

Legg Mason's Response to CDP6

Introduction

Legg Mason, a global asset management firm, is committed to being a responsible corporate citizen and we are working with leading partners in industry, government and the non-profit world to ensure that our sustainability practices meet global standards.

One of our important actions to deliver on this commitment is our role as a member of, and a signatory to, the Carbon Disclosure Project. We are participating in CDP6 as a first-time respondent in 2008 and are compiling and evaluating greenhouse gas (GHG) emissions data for the first time.

Legg Mason is headquartered in Baltimore, Maryland. Through our domestic and international subsidiaries, we serve 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.

1) Risks and Opportunities

Objective: To identify strategic risks and opportunities and their implications.

a) Risks

i. Regulatory Risks: How is your company exposed to regulatory risks related to climate change?

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 (the parent company, Legg Mason, Inc., holds no securities) 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.

ii. Physical Risks: How is your company exposed to physical risks from climate change?

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 that might suddenly disrupt operations.

iii. General Risks: How is your company exposed to general risks as a result of climate change?

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 with a workforce in 22 countries, it is important that Legg Mason act as a responsible corporate citizen and be mindful of the wants and needs of multiple constituents, including shareholders, clients, business partners and employees. We would run unacceptable risks of potential damage to our corporate reputation if we were to ignore the real impacts of climate change and the importance of sustainability to our many constituents. CDP reflects the attitudes and behaviors of many of the leading investors around the world, who have a demonstrable commitment to sustainability and who have the ability to effect positive changes in reducing GHG emissions and promoting more sustainable solutions. We are pleased to join forces with fellow CDP members in this vital task.

Business/Competitive Risk:

In today's business environment, sustainability has become a requirement to remain competitive, to satisfy the needs of shareholders, investors 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 collective quest for environmental sustainability.

Additionally, to remain competitive and to be regarded as a "best in class" financial services firm, we must continue to meet marketplace demand and offer the increasing number of clients to whom sustainability is important with solutions that combine superior investment performance with socially responsible components.

Operational Risk:

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

Energy & Material Use:

Rising energy costs might present a risk to Legg Mason in two ways: 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 commutation to work.

Talent:

It is critical that companies embrace climate change for talent retention and acquisition reasons. Top talent want to work for firms committed to climate change and energy initiatives and current employees are asking for that as well. We know that sustainability is important to many of our associates around the world.

iv. Risk Management: Has your company taken or planned action to manage the general and regulatory risks and/or adapt to the physical risks you have identified?

Reputation Risk Management:

We are a member of, and signatory to, the Carbon Disclosure Group and are filing CDP6.

We have committed ourselves to publish an annual sustainability report, following GRI and other widely accepted guidelines.

We have engaged with Legg Mason shareholders, including governments, institutions and individuals, and important non-profit groups such as Ceres, to determine ways to enhance our commitment to sustainability.

We have an officer-led, multi-disciplinary Green Task force whose goals are to identify ways for the firm to operate in a more sustainable way, to inform senior management and employees of the company's efforts and progress, and to solicit environmental input company-wide. The task force includes members from Human Resources, Real Estate Services, Procurement, Finance, Technology Services and Marketing and Communications. We also have portfolio managers that specialize in Socially Responsible Investing as advisors to the task force. Subcommittees include: Building Services and Energy Management, Procurement/Waste Streams and Employee Communications/Transportation.

Our new corporate headquarters in Baltimore, opening in September 2009, is being developed to achieve LEED certification. Our second largest office in New York City is in The New York Times Building, which has incorporated many LEED elements. (We are renters, not owners, in all our facilities, but we work with building management and municipalities to enhance the environmentally friendly profile of our space.)

Additionally, we will continue to manage our internal green informational website, celebrate Earth Day annually, and plan to appoint Corporate Citizenship captains across the firm by end of year 2008 to serve as liaisons to our Green Task Force.

Business/Competitive Risk Management:

We will continue to network with peer companies and other interested parties about sustainability, including the issue of climate change, and we will review relationships with our key business partners.

Across our investment subsidiaries, we have many socially responsible product offerings and we will continue to ensure that we are meeting client needs.

Operational Risk Management:

Energy & Material Use:

We are starting to collect GHG emissions data and will set reduction targets based on the evaluation of these data. We have engaged a consultant to assist us with this effort. Our facilities group has also developed internal green building guidelines that incorporate energy efficiency efforts and has enhanced company recycling programs.

Regarding energy consumption, our Green Task Force and functional areas continue to work on ways to conserve energy and operate more efficiently. Some examples of recent initiatives include:

- Swapping out existing light bulbs in favor of energy-efficient, compact fluorescent bulbs.
- In new sites, T5lights are being installed. Lights in conference rooms and unoccupied spaces are controlled by light switches, instead of being on a floor master light control. Lighting in unoccupied areas is not turned on when not in use.
- The majority of new appliances installed in our facilities meet Energy Star requirements.
- Data Center lighting remains off when no one is working in the room; this has resulted in savings on annual electricity costs.

-We are currently reviewing “Wake on LAN” technology which could result in a reduction of our overall power usage and operational costs.

- We are using high efficiency HVAC systems/EMS in our new locations.

Relative to material use, we are identifying ways to better protect the environment and reduce energy and materials consumption through our vendor relationships. Much of the furniture we buy from our primary manufacturers is Greenguard Indoor Air Quality Certified. We also have an equipment disposal program in place.

Regarding paper use, in calendar year 2007, we purchased 39,534.84 pounds of paper from one particular vendor with an average post consumer recycled content of 37.09%. Through U.S. facilities using one of our recycling vendors in 2007, we recycled 384,000 pounds of paper, saved over 1 million gallons of H₂O, and saved over 788,000 KW hours of electric.

Transportation:

We are currently reviewing our commuting and business travel practices, their environmental implications, and how we can work to protect the environment without compromising key business needs.

Talent:

We promote active engagement on sustainability among our global workforce and embrace positive steps to protect the environment. We celebrate Earth Day annually, we engage and inform our employees regularly about the firm’s green efforts via an internal ‘Go Green’ web site, and we plan to appoint Corporate Citizenship captains across the firm by end of year 2008 to serve as liaisons to our Green Task Force. Legg Mason associates also participate in green volunteer opportunities which include planting, mulching and general environmental clean-up. Lastly, we dedicate part of our new hire orientation to providing an overview of Legg Mason’s environmental initiatives.

Physical:

We mitigate physical risk through our world-wide, cross-functional Business Continuity plans, which are reviewed and tested throughout the year.

v. Financial and Business Implications:

How do you assess the current and/or future financial effects of the risks you have identified and how those risks might affect your business?

We believe that the costs associated with our current sustainability initiatives, including measurement, reporting and reduction in emissions, are manageable. Should carbon regulation increase, however, there may be a need to possibly increase headcount to manage the complexities of such regulation. Additionally, there may be increased costs associated with managing business continuity initiatives caused by extreme weather conditions.

b) Opportunities:

i. Regulatory Opportunities: How do current or anticipated regulatory requirements on climate change offer opportunities for your company?

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.

ii. Physical Opportunities: How do current or anticipated physical changes resulting from climate change present opportunities for your company?

As noted earlier, 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 work towards a long-term lease commitment in sites where we are leasing a significant amount of space.

iii. General Opportunities: How does climate change present general opportunities for your company?

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.

iv. Maximizing Opportunities: Do you invest in, or have plans to invest in products and services that are designed to minimize or adapt to the effects of climate change?

At the operational level, we are currently reviewing Wake on LAN technology to power off computers during off-peak times and we are reviewing multiple vendor options via our Procurement area.

At our investment subsidiaries, many of our different managers are regularly looking at companies whose proactive sustainability policies and practices make them more attractive long-term investment opportunities.

v. Financial and Business Implications: How do you assess the current and/or future financial effects of the opportunities you have identified and how those opportunities might affect your business?

All of the above stated climate change related opportunities would benefit our shareholders through increased efficiencies and cost savings both in the near-term and over a multi-year time horizon.

2) Greenhouse Gas (GHG) Emissions Accounting

Objective: To determine actual absolute GHG emissions.

a) Accounting Parameters

i. Reporting Boundary: Please indicate the category that best describes the company, entities or group for which your response is prepared:

- a. Companies over which financial control is exercised – per consolidated audited Financial Statements.
- b. Companies over which operational control is exercised.
- c. Companies in which an equity share is held.
- d. Other (please provide details).

Please use the same approach for all answers.

a. Companies over which operational control is exercised.

We have included all leased Legg Mason facilities both in the U.S. and internationally. We have not included any affiliates to Legg Mason as we do not have operational control over their day-to-day

business operations. We have also included business travel emissions for flights and employee reimbursed mileage for Legg Mason employees.

ii. Reporting Year: Please explicitly state the dates of the accounting year or period for which GHG emissions are reported.

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

The results presented below are for January through December for 2007.

iii. Methodology: Please specify the methodology used by your company to calculate GHG emissions.

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

b) Direct and indirect emissions – Scope 1 and 2 of the GHG Protocol

i. Are you able to provide a breakdown of your direct and indirect emissions under Scopes 1 and 2 of the GHG Protocol and to analyze your electricity consumption? If so, please provide the following information together with a breakdown of the emissions reported under each category by country where possible. If not, please proceed to questions 2b ii.

For Scope 1 emissions, we have included all major direct emissions sources. They include all onsite fuel use, refrigerant leakage for all occupied space and generator usage and mobile emissions sources from two company-owned vehicles. Our indirect, Scope 2 emissions have been reported for our facilities based on actual data when available. When landlord responses were not received for electricity consumption, we estimated the electricity usage based on the occupied square footage for that site. Three sites also used purchased steam.

Scope 1 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.

Australia	
Canada	
France	
Germany	
Italy	
Japan	
Luxembourg	
Poland	

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

Scope 2 Indirect GHG Emissions

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

Electricity consumption

e. Total global MWh of purchased electricity.

2007: 33,492 MWh

f. Total MWh of purchased electricity for Annex B countries.

Australia	420.7
Canada	143.1
France	35.2
Germany	37.1
Italy	13.8
Japan	530.0
Luxembourg	42.5
Poland	44.7
Spain	21.2
United Kingdom	1,739.0
United States	27,904.7
Total	30,931

g. Total global MWh of purchased electricity from renewable sources.

h. Total MWh of purchased electricity from renewable sources for Annex B countries.

0

ii. If you are unable to detail your Scope 1 and Scope 2 GHG emissions and/or electricity consumption, please report the GHG emissions you are able to identify together with a description of those emissions.

N/A

c) Other Emissions – Scope 3 of GHG Protocol

How do you identify and/or measure Scope 3 emissions? Please provide where possible:

a. Details of the most significant Scope 3 sources for your company.

The most significant Scope 3 source for our company is business travel emissions. 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 agent that compiles data based on mileage and number of trips. While air data were readily available we were unable to include train travel emissions at this time. We will endeavor to include this emissions source in our 2008 inventory. We have also tracked employee reimbursed mileage through our expense report system and have captured the total business miles traveled by employees in their own vehicles for 2007.

b. Details in metric tonnes CO₂-e of GHG emissions in the following categories:

i. Employee business travel.

2007: 3,242 Mtons CO₂-e

ii. External distribution/logistics.

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

iii. Use/disposal of company's products and services.

Not applicable as our products are non-physical.

iv. Company supply chain.

Same answer as above.

c. Details of the methodology you use to quantify or estimate Scope 3 emissions.

The data provided by our travel agency included total passenger miles broken out into short, medium, and long-haul flights. Appropriate emissions factors were applied to each mode of transportation. Total employee mileage reimbursed in 2007 was converted to gallons of gasoline using an average mile per gallon factor. The resulting fuel usage was used to calculate emissions from gasoline consumption using a mobile fuel emissions factor.

d) External Verification

i. Has the information reported in response to Questions 2b – c been externally verified or audited or do you plan to have the information verified or audited?

Our inventory data were compiled and calculated with the assistance of an external consultant; however these data have not been audited. This is the initial greenhouse gas inventory for Legg Mason and we may engage a third party for external verification in future years. However, at this time, we plan to focus on using any available funds to assess and implement reduction efforts before pursuing verification.

ii. Please provide a copy of the audit or verification statement or state your plans for verification.

Same as above.

iii. Please specify the Standard or Protocol against which the information has been or will be audited or verified.

At the time at which Legg Mason chooses to proceed with external verification, the inventory will be verified against the WRI/WBCSD GHG Protocol.

e) Data Accuracy

Does your company have a system in place to assess the accuracy of GHG emissions inventory calculation methods, data processes and other systems relating to GHG measurement?

If so, please provide details. If not, please explain how data accuracy is managed.

We have utilized an experienced consulting firm to assist in the development of our greenhouse inventory. This firm employs techniques to identify data anomalies and benchmarking methods that indicate potential inaccuracies. The full methodology for data collection and emissions calculations is currently being documented in our Inventory Management Plan.

f) Emissions History

Do the emissions reported for your last accounting year vary significantly compared to previous years?

If so, please explain the reasons for the variations.

This is our first year of reporting GHG emissions at Legg Mason as we did not have sufficient data available for prior years. We plan to track trends in energy efficiency and emissions intensity moving forward.

g) Emissions Trading

i. Does your company have facilities covered by the EU Emissions Trading Scheme?

Not applicable.

If so:

a. Please provide details of the annual allowances awarded to your company in Phase I for each of the years from 1 January 2005 to 31 December 2007 and details of allowances allocated for Phase II commencing on 1 January 2008.

N/A

b. Please provide details of actual annual emissions from facilities covered by the EU ETS with effect from 1 January 2005.

N/A

c. What has been the impact on your company's profitability of the EU ETS?

N/A

ii What is your company's strategy for trading or participating in regional and/or international trading schemes (e.g.: EU ETS, RGGI, CCX) and Kyoto mechanisms such as CDM and JI projects?

N/A

h)Energy Costs

i. Please identify the total costs in US \$ of your energy consumption e.g. from fossil fuels and electric power.

\$9,277,400 for 2007.

ii. What percentage of your total operating costs does this represent?

2007: 0.81%

iii. What percentage of energy costs are incurred on energy from renewable sources?

None

3) Performance

Objective: To determine performance against targets and plans to reduce GHG emissions.

a) Reduction Plans

i. Does your company have a GHG emissions reduction plan in place? If so, please provide details along with the information requested below. If there is currently no plan in place, please explain why.

Legg Mason is in the process of collecting GHG emissions data. We have engaged a consultant to help us to establish CDP-compliant metrics and to develop a plan to identify reduction strategies for the future. Our Green Task force continues its goals to identify reduction measures the firm can take. We are taking a multi-step approach: initially, in 2008, we are identifying opportunities that are easily attainable; secondly, we will access longer-term opportunities as we set additional targets; and lastly, we will look at potential offsets.

ii. What is the baseline year for the emissions reduction plan?

Calendar year 2007 is being used to establish the emissions reduction plan.

iii. What are the emissions reduction targets and over what period do those targets extend?

Now that we have completed the inventory, we will be evaluating reduction opportunities and then set a reduction target. We will explore both absolute and intensity based targets, and are planning on using calendar year 2007 as our base year.

iv. What activities are you undertaking to reduce your emissions eg: renewable energy, energy efficiency, process modifications, offsets, sequestration etc? What targets have you set for each and over what timescales do they extend?

We are evaluating data collected to date and plan to identify reduction strategies for the future.

v. What investment has been or will be required to achieve the targets and over what time period?

Same as above.

vi. What emissions reductions and associated cost or savings have been achieved to date as a result of the plan?

Same as above.

b) Emissions Intensity

i. What is the most appropriate measurement of emissions intensity for your company?

The metrics that will be used to track our performance include emissions per employee and kWh per square foot.

ii. Please state your GHG emissions intensity in terms of total tonnes of CO₂-e reported under Scope 1 and Scope 2 per US \$m turnover and EBITDA for the reporting year.

iii. Has your company developed emissions intensity targets? If so:

Now that we have completed the inventory, we will be evaluating reduction opportunities and then set a reduction target. We will explore both absolute and intensity based targets, and are planning on using calendar year 2007 as our base year.

a) Please state your emissions intensity targets.

Same as above.

b) Please state what reductions in emissions intensity have been achieved against targets and over what time period.

If not, please explain why.

Same as above.

c) Planning

Do you forecast your company's future emissions and/or energy use? If so:

Now that Legg Mason's first GHG inventory is completed, we will evaluate the need for specific protocols and steps required for forecasting and planning of energy use and GHG emissions.

i. Please provide details of those forecasts, summarize the methodology used and the assumptions made.

Same as above.

ii. How do you factor the cost of future emissions into capital expenditure planning?

Same as above.

iii. How have these considerations made an impact on your investment decisions?

Same as above.

4) Governance

Objective: To determine responsibility and management approach to climate change.

a) Responsibility

Does a Board Committee or other executive body have overall responsibility for climate change? If not, please state how overall responsibility for climate change is managed.

At Legg Mason, climate change is currently 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 green task force dedicated to firm-wide environmental initiatives, and provide ongoing updates to Legg Mason's CEO and executive management team. Additionally, a senior executive responsible for the firm's technology manages the energy component.

b) Individual Performance

Do you assess or provide incentive mechanisms for individual management of climate change issues including attainment of GHG targets? If so, please provide details.

We are currently considering a series of employee awards, one or some of which may be dedicated to climate and energy related initiatives. Additionally, we are considering a performance award among our socially responsible product managers.

c) Communications

Please indicate whether you publish information about the risks and opportunities presented to your company by climate change, details of your GHG emissions, and plans to reduce emissions through any of the following communications:

i. The company's Annual Report or other statutory filings, and/or

Legg Mason plans to file a sustainability report in 2008 that will include information on our greenhouse gas emissions, including our GHG inventory activity, based on GRI and other leading reporting guidelines. Additionally, we intend to post information regarding our commitment to the environment and climate change on our public website, leggmason.com, by fall 2008. Lastly, we are a member of, and signatory to, the Carbon Disclosure Project and are filing our first survey response (CDP6).

ii. formal communications with shareholders or external parties, and/or

Same as above.

iii. voluntary communications such as Corporate Social Responsibility reporting.

Same as above.

If so, please provide details and a link to the document(s) or a copy of the relevant excerpt.

Links not yet available.

d) Public Policy

Do you engage with policymakers on possible responses to climate change including taxation, regulation and carbon trading? If so, provide details.

Legg Mason, Inc. does not currently engage with policymakers regarding climate change, though we are very conversant with policy issues through our on-going discussions with institutional clients, including 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.

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