultimately the choice and preference of clients and shareholders. Many well-known companies have suffered from adverse public opinion by neglecting to engage with stakeholders who raise legitimate concerns, and so we are pledged to solicit feedback from critics, as well as supporters, and to maintain dialogue on major issues that affect business. Finally, it is now widely recognized that employees want to work for a company that is viewed favorably and has a good reputation, and so we view our corporate citizenship efforts as a key part of building our human capital and continuing to attract the best talent in the investment business.

Business/Competitive Risk

In today's business environment, sustainability has become a requirement to remain competitive, to satisfy the needs of shareholders, clients and business partners and to remain an employer of choice. Accordingly, to avoid business/competitive risk, it is important that Legg Mason participate in the climate change dialogue and join all engaged parties in a sincere effort to balance the need for environmental and economic sustainability.

Additionally, to be regarded as a “best in class” financial services firm and to maintain and grow the loyalty and goodwill of our clients, Legg Mason must continue to anticipate marketplace demand by offering clients solutions that



combine superior investment performance with socially responsible components. We view this very much as a collaboration between our portfolio managers and client service teams and our clients, because of the many variables that go into sustainable investment and the rapid evolution of this class of investment solutions.

Simply put, if Legg Mason does not meet marketplace demand, clients will go elsewhere, and we will have lost an opportunity to integrate the needs of business and society.

Operational Risk

Legg Mason might incur risk with regard to the following operational items:

Energy and Material Use: Rising energy costs might present a risk to Legg Mason in several ways, including: 1) increased energy costs might have an adverse impact on the company's bottom line; 2) these higher costs might also affect companies which Legg Mason subsidiaries invest in as part of their portfolio holdings.

Transportation: Increased energy costs due to climate change might impact our business travel expenses, and hence, our bottom line, as well as possibly affect the ability of our employees to manage expenses associated with their commute to work.

Talent: It is critical that companies embrace climate change for talent retention and acquisition reasons. Top talent wants to work for firms committed to climate change and energy initiatives and current employees are asking for that now. Legg Mason knows that sustainability is critically important to many of our employees around the world.

Opportunities

Regulatory Opportunities

There may be new investment opportunities for our investment subsidiaries relative to companies that will prosper as a result of the increased regulation. Moreover, as regulations might increase energy costs, Legg Mason would have an opportunity to further assess and modify its operations for increased energy efficiencies, and possibly gain cost efficiencies in the process.

Physical Opportunities

Legg Mason is currently designing its new headquarters interior space and will apply for LEED certification with Silver status. The base building is pre-certified LEED with Silver status. Additionally, we have incorporated many LEED elements into the build-out of all new office locations and are working towards a long-term lease commitment in sites where Legg Mason is leasing a significant amount of space.

General Opportunities

Climate change has been a catalyst for Legg Mason to deal proactively with shareholders, clients and business partners on sustainability issues, to gain some cost efficiencies in energy savings management and to enhance our employee culture through a "Go Green" employee information and involvement program. Moreover, the new public focus on the environment has generated additional interest in our socially responsible investment products. All of these initiatives can help the bottom line, increase our operating efficiency and can also spur innovation.

EC3 Coverage of organization's defined benefit plan obligations

Legg Mason Asset Management (Japan) Co., Ltd. sponsors a Tax Qualified Pension Plan, which is converting to a Defined Benefit Pension Program in 2009.

EC4 Significant financial assistance received from government

Legg Mason has not received any financial assistance from government.



Aspect: Market Presence

EC6 Policy, practices and proportion of spending on locally based suppliers at significant locations of operation

Legg Mason is a knowledge based business with minimal physical assets and no physical distribution or supply chain.

EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation

Most of our positions are hired from local areas, with very few persons relocated into other areas.

Aspect: Indirect Economic Impacts

EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement

Legg Mason has a long history of supporting community affairs philanthropically through the Legg Mason Charitable Foundation. In Fiscal Year 2008, the Foundation disbursed approximately \$1.4 Million in charitable contributions. The firm's largest giving category has historically been Education, but we also support Health and Human Services, Community Development, Arts and Culture and the Environment. We also strive to enrich the communities in which Legg Mason employees live and work through volunteerism and community involvement. Our corporate outreach programs include "Days of Caring" (a series of Community Based volunteerism initiatives), "Earth Days" (a series of environmentally based volunteerism initiatives), "Holiday Outreach" (food drive and volunteerism opportunities in November and December) and "International Volunteerism" (a program whereby employees can use a paid day off to volunteer in their own communities). Legg Mason employees logged over 2,000 hours of community service in the calendar year 2008.



ENVIRONMENTAL

Our environmental commitment has been outlined in our response to the 2008 Carbon Disclosure Project (CDP) survey as well as via our 2008 sustainability report utilizing the GRI Guidelines.

Environmental aspects are jointly managed by the senior executive that heads up the firm's Corporate Citizenship efforts and the senior officer in charge of Legg Mason Corporate Real Estate. Together, they lead a multi-disciplinary officer-led Sustainability Task Force dedicated to firm-wide environmental and sustainability initiatives and they provide ongoing updates to Legg Mason's CEO and Executive Management Committee. Additionally, the firm's technology team is actively involved in the Sustainability Task Force and the firm's energy initiatives.

Our Sustainability Task Force consists of employees from various disciplines within the firm. The group works together to identify initiatives to enhance the firm's sustainability programs. The Task Force continues its goals to identify reduction measures the firm can take and is employing a multi-step approach. In 2008, the team identified initiatives that were measurable and realistic and in 2009 they will assess longer-term opportunities and set reduction targets. The Task Force will also review potential offsets relative to business travel.

We are a member of, and signatory to, the Carbon Disclosure Project (CDP), a collaboration of leading global companies that is working together to create more corporate disclosure around environmental practices by gathering data from over 1500 companies worldwide. We participated in CDP6 as a first-time respondent in 2008.

In Fall, 2008, CDP released its Global and S&P 500 reports based on responses to its annual survey, and ranked Legg Mason among the top ten participating financial services firms in the 2008 S&P 500 Carbon Disclosure Leadership Index. Legg Mason received a survey score of 89 compared to the average for the financial services sector at 59.6 in the reporting of carbon emission risks and opportunities, emissions accounting, plans to reduce emissions, and governance.

Legg Mason has introduced an internal "Go Green" website that provides employees with updates on the company's environmental programs. In addition, the website outlines environmental initiatives individuals can implement both at work and in their personal lives. Firm enhancements and general information are updated on a regular basis.

Much of our internal recycling is done in pantry and copy areas. Bins for various recycled processes are visible in these areas and are a constant environmental awareness reminder to employees.

Going forward, we are initiating an evaluation of Request for Proposals (RFPs) and contracts with vendors that would require they provide parameters on their sustainability initiatives, thus enabling us to track initiatives by our supply chains.

At our new headquarters in Baltimore, Maryland, USA, which is under construction, the base building is on target for LEED certification with Legg Mason (the lead tenant) on track for LEED certification on the interior fit-out.

In 2009, we will once again file a CDP response and sustainability report (based on GRI Guidelines). We remain dedicated to making continued progress in our sustainability efforts in the many communities in which we live and work. As a committed corporate citizen, we very much look forward to keeping our interested constituents apprised of our ongoing sustainability initiatives and developments.

Environmental Performance Indicators

Aspect: Materials

EN1 Materials used by weight or volume

Legg Mason is an investment services firm and does not manufacture, supply or transport materials, hence this item is not applicable.



EN2 Percentage of materials used that are recycled input materials

Legg Mason is an investment services firm and does not manufacture, supply or transport materials hence this item is not applicable.

Aspect: Energy

EN3 Direct energy consumption by primary energy source

Legg Mason's energy consumption totaled \$9,277,400 for 2007, representing .81% of our total operating costs. These energy costs were not incurred from renewable sources.

EN4 Indirect energy consumption by primary source

Business travel, the most significant source for other relevant indirect GHG emissions for our Company, resulted in 3,242 Mtons CO₂-e emissions in 2007. Part of our normal business operations requires travel to various sites, both in the U.S. and abroad. The vast majority of our flight and train travel is booked through a central travel agency that compiles data based on mileage and number of trips. While air data were readily available, we were unable to include train travel emissions in our base year data. Legg Mason will endeavor to include this emissions source in future inventory. Legg Mason has also tracked employee reimbursed mileage through our expense report system and has captured the total business miles traveled by employees in their own vehicles for 2007. Business travel and its corresponding emissions remains a strategic review item for our Sustainability Task Force.

EN5 Energy saved due to conservation and efficiency improvements

Please see EN6 and EN7. Additionally, as 2008 was our first year of reporting, we will provide more detailed metrics in future years.

EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.

In 2008, we identified initiatives that were realistic, and in 2009 we will assess longer-term opportunities as we set reduction targets. We will also review potential offsets relative to business travel.

EN7 Initiatives to reduce indirect energy consumption and reductions achieved.

In 2008, we identified initiatives that were realistic, and in 2009 we will assess longer-term opportunities as we set reduction targets. We will also review potential offsets relative to business travel.

Legg Mason is establishing a baseline in our office sites to identify current energy usage. As we work with landlords to adjust energy usage, we will be better able to track the improvements. In addition, our newly constructed office sites are fitted with T5 fluorescent lighting where available.

We have made significant improvements in recycling. Programs have been enhanced at several office sites, and have expanded to include recycling of glass and plastic bottles as well as cans.

One of our larger business groups is working with the Forest Stewardship Council (FSC), an independent organization that promotes environmentally responsible management of the world's forests.

Our Corporate Travel area is actively evaluating ways to reduce the firm's carbon footprint. We are expanding our hotel and vendor selection process to include a series of environmental questions, such as options for less frequent changing of hotel sheets during an extended stay. In addition, we will begin tracking employee travel miles so that we can better calculate the firm's carbon emissions.



Aspect: Water

EN8 Total water withdrawn by source

Legg Mason is an investment services firm and does not manufacture, supply or transport materials. Water withdrawal was not calculated in 2007, our base year. However, we plan to collect water data in 2009 and in future years.

EN9 Water sources significantly affected by withdrawal of water

Legg Mason is an investment services firm and does not manufacture, supply or transport materials. Water withdrawal was not calculated in 2007, our base year. However, we plan to collect water data in 2009 and in future years.

EN10 Percentage and total volume of water recycled and reused

Legg Mason is an investment services firm and does not manufacture, supply or transport materials. Water withdrawal was not calculated in 2007, our base year. However, we plan to collect water data in 2009 and in future years.

Aspect: Biodiversity

EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

Legg Mason leases all of its office space. One site in Owings Mills, MD, USA, is adjacent to a land trust. The site is approximately 7.5 acres.

EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

Legg Mason is an investment services firm and does not manufacture, supply or transport materials. Therefore, our firm does not have a significant impact on biodiverse activities, products and services. However, we support biodiverse related initiatives through our charitable foundation (see EN13 and EN14).

EN13 Habitats protected or restored

Legg Mason supports land preservation and conservation initiatives through its charitable giving programs. Some key environmental partners include the Chesapeake Bay Foundation, The Nature Conservancy, Parks and People and the National Aquarium in Baltimore.

EN14 Strategies, current actions, and future plans for managing impacts on biodiversity

Legg Mason is an investment services firm and does not manufacture or supply materials. Therefore, our firm does not have a significant impact on activities, products and services on bioscientist. However, we are sensitive to bioscientist and the environment and support these areas through our charitable foundation.

We engage in environmental initiatives by way of our philanthropic investments in the community. We have been a long-time supporter of the National Aquarium in Baltimore—an organization that works to promote the stewardship of aquatic habitats around the world and we are currently supporting their Chesapeake Bay Conservation Initiative through philanthropic funding and volunteerism.

We also partner with the Chesapeake Bay Foundation, an important national organization committed to the protection and restoration of the Chesapeake Bay.



The Nature Conservancy, an organization dedicated to the ecological protection of lands and waters is another Legg Mason environmental partner.

Legg Mason also supports Parks and People, a non-profit organization dedicated to creating and sustaining green spaces.

Via our internal Earth Day celebration, Legg Mason made grants to multiple employee chosen environmental organizations around the world including Rainforest Alliance, Species Alliance, Greenhouse Network, among others.

The environment remains an important category for our philanthropic funding and one that is of high interest to our employees world-wide.

EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction

To the best of our knowledge, this item is not applicable to operations in any of our business locations. However, our current headquarters building in Baltimore, Maryland, USA, is home to a mating pair of Peregrine Falcons. Because of successful urban nesting programs, Peregrine Falcons were removed from the Endangered Species list in 1999. Legg Mason employees and other building tenants take great interest in the falcons and the offspring they produce each Spring.

Aspect: Emissions, Effluents, and Waste

EN16 Total direct and indirect greenhouse gas emissions by weight

Direct GHG Emissions

a. Total global Scope 1 activity in metric tonnes CO2-e emitted.

2007: 2,283 Mtons CO2-e (onsite fuel, refrigerants, and mobile fuel)

b. Total Scope 1 activity in metric tonnes CO2-e emitted for Annex B countries.

United Kingdom	24
United States	2,243
Total	2,267

Not tracked in base year:

Australia
Canada
France
Germany
Italy
Japan
Luxembourg
Poland
Spain

Indirect GHG Emissions

c. Total global Scope 2 activity in metric tonnes CO2-e emitted.

2007: 16,220 Mtons CO2-e (from electricity and steam)



d. Total Scope 2 activity in metric tonnes CO₂-e emitted for Annex B countries.

Australia	518.7
Canada	24.6
France	3.1
Germany	16.8
Italy	6.3
Japan	224.9
Luxembourg	14.1
Poland	29.7
Spain	8.1
United Kingdom	811.9
United States	13,693.6
Total	15,351.8

EN17 Other relevant indirect greenhouse gas emissions by weight

Business travel, the most significant source for other relevant indirect GHG emissions for our Company, resulted in 3,242 Mtons CO₂-e emissions in 2007. Part of our normal business operations requires travel to various sites, both in the U.S. and abroad. The vast majority of our flight and train travel is booked through a central travel agency that compiles data based on mileage and number of trips. While air data were readily available, we were unable to include train travel emissions in our base data. Legg Mason will endeavor to include this emissions source in our 2008 inventory. Legg Mason has also tracked employee reimbursed mileage through our expense report system and has captured the total business miles traveled by employees in their own vehicles for 2007.

EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved

Legg Mason began collecting GHG emissions data in 2007. Legg Mason engaged a consultant to help us to establish CDP compliant metrics and to develop a plan to identify reduction strategies for the future. Our Sustainability Task Force continues its goals of identifying reduction measures the firm can take. Legg Mason is taking a multi-step approach: initially, in 2008, Legg Mason identified opportunities that were easily attainable; secondly, Legg Mason will assess longer-term opportunities as the Company sets additional targets; and lastly, we will look at potential offsets. Additionally, Legg Mason will explore both absolute and intensity based targets, and is using calendar year 2007 as our base year.

EN19 Emissions of ozone-depleting substances by weight

Legg Mason is an investment services firm and does not manufacture, supply or transport materials. We have not tracked the above item(s) to date, but may review in the future.

EN20 NO, SO and other significant air emissions by type and weight

Legg Mason is an investment services firm and does not manufacture, supply or transport materials. We have not tracked the above item(s) to date, but may review in the future.

EN21 Total water discharge by quality and destination

Legg Mason is an investment services firm and does not manufacture, supply or transport materials. Water discharge was not calculated in 2007, our base year. However, we plan to further review our water management practices in 2009.



EN22 Total amount of waste by type and disposal method

In 2007, our base year, Legg Mason tracked paper recycling at 384,000 pounds through one of our U.S. vendors. This paper was shredded and then used to make new paper materials.

EN23 Total number and volume of significant spills

Legg Mason is an investment services firm and does not manufacture, supply or transport materials. We have not experienced any significant spills to date.

EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Base Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally

Legg Mason is an investment services firm and does not manufacture, supply or transport materials, therefore this item is not applicable to our business.

EN25 Identity, size, protected status, and bioscientist value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff

Legg Mason is an investment services firm and does not manufacture, supply or transport materials. Additionally, we have not assessed water withdrawal and/or runoff to date. However, this is an item that we plan to review in the future.

Aspect: Products & Services

EN26 Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation

Legg Mason is a knowledge based business that provides financial products and services. As such, this item is largely not applicable. The one area that may be relevant is the area of business travel which is essential for client interaction. To mitigate this environmental impact we are looking into potential offsets. Business travel and its corresponding emissions remains a strategic review item for our Sustainability Task Force.

EN27 Percentage of products sold and their packaging materials that are reclaimed by that category.

Legg Mason is an investment services firm and does not manufacture, supply or transport materials. Hence, packaging concerns are not applicable.

Aspect: Compliance

EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

Legg Mason is an investment services firm and does not manufacture, supply or transport materials. The firm has not had to pay any fines nor has Legg Mason had any sanctions stating that the Company is not complying with environmental laws or regulations.

Aspect: Transport

EN29 Significant environmental impacts of transporting goods and materials used for organization's operations, and transporting members of the workforce



As a knowledge based business with no physical distribution or supply chain, our operations relative to transport have minimal impact on the environment with the exception of business travel which is necessary for client interaction.

Aspect: Overall

EN30 Total environmental protection expenditures and investments by type.

The Legg Mason Charitable Foundation supports multiple environmental initiatives in our global locations and disbursed a significant portion of its Fiscal Year 2008 contributions to environmental organizations. This funding area remains a priority and has been identified as a category of high interest by our employees firm-wide.

We have been a long-time supporter of the National Aquarium in Baltimore—an organization that works to promote the stewardship of aquatic habitats around the world and we are currently supporting their Chesapeake Bay Conservation Initiative through philanthropic funding and volunteerism.

We also partner with the Chesapeake Bay Foundation, an important national organization committed to the protection and restoration of the Chesapeake Bay.

The Nature Conservancy, an organization dedicated to the ecological protection of lands and waters, is another Legg Mason environmental partner.

The Company has recently undertaken a multi-year initiative to reclaim buildings and land that have fallen into disuse in Druid Hill Park in Baltimore, Maryland, one of the oldest and largest public parks in the United States. The land will be the site of a new state-of-the-art Environmental Education Center (EEC) that will host visiting scholars and serve as a community learning facility for schools and civic groups. The EEC is expected to be one of the most innovative centers of its kind in promoting environmental protection at the local and regional level.

Via our internal Earth Day celebration, Legg Mason made grants to multiple employee chosen environmental organizations around the world including Rainforest Alliance, Species Alliance, Greenhouse Network, among others.

Legg Mason is a member of, and signatory to the Carbon Disclosure Project (CDP), a collaboration of leading global companies that is working together to create more corporate disclosure around environmental practices by gathering data from over 1500 companies worldwide.



SOCIAL PERFORMANCE INDICATORS

Labor Practices and Decent Work

Legg Mason is an equal opportunity employer and fosters and supports a diverse workplace. We have an officer-led Diversity Council which promotes diversity initiatives around talent and community outreach.

Labor aspects are managed by our head of Human Resources and are supported by our Corporate Citizenship area.

We value training and education and have a team of associates dedicated to that function within our Human Resources area. Legg Mason employees receive an average of 16 hours of training per year.

We have an Employee Assistance Program to assist employees with a wide range of work/life balance items.

All employees, domestic and international, are provided a copy of the Legg Mason Ethics Policy annually. In addition, all U.S. based employees receive a New Employee Orientation which includes training on harassment in the workplace.

Legg Mason has a Code of Conduct that applies to all officers, directors and employees and we educate employees about anti-money laundering through internal communication channels.

We incorporate questions relative to environmental and social responsibility into our Requests for Proposals (RFPs). Additionally, in our ongoing dialogue with suppliers, we proactively ask if they have products and/or services that could enhance and/or further our corporate sustainability efforts.

Labor Practices and Decent Work Performance Indicators

Aspect: Employment

LA1 Total workforce by employment type, employment contract, and region

	Countries Included	Full-Time	Part-Time	Total
Asia	AUS, HKG, JPN, SGP, TWN	301	2	303
Latin America	BRA, CHL	88	0	88
North America/Canada	CAD, USA, Nassau	3452	35	3487
Europe	DEU, ITA, LUX, FRA, POL, ESP, GBR	332	8	340
Middle East	Dubai	6	0	6
		4179	45	4224

LA2 Total number and rate of employee turnover by age group, gender, and region

This information is not available in certain jurisdictions, so aggregate data is currently not collected.

LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations

Part-time employees working a minimum of 20 hours per week receive the same benefits as full-time employees with the exception of part-time employees in the U.S. who do not receive life insurance, short-term disability insurance or long-term disability insurance. No benefits are provided to temporary workers except in the UK where they receive pay in lieu of benefits.



Aspect: Labor/Management Relations

LA4 Percentage of employees covered by collective bargaining agreements

Legg Mason has no employees covered under collective bargaining agreements.

LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements

As Legg Mason has no employees covered under collective bargaining agreements, this item is not applicable to our business.

Aspect: Occupational Health and Safety

LA6 Percentage of total workforce represented in formal joint management—worker health and safety committees that help monitor and advise on occupational health and safety programs

Our Human Resources group manages all workforce health and safety issues. Legg Mason complies with all Occupational Safety and Health Administration (OSHA) regulations. The Company also has active OCC Health and Safety committees in the UK and Australia.

LA7 Rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities by region

The rate of injury and occupational disease is negligible and equates to less than 1% of the global population. There have never been any work-related fatalities.

LA8 Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases

The Business Continuity and Human Resources departments manage business disruptions and employee issues. Legg Mason encourages and facilitates ongoing wellness awareness through our benefits programs and “Lunch and Learn” series. Wellness topics include stress management, diabetes, depression, heart disease, among others. Education tools are also available through our health insurance programs. Additionally, Legg Mason has an Employee Assistance Program (EAP), whereby employees can seek assistance on various wellness-related matters.

LA9 Health and safety topics covered in formal agreements with trade unions

As Legg Mason has no employees covered under collective bargaining agreements, this item is not applicable to our business.

Aspect: Training and Education

LA10 Average hours of training per year per employee by employee category

Legg Mason employees receive an average of approximately 16 hours of training per year.



LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

Legg Mason provides ongoing, in-house learning opportunities for all of its employees ranging from soft skills to technical skills to management development. Soft skill training includes, but is not limited to, business writing, presentation skills and Myers Briggs Type Indicator. Technical skills training includes all programs in the Microsoft Office Suite, PeopleSoft Financials and other programs used within the firm. Management development includes such courses as "What Great Managers Do" and "Situational Leadership."

In addition to what is offered in-house, qualified external vendors are brought into Legg Mason facilities for industry training such as the "Asset Management 101-301" series.

When needed, external training opportunities are sought to provide employee growth in specialized areas.

Legg Mason also offers global internship programs. Legg Mason internships aim to provide real life work experience that includes collaborative teamwork, client interaction and independent problem solving. Legg Mason interns are valued members of our workforce and participate in an orientation program which involves team building, industry knowledge building, learning about our corporate culture and meeting members of the management team.

Legg Mason offers programs for entry-level employees to grow within the firm. Technology and Operations trainees participate in a 12-month training program which provides an opportunity to experience areas ranging from Application Services, Investment Management Services, Project Services and Operations. Entry-level Finance employees have the opportunity to participate in the Rotational Accountant Program (RAP) program over an 18-24 month time period. The program provides tools and training to learn new skills and enhance each employee's current capabilities. Once Finance trainees complete the training program, they rotate approximately every 3-4 months to areas including: Financial Reporting, Management Reporting, Treasury, Tax, Mutual Funds, Managed Accounts, Compensation, Expense Management, Financial Systems and International Operations.

In addition to the learning opportunities offered by Legg Mason, full-time and part-time employees are eligible for tuition reimbursement from accredited educational institutions in order to help prepare them for job enhancement and growth at Legg Mason.

In the event of company downsizing, Legg Mason provides career outplacement services.

LA12 Percentage of employees receiving regular performance and career development review

All Legg Mason employees receive regular performance and career development reviews.



Aspect: Diversity and Equal Opportunity

LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity

Legg Mason is an equal opportunity employer.

Legg Mason believes that diversity is the hallmark of a superior organization and provides an environment that promotes respect, integrity, teamwork, achievement and acceptance regardless of race, gender, age, national origin, sexual orientation, religion, socio-economic status, education, job level, parental status, disability or marital status. We foster, support and value a diverse workplace and promote a diverse culture through recruitment and retention programs, as well as through training and mentoring. At Legg Mason, we also encourage diversity in our client relationships, in our industry and in our communities.

Legg Mason has an officer-led Diversity Council which is comprised of over twenty of our employees around the world. This active Council works to further the development of all employees.

LA14 Ratio of basic salary of men to women by employee category

This information is not available.



HUMAN RIGHTS

Legg Mason was founded on the principles of ethics and honor over one hundred years ago and these values remain a core part of our culture today. We have the highest regard for others and, as policy; Legg Mason associates must treat the firm's employees, clients, and suppliers fairly and with respect. Additionally, we expect that our directors, officers and employees follow the highest standards of honest conduct and business ethics in all aspects of their activities on behalf of the Company. Moreover, as a global firm, we respect international standards such as the United Nations Universal Declaration of Human Rights and its Protocols.

We also have Diversity Council which promotes an inclusive workplace and celebrates different perspectives and backgrounds.

Human Rights issues are jointly managed by heads of the following areas: Human Resources, Corporate Citizenship, Corporate Real Estate and Legal and Compliance.

Relative to training and awareness, 100% of our employees, domestic and international, are provided a copy of the Legg Mason Ethics policy annually. All U.S. based employees receive a New Employee Orientation which includes training focused on Harassment in the Workplace. New employees are also introduced to the Legg Mason Code of Conduct as well as to policies relative to anti-money laundering and the acquisition and disposition of Legg Mason securities.

Legg Mason has an employee hotline whereby individuals can report violations of corporate policy and/or laws/regulations and we issue periodic communication and reminders regarding important legal and compliance matters.

Human Rights Performance Indicators

Aspect: Investment and Procurement Practices

HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening

As a knowledge based business, and a tenant in most of our worldwide office locations, Legg Mason does not currently conduct such screenings as part of our standard procurement practices. Relative to investment screening, Legg Mason, Inc. typically does not hold any securities and our affiliate firms have complete investment autonomy. However, Legg Mason was founded on the principles of ethics, integrity and honor and most values continue to guide our affiliate-wide enterprise today.

HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and action taken

Please see HR1.

HR3 Total hours of employee training policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

Legg Mason was founded on the principles of ethics, integrity and honor; most values remain at the core of our culture today. 100% of employees, domestic and international, are provided a copy of the Legg Mason Ethics policy annually. Further, all U.S. based employees receive a New Employee Orientation which includes training on Harassment in the Workplace. New employees are also introduced to the Legg Mason Code of Conduct as well as to policies relative to anti-money laundering and the acquisition and disposition of Legg Mason securities.



Aspect: Non-Discrimination

HR4 Total number of incidents of discrimination and actions taken

This information is not available.

Aspect: Freedom of Association and Collective Bargaining

HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

As Legg Mason has no employees covered under collective bargaining agreements, this item is not applicable to our business.

Aspect: Child Labor

HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor

As a knowledge based business that provides investment products and services, this item is not applicable to our business.

Aspect: Forced and Compulsory Labor

HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor

As a knowledge based business that provides investment products and services, this item is not applicable to our business.

Aspect: Security Practices

HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations

Legg Mason does not employ security personnel.

Aspect: Indigenous Rights

HR9 Total number of incidents of violations involving rights of indigenous people and actions taken

This item is not applicable to our business.



SOCIETY

As a global firm, with stakeholders and constituents around the world, Legg Mason is engaged in the life of many communities. We expect that our directors, officers and employees follow the highest standards of honest conduct and business ethics in all aspects of their activities on behalf of the Company. Excellence in ethics is a business priority at Legg Mason.

We have a formal Ethics Policy, a rigorous Code of Conduct, and we conduct training in anti-money laundering. The Legg Mason Board of Directors has an Audit Committee and the company has an Internal Audit Department. Both entities work to ensure that Legg Mason employs excellent governance practices in its daily business operations. Additionally, we respect and honor the legal and compliance framework which guides our industry.

Through the Legg Mason Charitable Foundation, we support the communities in which we live and work and apply time and talent to community needs. In Fiscal Year 2008, we disbursed approximately \$1.4 Million in the categories of Education, Health and Human Services, Community Development, Arts and Culture and Environment. We also survey our employees periodically to ensure that the firm's philanthropic categories reflect the interests and priorities of our global workforce.

Responsibility for Society Aspects is shared by the senior executives that head up our Human Resources, Corporate Citizenship, Legal and Compliance and Corporate Real Estate areas.

Society Performance Indicators

Aspect: Community

S01 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting

As a global organization, our operations and employees impact many communities around the world. We live and work in local communities, hire local talent, contribute to local economies, engage with local leaders and business partners, provide philanthropic support and apply time and talent to local initiatives through volunteerism.

FS13 Access points in low-populated or economically disadvantaged areas by type

This item is not applicable to our business.

FS14 Initiatives to improve access to financial services for disadvantaged people

Through our philanthropic initiatives and the Legg Mason Charitable Foundation, Legg Mason funds financial literacy programs for urban and at-risk youth.

Aspect: Corruption

S02 Percentage and total number of business units analyzed for risks related to corruption

The Internal Audit Department assists Management as well as the Audit Committee of the Board of Directors in the effective and efficient discharge of their responsibilities by providing independent assessments, analyses, and recommendations of the adequacy of the Company's financial, operational, and information technology controls and procedures, as well as the systems and processes designed to achieve compliance with laws, rules and regulations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.



S03 Percentage of employees trained in organization's anti-corruption policies and procedures

Legg Mason has a firm-wide Code of Conduct as well as an Ethics Policy which all of our employees are given annually of which they are requested to acknowledge receipt. Legg Mason also conducts training in anti-money laundering.

S04 Actions taken in response to incidents of corruption

Legg Mason investigates each incident and takes appropriate action up to, and including, any required reporting of incident(s) to a third party.

Aspect: Public Policy

S05 Public policy positions and participation in public policy development and lobbying

Legg Mason does not currently engage in public policy positions, development and/or lobbying.

The Company does not currently engage with policymakers regarding environmental and social issues, though we are very conversant with policy issues through our on-going discussions with institutional clients, governments, business partners and non-profit groups active in sustainability. Because of the number of products and solutions developed by our investment subsidiaries on behalf of clients seeking sustainable investment offerings, we are also very informed about policy dialogue and the impact of public and private sector collaboration.

S06 Total value of financial and in-kind contributions to political parties, politicians and related institutions by country

Per Legg Mason policy, all political contributions must be made through the firm's Political Action Committee (PAC). A minimal level of contributions were made in 2008.

Aspect: Anti-Competitive Behavior

S07 Total number of legal actions of anti-competitive behavior, anti-trust, and monopoly practices and their outcomes

None

Aspect: Compliance

S08 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Legg Mason, Inc. has not been fined in this capacity.



PRODUCT RESPONSIBILITY

Legg Mason is a global asset management firm that through its domestic and international subsidiaries, serves institutional, individual and high-net worth investors around the world. Legg Mason is structured as a diversified portfolio of investment firms, each with different specialties, that operate with full investment autonomy but that collaborate on non-investment areas of the business such as technology, legal, compliance and marketing. All of the products and services of Legg Mason are developed by our subsidiaries and are sold through intermediaries, including banks, brokerage firms, insurance companies, and other business partners.

Through many of our managers, including Western Asset Management, ClearBridge Advisors, Brandywine Global Investment Management, Legg Mason Investment Counsel, and others, we have a long history of providing investment solutions that integrate environmental, social and governance concerns into the portfolio construction process for both institutional and individual investors.

Via our investment subsidiaries, we manage socially responsible mutual funds which fund boards oversee. Several of our domestic fund boards are moving towards paperless operations, while one is entirely paperless and one is partially paperless. Our cross-border fund boards have implemented electronic board documentation and are considering paperless environments. Additionally, the majority of our fund board directors are independent. All fund board directors are charged with the responsibility of serving shareholder interests before all else.

Product decisions in the areas of customer health and safety, product service and labeling, marketing communications, customer privacy and compliance are all made at the subsidiary level, with corporate oversight in some cases.

Product responsibility is handled at the subsidiary level, with corporate oversight in some cases. At the corporate level, product oversight would be shared by the heads of Legal and Compliance and Corporate Marketing and Communications.

Product Responsibility Performance Indicators

FS15 Policies for the fair design and sale of financial products and services

Legg Mason is a member of the Financial Industry Regulatory Authority (FINRA) and the Company complies with its guidelines with respect to product and service labeling. Additionally, Legg Mason is a member of the Investment Company Institute (ICI) and supports its guidelines as well.

Aspect: Customer Health and Safety

PR1 Life cycle stages in which the health and safety impacts of products and services are assessed for improvement

As Legg Mason is a knowledge based business providing investment products and services, this item is not applicable.

PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes

All products and services are managed at the subsidiary level.



Aspect: Product and Service Labeling

PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

All products and services are managed at the subsidiary level.

PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes

All products and services are managed at the subsidiary level.

PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

All products and services are managed at the subsidiary level.

FS16 Initiatives to enhance financial literacy by type of beneficiary

Legg Mason is a member of FINRA as well as the Investment Company Institute (ICI). Both organizations continually work to enhance financial literacy and Legg Mason honors and supports its guidelines with respect to product and service labeling.

Aspect: Marketing Communications

PR6 Programmes for adherence to laws, standards and voluntary codes related to marketing communications including advertising, promotion and sponsorship

All products and services are managed at the subsidiary level.

PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes

All products and services are managed at the subsidiary level.

Aspect: Customer Privacy

PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

As Legg Mason, Inc. is a holding company, this item is not applicable to our business. However, some or all of our subsidiaries may have privacy policies and manage their own data security operations and any corresponding complaints.

Aspect: Compliance

PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

As Legg Mason, Inc. is a holding company, this item is not applicable to our business. All products and services are managed at the subsidiary level.



GRI APPLICATION LEVEL CRITERIA

Below is the Application Level Grid as defined by GRI. Legg Mason has prepared its 2008 Sustainability Report with reference to the 2002 GRI Guidelines. Further, we have "self-declared" at Level "B".

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	
	G3 Management Approach Disclosures	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor society, product responsibility.		Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	
		*Sector supplement in final version					



APPENDIX

LEGG MASON, INC. CORPORATE GOVERNANCE PRINCIPLES

I. INTRODUCTION

The Board of Directors (the “Board”) of Legg Mason, Inc. (the “Company”) has adopted these Corporate Governance Principles (the “Principles”) to assist the Board and its committees in the performance of their duties and the exercise of their responsibilities.

The Board believes that good corporate governance can be a competitive advantage for the Company. The Company’s executive management team (“Management”) drives performance, but good corporate governance helps bring the skills, experience and judgment of the Board to bear on Management, enhancing its opportunities to improve the Company’s performance and maximize stockholder value.

The Principles are guidelines that may be modified from time to time by the Board and will be reviewed by the Nominating & Corporate Governance Committee of the Board (the “Nominating Committee”) at least annually. They are not intended to be, nor are they, rigid rules that govern the Board’s activities. The Principles do not, and are not intended to, modify or constitute an interpretation of the Maryland General Corporation Law, the Company’s Articles of Incorporation or By-Laws or any federal, state, local or self-regulatory organization law or regulation.

II. OVERVIEW OF ROLES AND RESPONSIBILITIES

Board of Directors Objective

The objective of the Board is to oversee and direct Management in building long-term value for the Company’s stockholders (the “Stockholders”). The Board recognizes that in order to achieve this goal it must be sensitive to the interests of the Company’s clients, employees, suppliers, creditors and the communities in which the Company operates and to the atypical nature of the Company’s business model.

Board Responsibilities

The Board is elected by and accountable to the Stockholders and is responsible for the strategic direction and control of the Company. In carrying out its responsibilities, the Board will exercise sound, informed, and independent business judgment. To do so requires individual preparation by each Director and group deliberation by the Board. The Board’s responsibilities include both decision-making and oversight. Among other things, the Board’s decision-making responsibilities include: (a) review and approval of the Company’s mission and strategic direction, as developed by Management; (b) the selection and evaluation of the Company’s Chief Executive Officer (“CEO”); and (c) the approval of material acquisitions, investments or divestitures, strategic transactions, and any other significant transactions that are not in the ordinary course of the Company’s business or that affect the long-term capital structure of the Company. Among other things, the Board’s oversight responsibilities include monitoring: (i) the Company’s compliance with legal requirements and ethical standards; (ii) the performance of the Company (in relation to its mission, strategies, financial and non-financial objectives, and competitors); (iii) the Company’s success in developing leaders and ensuring a strong management team; (iv) the performance and effectiveness of the CEO; and (v) the integrity of the Company’s financial statements, reporting processes and internal controls. In addition, as appropriate, the Board should offer the CEO constructive advice and counsel. The Board, in its sole discretion and at the Company’s expense, may obtain advice and assistance from independent legal, financial, accounting and other advisors.

Expectations of Individual Directors

Among other things, the Board expects each Director to: (a) generally understand the Company’s business model, its businesses and the marketplaces in which they operate; (b) regularly attend meetings of the Board and of the Board committee(s) on which he or she serves; (c) review and understand the materials provided in advance of meetings and any other materials provided to the Board from time to time; (d) monitor and keep abreast of general economic and business news and trends, as well as general developments in the Company’s competitive environment and the Company’s performance with respect to that environment; (e) actively, objectively and constructively participate in meetings and the strategic decision-



making processes; (f) share his or her perspective, background, experience, knowledge and insights as they relate to the matters before the Board and its committees; and (g) be reasonably available when requested to advise the CEO and Management on specific issues not requiring the attention of the full Board but where an individual Director's insights might be helpful to the CEO or Management.

Board's Expectations of Management

Among other things, the Board expects Management to: (a) provide strong, informed and ethical leadership; (b) develop strategies to build businesses with strong, sustainable marketplace positions, provide timely and appropriate reporting of those strategies and business operations to the Board and build Stockholder value over the long term; (c) maintain effective control of operations and programs to ensure compliance with ethical standards, as well as with legal, regulatory and other requirements; (d) measure and report performance against peer enterprises; (e) provide sound succession planning and management development; (f) maintain a sound organizational structure; (g) inform the Board regularly of the status of key initiatives and material changes in the Company's performance or the environment in which it operates; (h) timely address and resolve issues discussed at Board and Board committee meetings; and (i) acting through the CEO, inform the Board of material developments on a timely basis, including notification between regularly scheduled Board meetings as appropriate.

Director Access to Management

Members of Management will be generally available to assist the Board, or to report or discuss matters with the Board, upon the Board's request. In addition, individual Directors may seek out and confer with members of Management about any Company matter. The Lead Independent Director, the CEO and the Company Secretary will generally act as liaisons between Management and the Board.

III. BOARD SELECTION AND COMPOSITION

Number of Directors

The Board should have a sufficient number of Directors to reflect a substantial diversity of perspectives, backgrounds, skills and experiences, but should not have so many Directors that the size of the Board hinders effective discussion or diminishes individual accountability. From time to time, the Board will evaluate its size in light of changes in the size and complexity of the Company's businesses and may change the number of Directors constituting the Board by resolution.

Percentage of Independent Directors

The Board believes that it is important that the Board is able to exercise independent judgment, and, thus, it is an important corporate governance principle that a substantial majority of the Directors be Independent Directors, as defined below. Therefore, Independent Directors should constitute at least 3/4 of the Board at any time. Of the members of Management, the Board believes that the CEO should be a Director, and that before it nominates, or re-nominates, any other member of Management to serve on the Board, the Nominating Committee should carefully consider the benefits of having the individual serve on the Board and the likely effect of that individual's participation on the Board's ability to exercise independent judgment.

Definition of Independent Director

The Board determines Director independence in accordance with the New York Stock Exchange definition of an "independent director." Accordingly, an independent director is a Director whom the Board has determined does not have any material relationship with the Company or its subsidiaries (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company or its subsidiaries) (an "Independent Director"). A Director is not independent if he or she fails any of the specific tests set forth in the New York Stock Exchange listing standards.

Nomination and Selection of Directors

The Board will be responsible for nominating individuals for election as Directors by Stockholders and for filling vacancies on the Board that may occur between annual meetings of Stockholders. The Nominating Committee will consider all qualified Board candidates identified by members of the Nominating Committee, by other members of the Board, by Management and by Stockholders. The Nominating Committee, in consultation with the Chairman of the Board, will be responsible for screening and recommending candidates to the entire Board. Directors are expected to possess a broad range of skills, expertise, industry or other knowledge and business or other experience useful to oversight of the Company. In addition to these expectations, the Nominating Committee and the Board, in nominating or voting on proposed new Directors or re-nominations of existing Directors, will consider qualities such as an individual's judgment, character, expertise, skill and knowledge, experience and collegiality. In connection with the selection of nominees for Director, due consideration will be given to the



Board's overall diversity of perspectives, backgrounds and experiences.

Board Leadership

The Company will have a Chairman of the Board who will (i) chair Board meetings, (ii) set the agenda for Board meetings in consultation with the Lead Independent Director (as defined below), and (iii) perform any other duties that are assigned by the Board. The Chairman of the Board and CEO may be the same person; however, the Board may separate these two positions if it deems it to be in the best interests of the Company and the Stockholders to do so. The Company will have a Lead Independent Director (the "Lead Independent Director") to chair meetings when the Independent Directors meet in executive session. The Lead Independent Director will also serve as a liaison between the Independent Directors and the CEO and will perform such other duties as are assigned to him or her by the Independent Directors. (See "The Role of the Lead Independent Director" attached as Exhibit A.) At any time when the Chairman is an Independent Director, the Chairman will also be the Lead Independent Director. If the Chairman is not an Independent Director, the Independent Directors will annually select a Lead Independent Director.

The Chairman of the Board will be elected annually by the Board. Prior to each annual election, the Nominating Committee will nominate a candidate for Chairman of the Board. In selecting a candidate to nominate, the Nominating Committee will consider a number of factors, including an individual's leadership, judgment, character, expertise, skill and knowledge, experience and collegiality. There are no limits on how long any individual may serve as Chairman of the Board.

Director Tenure

The Board is divided into three classes, with the term of one class expiring at each annual meeting of Stockholders. Directors thus generally serve for 3 year terms, although new Directors are assigned to classes in a manner that seeks to balance the classes and thus may serve a shorter initial term. Moreover, a Director who is elected by the Board to fill a vacancy on the Board must stand for election by Stockholders at the next annual meeting after his or her election by the Board.

The Board believes that it is important to have the viewpoints and experience of new Directors on the Board from time to time, but also believes that this interest must be balanced against the benefits of the knowledge and experience that is developed over the time a person serves as a Director. Accordingly, the Board has decided to set no maximum number on the years that an individual may serve on the Board. The Board will not nominate for election to the Board any Director who has reached the age of 72.

In addition, each Director shall submit a letter of resignation to the Board upon reaching the age of 72 and annually thereafter. The Nominating Committee will recommend, based on the facts and circumstances, whether or not the Board should accept the resignation. In addition, subject to acceptance by the Board, any member of Management (including the CEO) who is a Director will submit a letter of resignation from the Board at the same time he or she ceases to be employed by the Company for any reason.

Change of Circumstances

Any Director who becomes the target of, or subject to, a material Securities and Exchange Commission or governmental investigation or proceeding will submit a letter of resignation to the Board. The Nominating Committee will recommend, based on the facts and circumstances, whether or not the Board should accept the resignation.

In addition, any non-employee Director who (i) since the date the Director was most recently elected to serve on the Board experiences a change of his or her principal employer or principal occupation or (ii) agrees to serve on the board of directors of a company that competes with the Company will submit a letter of resignation to the Board. The Nominating Committee will recommend, based on the facts and circumstances, whether or not the Board should accept the resignation.

Service on Other Boards

The Board believes that individuals should limit the number of boards of directors or similar governing bodies of for-profit corporations on which they serve in order to give proper attention to their responsibilities to each board. Directors will notify the Nominating Committee before accepting any invitation to serve on a for-profit corporation's Board. As a general policy, the Board believes that Directors should limit their service to not more than three Boards of publicly-traded, for profit corporations ("Public Boards"), including the Board of the Company, but exceptions to this policy may be made in appropriate cases. Where a Director seeks to serve on more than three Public Boards, including the Board of the Company, the Nominating Committee will consider the request and determine whether to recommend to the Board that the Director be permitted to serve on the additional Public Board. The CEO may serve on other Boards of for-profit corporations, but must receive the approval of the Board before accepting a position on another Public Board.

Director Orientation and Continuing Education Program

Management, under the guidance and with the approval of the Nominating Committee, will provide an orientation program for new Directors that includes management meetings, a visit to the Company's headquarters, and relevant materials such as the Company's organizational and governance documents, recent Securities and Exchange Commission filings, financial information, corporate structure and organizational charts, and information about the Company's businesses, products, services and the industry in which the Company operates.

Each Director should also attend at least one third-party continuing education training session during each of his or her three-year terms.

IV. BOARD OPERATIONS

Number of Regular Meetings

The Board normally will hold four regular meetings each year.

Corporate Governance and Strategy Meeting

The Board will schedule one special meeting per year, or will extend one regular meeting each year, to discuss corporate governance and Company strategy.

Location of Regular Meetings

Most regular meetings of the Board will be held at the Company's headquarters. The Board will seek to hold one regular meeting per year at or near the location of a major Company operation (other than the Company's headquarters). This meeting will include a tour of the facility and meetings with local management.

Special Meetings

Special meetings of the Board will be held from time to time when called in accordance with the Company's By-Laws.

Executive Sessions

At each regular Board meeting, there will be an executive session of the Directors who are not employees of the Company. Such sessions are a normal part of the Board's deliberations and activities. These sessions will be chaired by the Lead Independent Director.

Meeting Materials

An agenda for each Board meeting will be sent to each Director in advance of the meeting together with: (a) written materials pertaining to the matters to be presented for Board decision at such meeting; (b) minutes of the most recent Board meeting and of any committee meetings held since the distribution of materials for the most recent Board meeting; and (c) other relevant written materials that are available in advance of the meeting. Written materials should be designed to provide a foundation for the Board's discussion of key issues and allow the Board to make the most efficient use of its meeting time. Directors may request additional information or changes in the scope, amount or format of the information provided, and the CEO will make every effort to provide such additional information or make such changes.

Board Evaluation

The Board will annually review the functioning and performance of the Board and its committees (including assessing the size, composition and structure of the Board and its committees; the information Directors receive; and the Board's other processes and procedures). The Nominating Committee will coordinate such review.

CEO Evaluation

Each year the Compensation Committee will develop criteria that will be used to evaluate the CEO's performance. The Compensation Committee will solicit input from the Independent Directors regarding the CEO's performance, conduct an evaluation of the CEO's performance based on its predetermined criteria, and determine the CEO's annual compensation, subject to approval by the Independent Directors.

Strategy

It is Management's responsibility to formulate, propose and implement strategy and the Board's role to approve strategic direction and to monitor strategic results. The Board and Management will each be better able to carry out their respective responsibilities regarding matters of strategy if there is an ongoing dialogue between the Board and the CEO and other



members of Management. Board approval will be required for changes in long-range strategy (including resource allocation) and changes in long-term capital structure as well as any significant transactions that are not in the ordinary course of the Company's business.

Board Committees

The Board currently has three standing committees - an Audit Committee, a Compensation Committee and a Nominating & Corporate Governance Committee. The Board may, from time to time, expand or reduce the number of standing committees, change committee responsibilities or form ad hoc committees. The Board will determine the responsibilities of each standing committee from time to time. Those responsibilities will be set forth in a written committee charter adopted by the Board. The Chair of each Board committee shall report regularly to the Board on the activities of that committee.

Committee Members and Leadership

The size, membership, and chairs of each committee will be determined by the Board, based on the recommendations of the Nominating Committee. Each of the standing committees will be made up of only Independent Directors. In nominating committee members and Committee Chairs, the Nominating Committee will take into consideration, among other things, the tenure of the members and chairs of the committees.

Committee Meeting Materials

The Chair of each Board committee will oversee the preparation of an agenda for each meeting. The agenda, together with: (a) written materials pertaining to the matters to be presented for consideration at such meeting; and (b) the minutes of the most recent meeting of the committee, will be provided to each committee member in advance. Employees of the Company will be responsible for the preparation and circulation of these materials under the supervision of the committee Chair.

Management Attendance at Committee Meetings

The Chair of each committee, in consultation with the CEO, will determine which members of Management will attend committee meetings. The CEO will be invited to attend any Board committee meeting except those designated as executive sessions.

Committee Reports to the Board

At each regular Board meeting, the Chair of each Board committee will make a presentation to the Board regarding the activities and policies and practices of his or her committee. The purpose of such presentation is to inform Directors of the activities, policies and practices of committees on which they do not serve.

Ad Hoc Committees

In addition to the standing Board committees, ad hoc committees may be formed from time to time by the Board. The Board will determine the size, membership, and chair of each ad hoc committee. The Board may appoint members of Management as ex officio members of such ad hoc committees.

V. OTHER MATTERS

Management Succession

On an annual basis, the CEO will present the Nominating Committee with a report on management development for key Management positions and a proposed CEO succession plan. The Nominating Committee will review the report and plan and provide comments to the CEO who will then present the report and plan to the Board for its consideration. In evaluating candidates to succeed the CEO, the Board will consider, among other factors, the candidate's integrity, experience, achievements, judgment, intelligence, personal character and potential for providing strong leadership to the Company. If the CEO dies or otherwise becomes unable to carry out his or her responsibilities, the Board will appoint an interim CEO pending its selection of a new CEO.

Directors' Compensation

Directors' compensation, including compensation for serving on Board committees or as the Chair of a Board committee, will be determined annually by the Board, based on the recommendation of the Compensation Committee. Members of Management who are also Directors will not receive additional compensation for their service as Directors. The Board believes that it is important to align the interests of Directors with those of the Stockholders. Accordingly, the Board believes that a significant portion of Directors' compensation should be paid in stock, or other forms of compensation that correlate with the market value of the Company.



Communications

Management speaks for the Company. Inquiries from Stockholders, other investors, analysts, the press, customers, suppliers, or others should be referred to the CEO or other appropriate members of Management. Individual Directors may, from time to time, meet with various constituencies of the Company, at the request of or with the concurrence of the Board or Management. Directors are free to meet with or address the public or special groups concerning board practices generally, and other matters of interest to the Directors not directly related to activities of the Company, and such contacts will not require Board or Management concurrence.

Confidentiality

A board of directors should function as a collegial body and directors should respect the confidentiality of all discussions that take place in the boardroom. Confidentiality is essential for an effective board process and for the protection of the company and its stockholders. If this process is compromised, directors may cease to trust each other, which can lead to the inability of the board as a whole to make a decision and take action.

Adopted by the Board on 4/20/04, amended by the Board on 10/18/05, 1/29/2008 and 10/28/08

Exhibit A

The Role of the Lead Independent Director at Legg Mason, Inc.

The Independent Directors of the Board of Directors (the "Board") of Legg Mason, Inc. (the "Company") hereby adopt the following guidelines regarding the role of the Lead Independent Director ("LID").

Role of the Lead Independent Director

The LID shall perform the following duties:

1. Independent Director Meetings. The LID shall preside at all meetings of the Independent Directors and meetings of the Board where the Chairman is not present.
2. Coordinate Information Flow. The LID shall coordinate the flow of information to and among Independent Directors. The LID will also review and, if appropriate, approve information sent to the Board by the Chairman or management of the Company.
3. Approve Board Agendas. The LID will act independently of the Chairman to review and, if appropriate, approve all Board meeting agendas.
4. Board Operations. The LID shall periodically solicit from other Independent Directors comments or suggestions related to Board operations, including the flow of information to Directors, the setting of meeting agendas and the establishment of the schedule of Board meetings, and communicate those suggestions to the Chairman of the Board. The LID shall also seek to ensure that there is (1) an efficient and adequate flow of information to the Independent Directors; (2) adequate time for the Independent Directors to consider all matters presented to them for action; and (3) appropriate attention paid to all matters subject to oversight and actions by the Independent Directors. In this regard, the LID will review Board meeting schedules to ensure that there is sufficient time for discussion of all agenda items.
5. Representative of Independent Directors. The LID shall serve as the liaison between the Independent Directors and the Chairman and as the representative of the Independent Directors in communications with the Chairman of the Board and management outside of regular Board meetings.
6. Liaison with Advisers to the Independent Directors. The LID shall serve as liaison and provide direction to advisers and consultants retained by the Independent Director.
7. New Independent Directors. The LID shall assist the Chairman of the Board in integrating into the Board newly elected Independent Directors.
8. Meetings of Independent Directors. The LID will have the authority to call meetings of Independent Directors when appropriate.
9. Communications with Major Stockholders. The LID will be available for consultation and direct communication with major stockholders of the Company if requested by any such stockholder.

Review and Amendment

The Independent Directors shall periodically review these guidelines and make changes as appropriate.

Role of Board and Management

These guidelines are not intended to reduce the duties and rights of all Board members under applicable laws and under the Company's organizational documents, nor shall these guidelines reduce the responsibilities and authority of

the chairmen and members of Board Committees or the Company's management.
As adopted by the Independent Directors on July 22, 2003, and amended July 19, 2007



LEGG MASON, INC.

CODE OF CONDUCT

I. Introduction

This Code of Conduct (the "Code") sets out basic principles to guide the day-to-day business activities of directors, officers and employees of Legg Mason, Inc. and its subsidiaries (collectively the "Company" or "Legg Mason"). The overall policy underlying this Code is that Legg Mason expects that its directors, officers and employees, including directors, officers and employees of Legg Mason, Inc. subsidiaries (collectively, "Covered Persons") will follow the highest standards of honest conduct and business ethics in all aspects of their activities on behalf of the Company and that they will not cheat, lie to or steal from the Company, its stockholders, clients, vendors or fellow directors, officers or employees. In addition, all Covered Persons are expected to comply with the spirit and letter of all applicable laws, regulations and Company policies, and be sensitive to, and act appropriately in, situations that may give rise to actual as well as apparent conflicts of interest or violations of this Code.

This Code operates in conjunction with all other Legg Mason policies and procedures. For example, many of the Company's subsidiaries have adopted policies and procedures on gifts and entertainment and insider trading that may be different from and, in most cases, may be more restrictive than this Code. When this Code conflicts with another Company policy or procedure, Covered Persons must comply with the more restrictive provision. This Code is not intended to cover every ethical issue that a Covered Person may confront while working for Legg Mason. Covered Persons are expected to use sound judgment and act in accordance with the highest ethical standards when confronted with ethical issues that are not covered by this Code, other applicable Company policies and procedures or any law or regulation.

This Code applies to all Covered Persons (including temporary employees) of Legg Mason. Each Covered Person must become familiar with the requirements of this Code and with all other Company policies and procedures applicable to that person's business unit.

II. Compliance with Laws and Regulations

The financial services industry is governed by numerous laws and regulations adopted by a variety of governments, government agencies, regulators and other entities. Legg Mason, as a participant in the financial services industry, is subject to many of these laws and regulations. Obeying both the letter and spirit of all applicable laws and regulations is critical to the Company's ability to accomplish its objectives. In everything that they do on behalf of Legg Mason, Covered Persons must use care not to violate any law or regulation. Each Covered Person is responsible to know, understand and follow the laws and regulations that apply to his or her responsibilities on behalf of the Company. While no Covered Person is expected to be an expert on all applicable laws and regulations, they are expected to know the laws and regulations well enough to recognize when an issue arises and to seek the advice of the legal and compliance department assigned to the Covered Person's business unit or department ("Business Legal and Compliance Department").

III. Conflicts of Interest

Covered Persons must act in the best interests of the Company, its stockholders and its clients. A "conflict of interest" may occur when a person's personal interests interfere with, or appear to interfere with, the interests of Legg Mason, its stockholders or its clients. Similarly, a conflict of interest may also occur when a person's personal interests interfere with that person's ability to objectively and effectively perform his or her job. The overarching principle is that the personal interests of a Covered Person must not be placed improperly before the interests of Legg Mason, its stockholders or its clients. In adhering to this principle, Covered Persons:

- may not use personal influence or personal relationships improperly to influence financial reporting by the Company;
- may not improperly cause the Company to take action, or fail to take action, for the personal benefit of the Covered Person rather than for the benefit of Legg Mason, its stockholders or its clients;
- may not improperly use their positions with Legg Mason, or information that belongs to the Company or its clients, for personal gain.
- may not bind Legg Mason to any agreement or arrangement with an entity in which the Covered Person, directly or through family members, has any material economic interest;
- must disclose to his or her business unit or department management (hereinafter, his or her "Manager") any situation of which they become aware in which the Company is entering into an arrangement or agreement with an

- entity in which the Covered Person, directly or through family members, has any material economic interest; and
- should avoid any activities, interests or associations outside the Company that could impair their ability to perform their work for Legg Mason objectively and effectively, or that could give the appearance of interfering with their responsibilities on behalf of the Company.

Although it is not possible to foresee every potential conflict of interest that may arise, Covered Persons must be sensitive to actual or potential conflicts and bring them to the attention of his or her Manager and, where appropriate, the Manager should solicit the advice of the applicable Business Legal and Compliance Department when confronted with conflict of interest issues. Wherever possible, Covered Persons should seek to avoid situations in which a conflict of interest exists, or appears to exist. Where a conflict of interest cannot be avoided, the Covered Person must disclose the situation to his or her Manager and the Company must handle it in an ethical way so as to avoid any perception of impropriety.

IV. Corporate Opportunities

Covered Persons are required to advance the interests of the Company. When a Covered Person becomes aware of a financial opportunity as a result of that person's relationship with the Company, or through the use of Legg Mason property, that opportunity belongs, in the first instance, to the Company. No Covered Person may take for himself or herself any opportunity for the sale or purchase of products, services or interests that belongs to the Company without the prior written approval of Legg Mason's General Counsel. If a Covered Person is presented with an investment opportunity in his or her capacity as a representative of the Company, the Covered Person may personally take advantage of the opportunity only if the investment is approved in writing by Legg Mason's General Counsel. In considering any request regarding an opportunity, including an investment opportunity, the General Counsel shall consult with appropriate senior management of the Company.

V. Gifts and Entertainment Related to Company Business

When a Covered Person accepts a gift (including business meals and entertainment) from anyone who has, or is seeking to have, a business relationship with the Company, it can create a situation in which the personal interests of the Covered Person may conflict, or appear to conflict, with the interests of the Company. Because of this, Covered Persons must use caution in accepting gifts from clients, suppliers or other third parties that have, or are seeking to have, a business relationship with the Company. While accepting gifts from these parties is not prohibited, Covered Persons may not accept gifts from customers, suppliers or other entities that have, or are seeking to have, a business relationship with the Company if the gifts exceed what is reasonable and customary under the circumstances of the business relationship. What is a "reasonable and customary" gift will vary under the circumstances presented, but a Covered Person must use good judgment in evaluating whether a gift is "reasonable and customary" and, when in doubt, a Covered Person should be conservative in exercising his or her judgment or consult with his or her Manager. In no case may a Covered Person accept a gift if that person feels that he or she is obligated to repay the donor with corporate business. An employee may accept a gift (excluding reasonable and customary business meals and entertainment) that otherwise complies with the terms of this section only if (i) the employee accepts gifts only on an infrequent basis, or (ii) the employee has notified his or her Manager in advance of the nature of the gifts he or she has received and proposes to receive and the circumstances under which the gifts were given. Note that employees of asset management or broker-dealer subsidiaries of the Company may also be subject to specific dollar limits on gifts that they may give or receive under policies of those subsidiaries that are not part of this Code.

If a Covered Person were to solicit a gift (including business meals and entertainment) from a third party as a condition to that third party receiving a benefit from the Company, it would violate the Code requirement that Covered Persons not use their positions at the Company for personal gain. In addition, in many situations such an action may violate laws or regulations. Accordingly, Covered Persons may not solicit any payment, contribution, gift or favor that may influence a business decision. In addition, no Covered Person may accept a gift if he or she believes that the donor feels he or she must provide the gift in order to obtain, or continue to receive, business from or with the Company.

If the Company, or a Company representative, provides a gift (including business meals and entertainment) to a representative of an entity that has, or may have, a business relationship with the Company, the gift may be viewed as being provided to improperly influence the person to further the Company's interests in the relationship at the expense of those of the entity that the person represents. While gifts in these situations are not prohibited, Covered Persons may not make any gifts to employees of customers, suppliers or other entities that have, or may have, a business relationship with the Company if the gifts exceed what is reasonable and customary under the circumstances of the business relationship or is prohibited by law or regulation. In no event may a Covered Person make, or participate in making, any gifts (including payments) intended to cause or improperly influence an individual, company or government official to act in a way that gives the Company an advantage in seeking business or otherwise. Any such gift or payment would constitute a violation of this Code and may violate laws or

regulations. An employee may provide a gift (excluding reasonable and customary business meals and entertainment) that otherwise complies with the terms of this section only if (i) the employee provides such gifts only on an infrequent basis, or (ii) the employee has notified his or her Manager in advance of the nature of the gifts he or she provides and proposes to provide and the circumstances under which the gifts are provided.

Governments (including Government-related entities) in the United States and other jurisdictions have laws governing relationships of businesses with governments and government agencies. If the Company were to violate these laws, the penalties to the Company and any involved Covered Person could be severe. Accordingly, Covered Persons must be careful not to authorize, offer or make, either personally or on behalf of the Company, any illegal gift (including payments), directly or indirectly, to any government official or any employee of a government, government agency or government controlled enterprise.

VI. Confidential Information

Participants in the financial services industry may have access to confidential information of clients, suppliers and others, including fellow employees. Examples of the types of confidential information to which the Company has access as part of its business include personal financial information of individual clients, business financial and strategic information of corporate clients, non-public information about pending transactions and pricing information from suppliers. Protecting the confidentiality of the confidential information to which the Company has access is critical to the Company's relationships with its clients and its ability to compete in the marketplace. Furthermore, numerous laws and regulations prohibit or otherwise regulate the disclosure of various types of confidential information of clients or others. In addition to confidential information of third parties, Covered Persons may have access to proprietary information of the Company in the course of their relationships with the Company, including information about the Company's financial condition or results, business strategies and business products, services or other employees. Disclosure of proprietary information could cause severe harm to the Company, including to its ability to compete effectively in the marketplace. In order to ensure that confidential information is appropriately protected, Covered Persons may not disclose or misuse confidential information of third parties or the Company's confidential proprietary information to which they gain access through their relationships with the Company, except when disclosure is authorized by the Company or the person to whom the information belongs, or is required by law. In addition, Covered Persons generally should not disclose confidential information about the Company or its clients to other employees of the Company unless such other employees have a need to know such information in connection with their jobs.

VII. Insider Trading

Trading the securities of any company while in possession of material, non-public information about that company is generally prohibited by the securities laws of the United States, the laws of many other countries and Company policy. Information about a company should be considered "material" if there is a substantial likelihood that a reasonable investor would consider it important in making a decision whether to buy or sell securities of that company, or if disclosure of the information could reasonably be expected to affect the price of the company's securities. Information about a company should be considered "non-public" if it has not been publicly disclosed or released. Under insider trading laws, a person or company that illegally trades in securities of a company while in possession of material, non-public information about that company may be subject to severe sanctions, including civil penalties, fines and imprisonment. To ensure that the Company and its representatives comply with their obligations with respect to insider trading, Covered Persons who come into, or who believe they have come into, possession of material, non-public information about a company should not execute or recommend the execution of any trade in the securities of that company without first consulting the applicable Business Legal and Compliance Department or the Legg Mason Legal and Compliance Department to determine whether the recommendation or trade may be allowed under applicable laws and policies. This admonition applies to trades in the Company's securities as well as securities of any other company. Further, this admonition applies to transactions for the account of the Company, for the account of any client or for the account of any Covered Person or any spouse, child or others living in the same household as a Covered Person (as well as any other account controlled by a Covered Person). Note that employees of asset management or broker-dealer subsidiaries of the Company will also be subject to insider trading policies of those subsidiaries that are not part of this Code.

VIII. Fair Dealing

It is the Company's policy to compete aggressively in each business in which it is engaged, but to compete ethically, fairly and honestly. The Company seeks to succeed through superior performance, service, diligence, effort and knowledge, and not through unfair advantage. To this end, the Company is committed to dealing fairly with its clients, customers, vendors, competitors and employees. No Covered Person may take unfair advantage of any other person or business through any unfair business practice, including through improper coercion, manipulation, concealment, abuse of privileged information or misrepresentation of material fact.

IX. Safeguarding Assets and Property

The Company's assets and properties represent a key portion of the Company's value as an enterprise and are very important to the Company's ability to conduct its business. The Company's assets and properties include both physical assets such as cash, securities, physical property and equipment and intangible assets such as business strategies and plans, intellectual property, services and products. Each Covered Person is responsible for safeguarding the Company's assets and properties that are under his or her control. Theft of, or fraudulently obtaining Company assets or property is forbidden under applicable laws and company policies, and any suspected theft or misappropriation of Company assets or property should be reported to the Legg Mason Legal and Compliance Department immediately for investigation. Furthermore, except where permitted by the Company, Covered Persons should not abuse Company assets or property for their personal benefit. In addition to protecting the Company's assets and property from theft or misuse, Covered Persons should be careful not to waste any Company assets or property.

As part of its business, Legg Mason may come into possession of property of clients, vendors and other third parties. It is vitally important to the Company's business and reputation that all client property that comes into the Company's possession is protected and maintained with the same degree of skill and care as the Company uses to safeguard its own property. Each Covered Person is responsible for safeguarding the properties, belonging to clients, vendors and other third parties, that are under his or her control.

X. Accuracy of Books and Records

Legg Mason's securities are publicly traded on the New York Stock Exchange or in other public markets and Legg Mason engages in various business activities that are subject to regulatory and other requirements. As such, Legg Mason is subject to numerous regulations regarding its books and business records. These regulations require that Legg Mason maintain accurate and complete business records, books and data in a timely manner. Each Covered Person is responsible to ensure the accuracy and completeness of any business information, reports and records under his or her control. No Covered Person may intentionally make false or misleading entries in any of the Company's books and records. In providing information to be included in Legg Mason's books and records, Covered Persons must be candid and accurate. Maintaining accurate books and records is the first step in ensuring that Legg Mason's financial statements are prepared in accordance with generally accepted accounting principles and fairly present, in all material respects, the financial condition and results of operations of the Company.

XI. Accurate Public Disclosure and Reporting

There are a number of laws and regulations that require companies with securities that are publicly traded to communicate with the public in a manner that provides the public with information that is accurate in all material respects. It is Legg Mason's policy to report accurately and honestly information to stockholders, clients and regulators. If Legg Mason were to engage in fraudulent or misleading public reporting, it could cause severe damage to the Company's reputation and to its stockholders, and could result in civil and criminal penalties to Legg Mason, the individuals involved or both. Therefore, each Covered Person who is involved in preparation or review of materials that are disseminated to the public must use caution to ensure that the information in the materials is truthful and accurate in all material respects. No Covered Person may knowingly misrepresent, or knowingly cause others to misrepresent, facts about Legg Mason in Company communications with the public. If a Covered Person becomes aware of any materially inaccurate or misleading statement in a public communication from the Company, he or she should report it immediately to Legg Mason's General Counsel. If the Company does not respond to the report in a timely manner, or if the Covered Person believes that reporting to the General Counsel would be futile, the Covered Person should report it to the Chairman of the Audit Committee of the Board of Directors of Legg Mason, Inc. (the "Audit Committee").



As part of the foregoing requirements, the Chief Executive Officer, the Principal Financial Officer, the Principal Accounting Officer, the Controller and the General Counsel of Legg Mason (the "Covered Officers") must comply with the following:

- Covered Officers should be generally aware of the disclosure requirements applicable to Legg Mason under the Securities Act of 1933 and the Securities Exchange Act of 1934; and
- Covered Officers may not knowingly misrepresent, or knowingly cause others to misrepresent, facts about Legg Mason in disclosure reports filed with, or furnished to, the Securities and Exchange Commission (the "SEC") or to other governmental regulators and self-regulatory organizations; and
- Each Covered Officer should, to the extent appropriate within his or her area of responsibility, consult with other officers and employees of Legg Mason and its advisers with the goal of promoting full, fair, accurate, timely and understandable disclosure in the reports and documents Legg Mason files with, or submits to, the SEC and in other public communications made by Legg Mason.

XII. Treatment of Others

Covered Persons must treat all persons with whom they come into contact, including other employees, clients and suppliers, fairly and with respect. Each employee should be able to work in an environment that promotes equal employment opportunities and prohibits discriminatory practices, including harassment. Therefore, the Company expects that all relationships among persons in the workplace will be professional and free of bias, harassment or violence. Covered Persons who violate laws or Company policies requiring fairness and respectful treatment of others are subject to disciplinary action by the Company and, potentially, civil or criminal liability. Covered Persons are encouraged to report to Legg Mason's Director of Human Resources, or to their local Human Resources personnel, any violations of these laws or policies of which they become aware.

The Company is committed to the diversity of its workforce in order to help achieve growth and success for the organization. The Company strives to provide an environment that promotes respect, integrity, teamwork, achievement and acceptance regardless of race, gender, age, national origin, or any other factor that makes people unique. While all representatives of the Company share the common goal of responsiveness to clients and each other, at the same time they should embrace and value the differences in employees.

XIII. Code Violations

Legg Mason may take disciplinary action against any Covered Person who violates this Code. Disciplinary actions may include reprimand, loss of discretionary compensation, suspension, dismissal or civil action by Legg Mason. Furthermore, if a violation of this Code also constitutes a violation of law or regulations, the violator may be subject to legal penalties, including the loss of any professional license, fines and other penalties.

XIV. Compliance with this Code of Conduct

Each Covered Person is required to ensure his or her own compliance with this Code. Covered Persons are expected to use good judgment in recognizing situations where a violation of this Code may occur and ensuring that no violation occurs. In situations where it is unclear whether this Code applies, a Covered Person should consult with his or her Manager, his or her Business Legal and Compliance Department or the Legg Mason Legal and Compliance Department before taking any action. In addition to ensuring their own compliance with this Code, Covered Persons are encouraged to report known or suspected violations of this Code by others by telephone, e-mail or in writing to Legg Mason's General Counsel. If the known or suspected violation of this Code relates to financial, internal control or accounting matters, Covered Persons are encouraged to report it in accordance with procedures established by the Audit Committee of the Company's Board of Directors. If the reporting person feels that reporting an actual or suspected violation that does not relate to financial, internal control or accounting matters to the General Counsel may be futile, he or she should report the known or suspected violation in writing to the Chairman of the Nominating and Corporate Governance Committee of the Board of Directors of Legg Mason, Inc. (the "Corporate Governance Committee") and send it to P.O. Box 1496, Baltimore, Maryland 21203.

No officer, director or employee of Legg Mason may retaliate in any fashion against any Covered Person who reports a suspected or actual violation of this Code in good faith.

XV. Amendments and Waivers

This Code may be amended only by a majority vote of the Legg Mason, Inc. Board of Directors. Waivers of any provisions of this Code may be granted in writing by Legg Mason's General Counsel, except that any waiver of a provision of this Code

sought by a director or executive officer of Legg Mason, Inc. may be granted only by the Nominating and Corporate Governance Committee of the Board of Directors. In considering any request for a waiver of this Code, Legg Mason's General Counsel will consult with appropriate senior management. Any changes to or waivers of this Code will, to the extent required, be disclosed as required by applicable rules and regulations of the SEC and the New York Stock Exchange.

XVI. Other Policies

Covered Persons should be aware that Legg Mason has adopted other policies and procedures that apply to directors, officers or employees of Legg Mason and all subsidiaries, which are not part of this Code. These policies include:

- (i) a policy on trading in Legg Mason securities,
- (ii) a policy on compliance with copyrights of third parties,
- (iii) an Equal Employment Opportunity Policy,
- (iv) a Diversity Policy,
- (v) a Harassment and Discrimination Policy, and
- (vi) a Workplace Violence Policy.

XVII. General

The Code does not constitute a contract between the Company and any person or entity and does not, and shall not be interpreted to, create any rights for any person or entity other than the Company. Nothing in this Code shall be construed as altering the employment relationship between the Company or any employee or as granting any employee employment for any set period of time.

Adopted by the Company's Board of Directors on 4/20/04; amended by the Board on 7/18/06.

NomCorpGoveComm/Code of Conduct Amended 7-18-06



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