

LEGG MASON, INC.
BOARD OF DIRECTORS
AUDIT COMMITTEE CHARTER

I. PURPOSE

The Audit Committee (the “Committee”) shall assist the Board of Directors (the “Board”) of Legg Mason, Inc. (the “Company”) in fulfilling its oversight responsibilities to stockholders, the investment community and others by (1) monitoring the quality and integrity of the financial statements of the Company; (2) monitoring the Company's compliance with legal and regulatory requirements; (3) assessing the independence, qualification and performance of the Company's independent auditors; (4) preparing an audit committee report as required by the Securities and Exchange Commission (“SEC”) to be included in the Company’s annual proxy statement; and (5) assessing the performance of the Company's internal audit function.

While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for preparing the Company's financial statements and the Company's independent auditors are responsible for auditing the annual financial statements and for reviewing the unaudited interim financial statements.

II. COMPOSITION/MEMBERSHIP

- a. The Chairman and the members of the Committee shall be selected by the Nominating & Corporate Governance Committee and appointed by the Board. The Board or the Nominating & Corporate Governance Committee may also, at any time, remove one or more directors as members of the Committee and may fill any vacancy on the Committee, as deemed appropriate.
- b. The Committee shall consist of at least three directors, and shall be composed solely of directors independent of management and the Company. The members of the Committee shall meet the independence and experience requirements of the New York Stock Exchange (“NYSE”), the Securities Exchange Act of 1934, the rules and regulations of the SEC, and any additional independence standards that may be adopted by the Board.
- c. All Committee members shall be financially literate, or must become financially literate within a reasonable amount of time after his or her appointment to the Committee.
- d. At least one Committee member shall have accounting or related management experience, as the Company’s Board interprets such qualification in its business judgment.
- e. Whenever possible, at least one Committee member shall meet the definition adopted by the SEC of an “audit committee financial expert,” as the Company’s Board interprets such qualification in its business judgment. If there is no “audit committee financial expert” meeting the SEC’s definition, the Company will disclose and explain this fact in the Company’s annual proxy statement.
- f. Whenever possible, no Committee member shall serve on the audit committees of more than three public companies. For any who do, the Board shall determine whether such simultaneous service and related time commitments impair the member’s ability to serve effectively on the Committee, and shall take steps to address any related issues, and disclose that determination in the Company’s annual proxy statement.

III. MEETINGS

- a. The Committee shall meet at least 4 times per year.
- b. The Chairman of the Committee will preside at all meetings at which the Chairman is present and will establish agendas for Committee meetings. In the event the Chairman is not present at a meeting and has not indicated otherwise, the Committee members present at that meeting shall designate one of its members as the acting chair of such meeting.
- c. The Committee shall meet separately, periodically, with management, with internal auditors, and with independent auditors.
- d. The Chairman of the Committee may call special meetings of the Committee as circumstances warrant by providing written or telephonic notice to the other members of the Committee at least three (3) days prior to the date of the proposed special meeting. Members of the Committee may attend meetings telephonically when they are unable to attend the meetings in person.
- e. In lieu of a meeting, the Committee may act by unanimous written consent of all Committee members.
- f. A majority of the members of the Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. The action of a majority of the Committee members present at a meeting at which a quorum is present shall constitute the action of the Committee.
- g. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
- h. The Committee shall maintain minutes of its meetings and report on its activities to the Board at each regular meeting of the Board. Such minutes shall be filed with the Company's books and records.

IV. AUTHORITY

- a. The independent auditors and internal auditors shall report directly to the Committee.
- b. The Committee shall have the authority to retain consultants, legal counsel and other advisors to assist the Committee in fulfilling its duties and responsibilities. The Committee will obtain advice and assistance from outside legal, accounting or other advisors as it deems necessary, and, shall have the authority and responsibility to negotiate and approve the fees and other engagement terms of such experts and to direct the payment of fees by the Company to such experts.
- c. The Company shall provide for appropriate funding, as determined by the Committee, for payment of: (i) compensation to any independent auditors for the purpose of preparing or issuing an audit report or performing other services for the Company; (ii) compensation to any advisors employed by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
- d. The Committee may form and delegate authority to subcommittees when appropriate in compliance with applicable SEC rules.

V. RESPONSIBILITIES

In carrying out its responsibilities, the Committee believes its policies and procedures should be reviewed periodically, in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to ensure an appropriate environment for quality financial reporting and ethical behavior.

The Committee shall make clear to the independent and internal auditors as well as the Company's management that if, at any time, matters come to their attention which they believe should be communicated to the Committee, such matters should be communicated immediately to the Chairman of the Committee. When any Committee member learns of information that he or she believes should be communicated to the Board, he or she shall promptly notify the Chairman of the Committee.

In carrying out its responsibilities, the Committee shall:

- a. Financial reporting
 1. Review and discuss with management and the independent auditors, as needed, the Company's annual audited financial statements and unaudited quarterly financial statements, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" before they are filed in a Form 10-Q or 10-K.
 2. Discuss with management a draft of press releases regarding results of operations, as well as general policies on earnings guidance provided to analysts, rating agencies and the general public. Review any relevant items with management and the independent auditors prior to the release of any such press releases or earnings guidance.
 3. Prepare/approve an audit committee report as required by the SEC to be included in the Company's annual proxy statement. This report shall state whether the Committee completed the following:
 - i. Reviewed and discussed the annual audited financial statements with management;
 - ii. Discussed with the independent auditor the required communication matters under applicable standards;
 - iii. Received independence disclosures from the auditor as required under applicable standards; and
 - iv. Recommended to the Board that the audited financial statements be included in the Company's annual report (Form 10-K).
 4. At least annually, receive from and discuss with the independent auditors and management, separately or together as determined by the Committee, a report on (1) all critical accounting policies and practices to be used; (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and (3) other material written communications between the independent auditors and management of the Company, including any schedule of unadjusted audit differences.

5. Meet, at least annually, with management to discuss, as appropriate, significant accounting accruals, estimates and reserves; litigation matters; management's representations to the independent auditors; new or proposed regulatory accounting and reporting rules; any significant off-balance sheet transactions and special purpose entities; and any significant financial reporting issues or judgments disputed with the independent auditors.
 6. Review significant accounting and reporting issues, including significant, complex or unusual transactions and recent professional and regulatory pronouncements, and their impact on the Company and its financial reporting. This includes any actual or proposed changes in accounting or financial reporting practices.
 7. Discuss the risk of fraud with management, internal audit and the independent auditors, as well as the implementation of fraud controls. Also obtain assurance from the Company's independent auditors that they have complied with their obligation to identify and report fraud in connection with their audit of the financial statements of the Company.
- b. Controls
1. Review disclosures by the Company's CEO and CFO during the certification process for the SEC Form 10-K and 10-Q about any significant deficiencies in the design or operation of internal controls over financial reporting or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls. Also review and discuss management's evaluation of the adequacy of disclosure controls and procedures and internal controls over financial reporting, including attestations of such by the independent auditors.
 2. Discuss with the Company's independent auditors, the Chief Audit Executive and management the adequacy and effectiveness of the Company's internal auditing, accounting and financial controls, and elicit any recommendations for improvement.
- c. Independent Auditors
1. Engage the independent auditors of the Company to conduct the examination of the books and records of the Company and its affiliates, and terminate any such engagement if circumstances warrant. The Committee shall have the sole authority to approve all of the independent auditors' audit and non-audit engagement fees and terms.
 2. Provide oversight of the work of the independent auditors and resolution of disagreements between management and the independent auditors regarding financial reporting.
 3. At least annually, obtain and review a report by the independent auditors describing: (1) the independent auditors' internal quality-control procedures; and (2) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities (including the results of the annual inspection of the Public Company Accounting Oversight Board),

within the preceding five years, respecting any independent audits carried out by the firm and any steps taken to deal with any such items.

4. Pre-approve all audit services and permissible non-audit services provided by the independent auditors; provided that, in unusual circumstances, the Committee may approve de minimus services after they have been provided. The Committee may delegate pre-approval authority to the Chairman of the Committee, who shall notify the full Committee at its next scheduled meeting as to all pre-approvals made since the previous meeting.
 5. At least annually, receive reports from the Company's independent auditors regarding the auditors' independence from management and the Company (including the identification of all relationships between the independent auditors and the Company), discuss such reports with the independent auditors, consider whether the provision of non-audit services by the independent auditors is compatible with the auditors' independence, and, if determined by the Committee, recommend that the Board take action to satisfy itself of the independence of the auditors.
 6. Meet with the Company's independent auditors and management to discuss the scope of the proposed annual audit (and related quarterly reviews), key risk areas and the audit procedures to be followed, including any subsequent material changes. Also review with the independent auditors any audit problems or difficulties and management's response.
 7. Evaluate the performance of the independent auditors and lead audit partner, and report its conclusions to the Board.
 8. Set hiring policies that conform to applicable SEC or other external guidelines for employment by the Company of employees and former employees of the independent auditors.
 9. Discuss with the Company's independent auditors and management information relating to the auditors' judgments about the quality, not just the acceptability, of the Company's accounting principles and matters identified by the auditors during interim reviews, including the handling of proposed adjustments. Also, the Committee shall discuss the results of the annual audit and any other matters that may be required to be communicated to the Committee by the Company's independent auditors under generally accepted auditing standards.
- d. Internal Audit
1. Approve the appointment or replacement of the Chief Audit Executive.
 2. Review the internal audit function, including organization reporting lines, the evaluation of the Chief Audit Executive, and approve the proposed audit scope for the year, including coordination with the independent auditors. The Committee shall also review internal audit's charter and staffing and approve the long-range internal audit plan as well as review periodic progress reports.

3. Receive from the Chief Audit Executive a summary of findings from completed audits (and management's response) and a progress report on the proposed internal audit plan with explanations for any deviations from the original plan.
- e. Compliance
1. Establish procedures for (1) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (2) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
 2. Review with the Company's general counsel legal matters that may have a material impact on the financial statements and the Company's compliance with laws and regulations.
- f. Other
1. At least once per year receive an enterprise risk management report from the Company's Chief Risk Officer and review and discuss with management policies with respect to business and investment risk identification, risk assessment and risk management.
 2. In consultation with the Nominating and Corporate Governance Committee, conduct an annual evaluation of the performance and effectiveness of the Committee and report the results of that evaluation to the Board.
 3. Review and reassess the adequacy of this charter annually and recommend any proposed changes of the charter to the Board for approval.
 4. Perform such other functions as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions, or as may be delegated to it from time to time by the Board.

Adopted by the Board on 1/20/04 and amended 1/23/07, 10/28/08, 4/27/10, 4/22/13 and 4/27/15