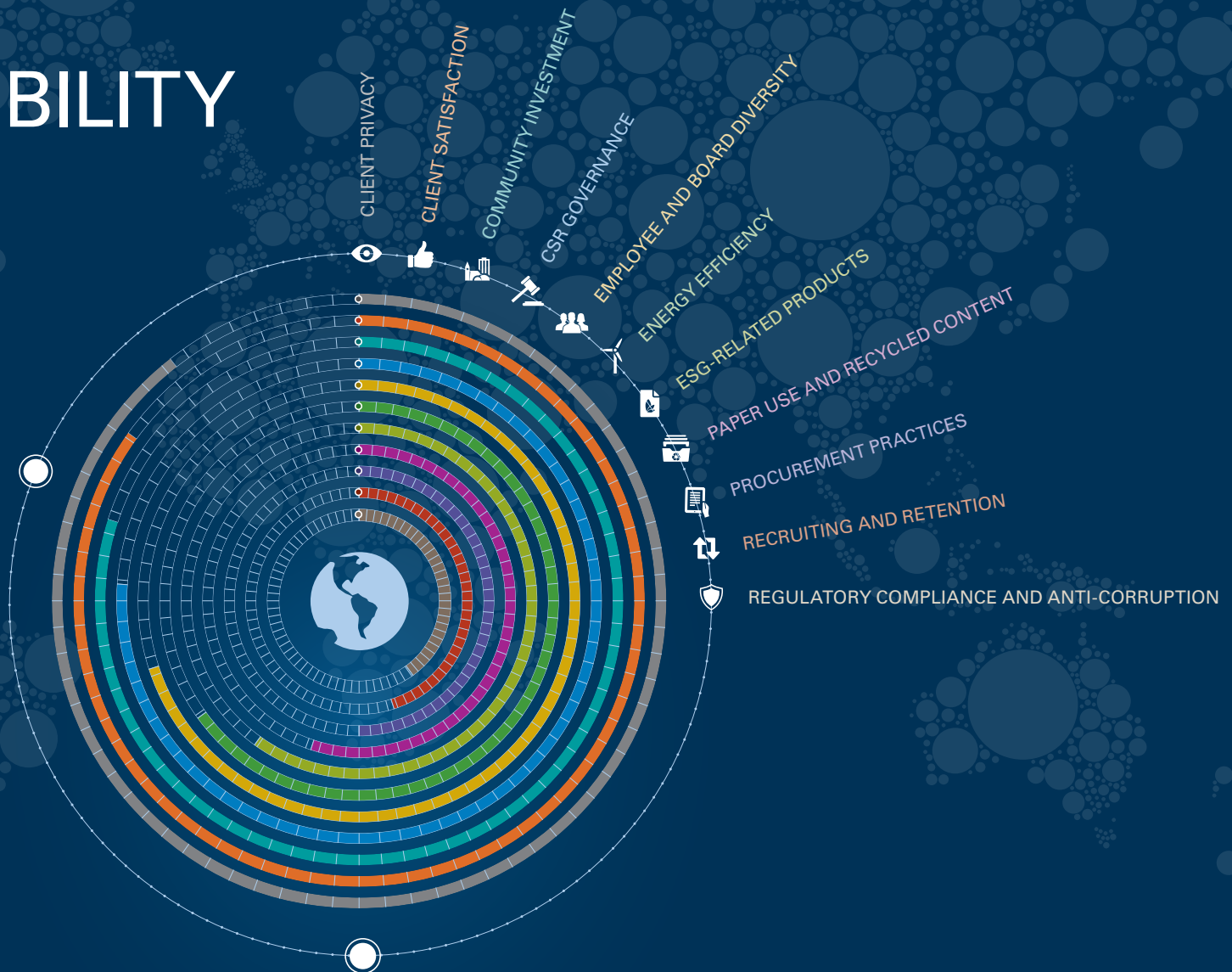


CORPORATE SOCIAL
RESPONSIBILITY



Investing to improve lives

ABOUT LEGG MASON

Since its founding in 1899, Legg Mason has evolved into one of the world's largest asset management firms. We have a local presence around the globe, serving individual and institutional investors across six continents.

We strive to be a great global company in the asset management business that, through investing, meaningfully impacts the lives of all the constituencies with whom we interact. This mission ties together our people, our culture and our business model in pursuit of delivering exceptional results for our stakeholders.

Legg Mason is a public company that provides clients with a broad spectrum of equity, fixed income, liquidity and alternative investment solutions. Our multi-Affiliate model brings together some of the world's best independent investors and allows them to pursue innovation and creativity that is fostered by their unique cultures. Each Affiliate operates with investment autonomy, pursuing its own investment philosophy and process, while maintaining its own management team and investment culture. As the parent company, Legg Mason leaves investing to the experts at our Affiliates. We support their growth through world-class core strategic services that include global retail distribution, capital management, and fiduciary and governance oversight.

For a complete description of our Affiliates, visit our Annual Report and click the "Affiliates" link on the left side of the page.

28 years

How long Legg Mason has been working in the ESG space through its Affiliates

14%

of our FY2015 long-term assets under management were invested in ESG/SRI products/investment strategies, screening processes or a combination of all three.

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Legg Mason and our Affiliates are committed to responsible corporate citizenship, starting from the simple premise that if the business does the right thing, Legg Mason will earn strong results that will serve all of our constituencies. Our corporate and Affiliate colleagues actively engage on sustainability issues by taking positive steps to protect the environment and serve local communities.

From an investing perspective, we also understand the relevance of environmental, social and governance (ESG) factors to well-run companies and to the long-term health and stability of the markets. Through our Affiliates, Legg Mason has been investing in the ESG space for close to 30 years, and as of March 31, 2015 approximately 14% of our total long-term assets under management were invested specifically in ESG strategies.



Fixed income

Royce&Associates

Small-cap equity



Systematic investment solutions



Global alternative funds-of-funds



Active equity specialists



Quality-focused equity



Global value investing

ABOUT THIS REPORT

Welcome to Legg Mason's 2015 Corporate Social Responsibility (CSR) Report.

We are proud to share our progress in translating our values into actions that positively impact our stakeholders, our communities and the environment. This report introduces several important changes in our approach to CSR reporting, including a materiality assessment we conducted this past year. We are reporting in alignment with the Global Reporting Initiative (GRI) G4 framework, and an index can be found on page 22.

Reporting time frame

We are now publishing our CSR report on a fiscal-year rather than a calendar-year basis. This report documents our performance from April 1, 2014, to March 31, 2015. We believe that this updated reporting cycle allows internal stakeholders and investors to collect CSR data much more efficiently and view sustainability data side by side with financial and operational data.

Scope

For fiscal year 2015, the majority of the metrics we report still reflect Legg Mason's corporate performance where we have the most control and the most available and reliable data. However, we are pleased to state that this report includes more coverage of Affiliate companies than previous reports. To the extent that our business model permits, we will continue to collect information that captures activities and results across our Affiliates.

2015 CSR HIGHLIGHTS

Organization



Named CFO Pete Nachtwey as the new Executive Sponsor of Legg Mason's Environmental Sustainability Council.



Conducted our first CSR materiality analysis, identified our most material topics and defined new key performance indicators (KPIs) important to Legg Mason and our stakeholders.



Added Scotland-based Martin Currie to our portfolio of independent Affiliate organizations in October 2014. Led by CEO Willie Watt, Martin Currie applies ESG criteria consistently across its investment products.



Deepened our mission to *Investing to Improve Lives*, which ties together our people, our culture and our model, in pursuit of delivering exceptional results for our stakeholders.



Received Ethisphere's Anti-Corruption Program Verification, reflecting our long-standing commitment to anti-corruption-related ethics and compliance programs and practices.



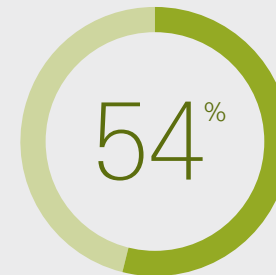
Our Affiliate ClearBridge Investments launched a Sustainability Leaders Fund on April 1, 2015. The strategy invests in equity securities that meet specific ESG criteria.

Performance

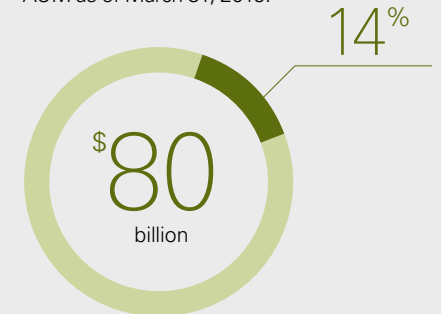
Attained a position on CDP's Climate Disclosure Leadership Index for the third year, with scores of:

99 for disclosure and B for performance

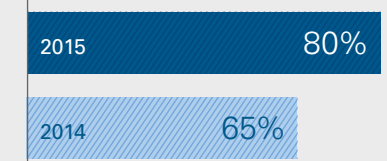
With a 54% decrease in scope 1 and scope 2 emissions against our 2007 base year, Legg Mason is on target to achieve our stated goal of reducing our emissions by 50% by the year 2020.



Increased combined AUM of our Affiliates' ESG/SRI strategies to more than \$80 billion, or approximately 14% of our total long-term AUM as of March 31, 2015.



Increased our Charitable Foundation's funding of educational programs — with a focus on underserved youth — from 65% to 80%.



LETTER FROM PETE NACHTWEY, CFO



Executive Sponsor of Legg Mason
Environmental Sustainability Council

At Legg Mason, Corporate Social Responsibility is more than our ESG investment capabilities — it's about how we conduct our business.

There's no doubt that more investors each day are coming to believe that focusing on ESG principles can help deliver what everyone wants: strong, risk-adjusted performance over the long term. Investors of all types, led by public pension funds, are embracing investment portfolios that consider each company's ESG performance and aim to deliver competitive returns, with relatively low risk and a positive social impact. Right behind the public pension funds is the Millennial generation, who tell us in survey after survey that they want their investments to reflect their personal values.

This new generation of employees also cares deeply about environmental and social issues. They aspire to participate in a more diverse workforce, work for a company that invests in professional development, and they embrace sustainability initiatives and community service. Legg Mason continues to identify opportunities to make local investments to lift people up — and to better the communities in which we live and work.

There's an entire base of stakeholders, particularly outside the US, but increasingly in the US, who look to a company's good governance grades before they invest. As a public company CFO, I pay attention to that trend. More importantly, well-managed companies that exhibit strong governance are likely to be successful, long-term investments.

This year, we took a fresh look at our overall CSR strategy to ensure that it aligns with our business strategy, as well as a diverse stakeholder base that includes clients, investment managers, Affiliates, shareholders, our Board, employees and regulators. We also introduced a number of new key performance indicators drawn from industry best practices to give our stakeholders a clearer picture of our values in action.

Our Affiliate managers use a host of screening processes, investment strategies and dedicated ESG products to channel \$80 billion, or 14% of our overall long-term assets under management (AUM) (as of March 31, 2015), toward investments that integrate ESG criteria.

We also considered how our CSR strategy could continue to evolve to improve our business performance and extend our social impact. This is consistent with our mission, *Investing to Improve Lives*, which, as our Chairman and CEO Joe Sullivan stated in our 2015 Annual Report, "ultimately ties together our people, our culture and our model, in pursuit of delivering exceptional results for our shareholders."

As asset managers, our Affiliates' opportunities exist to bring even greater CSR focus to the investment side of our business. To that end, they are using proven ESG screening methodologies and analytics to identify and, ultimately, fill gaps in our portfolio of ESG products.

We are also taking important steps to engage with our Affiliates to build a more unified reporting strategy that brings together such corporate functions as product development, real estate, procurement, marketing and distribution to collect CSR data across Legg Mason and our Affiliates. We will continue to

align our social and community investments — most prominently with youth education — through the Legg Mason Charitable Foundation. Additionally, we support health and human services, arts and culture and environmental protection through volunteerism, sponsorship and employee board service. We also continue to champion diversity and inclusion across Legg Mason and educate employees throughout our network about the important position CSR occupies in Legg Mason's overall mission, value system and business strategy.

I'm proud of the terrific CSR platform Legg Mason has created — and continues to improve. Legg Mason and our stakeholders consider this important work, and I'm personally excited to engage with my colleagues across our Firm to advance our efforts and deliver results.

A handwritten signature in black ink, reading "P. Nachtwey".

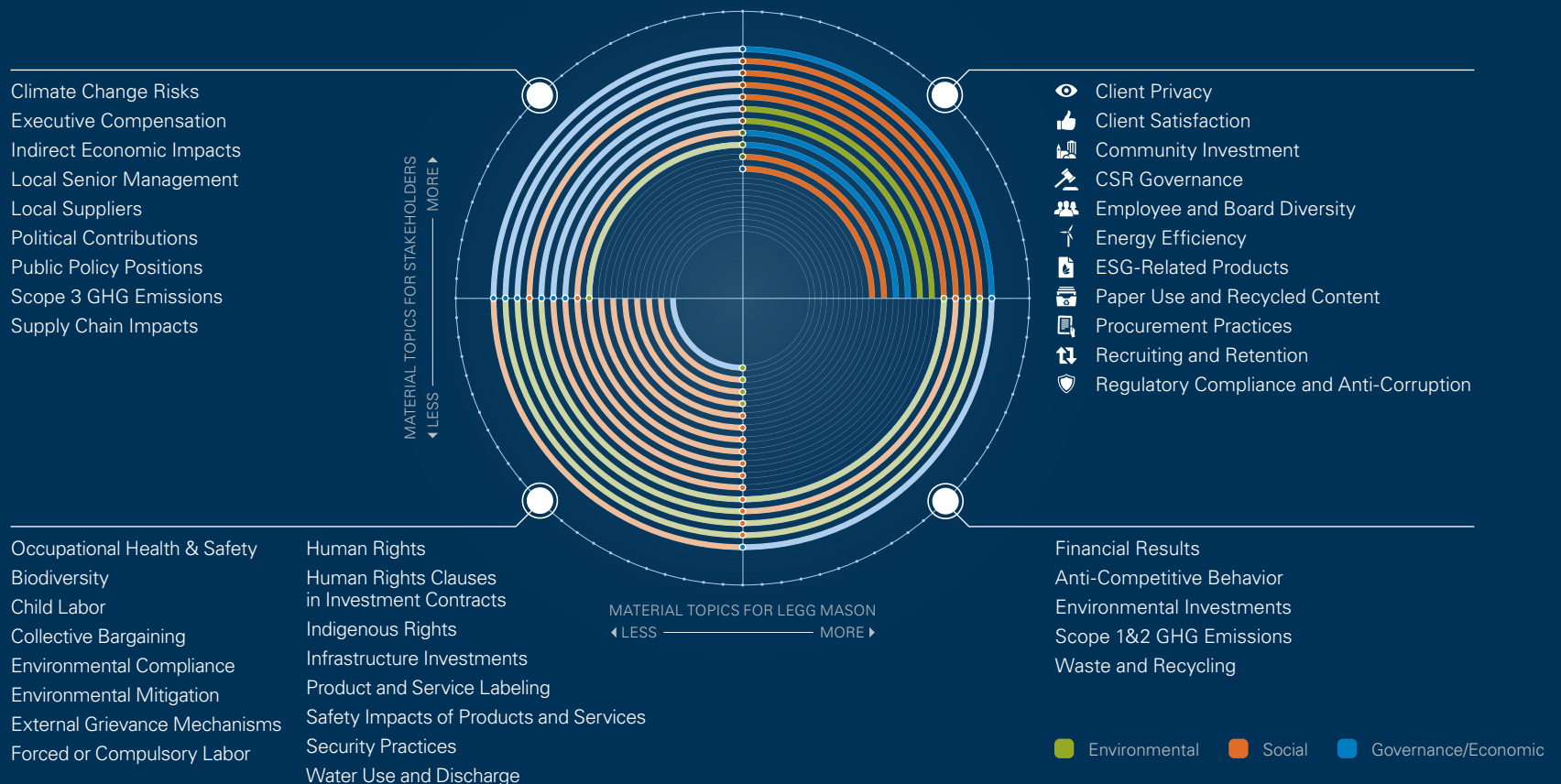
Pete Nachtwey, CFO

MATERIALITY ASSESSMENT TOPICS

We are adapting our reporting to reflect current industry thinking around CSR, and have chosen to disclose those issues most important to our stakeholders and Legg Mason.

For us, materiality means embracing not only widely-held stakeholder values like addressing climate-related risks and ascribing to United Nations Human Rights Principles, but also specific business and investing practices like workplace diversity and ESG investing that advance the interests of Legg Mason and our clients. We have determined the importance of these topics by performing a materiality analysis, which was completed toward the end of our fiscal year 2015.

To develop these topics, we reviewed common CSR reporting guidelines, including GRI's G4 aspects, and the communications of peer institutions, to identify best practices as well as applicability to Legg Mason. We then evaluated these topics in terms of their importance to stakeholders and company operations, respectively. The resulting matrix below shows our most material topics in the upper-right quadrant.



MATERIALITY ASSESSMENT TOPICS

After determining the CSR topics most relevant to our business, we identified corresponding KPIs to measure our progress and performance on these issues. This resulted in the development of more KPIs than we have reported in previous years. (With the exception of the ESG AUM metric, which is sourced from Legg Mason's Affiliates, all other KPIs are sourced from Legg Mason corporate.)

We then consulted with internal Legg Mason stakeholders and subject matter experts to develop and refine the materiality matrix and relevant KPIs.

For the past five years, we have collaborated with Ceres, an organization that works with companies to improve their sustainability performance. In partnership with Legg Mason, Ceres brought together a diverse group of independent external stakeholders representing state and local government, peer financial institutions, faith-based organizations, and members of environmental and sustainability NGOs. We shared our materiality matrix, KPIs and 2015 report outline with these stakeholders, and solicited their insights into our ESG risk management, financial performance, human rights disclosures and other topics relevant to our reporting.

Our stakeholder engagement work is ongoing, and we continue to focus our report's content. While we have not yet developed goals for all of our material topics, we are working to include a number of these in our future reports.

Key Performance Indicators (KPIs)

Click page numbers at right to navigate to details on each topic.



Client Privacy

No KPI associated with this material topic as of March 31, 2015.



Client Satisfaction

No KPI associated with this material topic as of March 31, 2015.



Community Investment

17-18

Foundation grants, volunteerism hours, fundraising



CSR Governance

No KPI associated with this material topic as of March 31, 2015.



Employee and Board Diversity

14

Employee diversity: Age bands, **Board diversity:** Minority representation



Energy Efficiency

19-20

Absolute energy use and GHG emissions



ESG-Related Products

10-11

Total assets from investments that integrate ESG criteria (AUM)



Paper Use and Recycled Content

21

Total paper purchased, normalized use by FTEs, % recycled/shredded, % FSC-certified, % of clients who chose to go paperless, total volume of paper printing outsourced



Procurement Practices

21

Paper \$ spend following enhanced RFP process, Printer supplies \$ spend following enhanced RFP process



Recruiting and Retention

13-14

Retention: Employee turnover and length of service, **Recruiting:** Professional training & development



Regulatory Compliance and Anti-Corruption

16

Compliance & anti-corruption training hours

CSR GOVERNANCE



At Legg Mason, CSR is an everyday commitment reflected in the thoughts and actions of nearly 3,000 employees worldwide.

This program benefits from the focus and direction of the Legg Mason Environmental Sustainability Council. This global council brings together professionals from Legg Mason corporate and our Affiliates.

Corporate representation includes:

- Corporate Communications
- Corporate Real Estate
- Corporate Social Responsibility
- Enterprise Risk Management
- Finance
- Global Distribution
- Global Marketing
- Human Resources
- Investor Relations
- Legal & Compliance
- Procurement
- Technology

Under the leadership of Executive Sponsor Pete Nachtwey, Council Chair Alan Magleby, and Corporate Social Responsibility (CSR), the Environmental Sustainability Council develops new initiatives, engages our workforce, and gathers, measures and communicates results. The council also collaborates with Legg Mason's Diversity and Inclusion Leadership Council to build and maintain a workforce that values diversity, feels empowered and can respond to societal changes.

In the year ahead, our Environmental Sustainability Council will work to introduce an environmental sustainability policy. The council will also continue to strengthen our CSR program by improving our data-gathering process and expanding our educational initiatives.

Legg Mason Environmental Sustainability Council Members from our Baltimore office



OUR CLIENTS

Through our Affiliates and predecessor companies, Legg Mason was among the first asset managers globally to offer investment products that meet measurable ESG standards. This focus has strengthened Legg Mason's business performance, bolstered our CSR commitment and expanded our economic and social impact.

ESG Investing

At Legg Mason, we believe that we have the breadth and depth of investment expertise to help investors meet their goals, and ultimately to help improve lives, whether we invest for an individual saving for retirement or an endowment seeking to grow. Our history in ESG investing represents the most tangible connection between our CSR initiatives and our business strategy.

ESG performance is a growing concern for investors around the globe. Increasingly, large institutional investors are focusing on the long term and expect investment managers to

look more closely at a host of ESG risks. For example, pension funds outside of the U.S. are now required to disclose the role ESG analysis plays in the investment process, putting more pressure on ESG risk analysis domestically. And in the retail arena, a new generation of investors has grown up with an environmental and social focus, and many of them seek to align their financial goals with their personal values. As a result, investors around the world have now invested nearly one-eighth of all assets under management, or \$3 trillion, in strategies with a sustainable focus.¹

¹ Source: 2014 US Sustainable, Responsible and Impact Investing Trends 2014, p. 13.

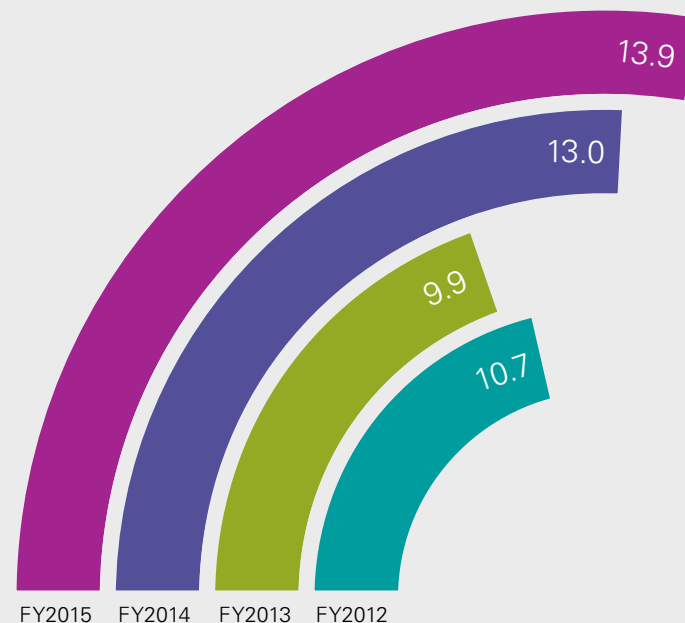


ESG-Related Products

A Growing ESG Portfolio

Legg Mason's focus and commitment has led to steady growth in our total ESG portfolio.

ESG AUM as % of long-term AUM



* Long-term AUM excludes liquid assets.

ESG products and services

Several of our Affiliates consider ESG screening an active and necessary discipline, and this analysis is integrated as appropriate into our fundamental research and stock selection processes. These Affiliates look to invest in companies whose strong performance records in environmental and product safety, workforce diversity, employee retention and strong corporate governance can positively impact future shareholder value.

In addition, our product development teams study the evolving interests of investors, and respond with innovative new ESG investment strategies. Currently, six Legg Mason Affiliates offer ESG strategies or apply proprietary ESG screens when evaluating potential investments.

ClearBridge Investments

Since 1987, ClearBridge Investments and its predecessor firms have managed an ESG program that combines rigorous fundamental analysis with meaningful corporate engagement. Today, this program is supported by 30 portfolio managers and 24 fundamental research analysts. In 2015, it launched the ClearBridge Sustainability Leaders Fund, which invests in equity securities that aim to achieve long-term capital growth while meeting specific ESG criteria.

Martin Currie

Legg Mason's fiscal year 2014 acquisition of Martin Currie expands our ESG footprint. The Scotland-based firm believes governance and sustainability factors can have a material impact on a company's cash flows, balance sheet, reputation and, ultimately, corporate value. It fully integrates governance and sustainability analysis to identify strong management teams, understand their motivation and determine whether their interests are aligned with the long-term interests of minority shareholders. It also actively engages with a range of issues that has recently included remuneration and pay-for-performance models, compliance with the Japanese Corporate Governance Code and disclosure of risks associated with geologic fracturing. Martin Currie works to ensure that its sales and client service managers are fully equipped to communicate to clients the benefits of sustainability.

This perspective has proven especially valuable as Martin Currie evaluates companies in emerging markets, where corporate governance standards are often complicated and hard to decipher. By engaging actively with management teams, Martin Currie identifies companies where sustainable business models, governance and ownership structures, regulatory compliance and successful talent development can create sustainable competitive advantage and long-term corporate value.

Western Asset

Western Asset believes that ESG issues can affect the performance of fixed income investment portfolios. Accordingly, it incorporates ESG issues in investment analysis and decision-making as a matter of good investment principles. Since 1986, it has built customized portfolios screened to include and exclude securities or investments based on specific socially responsible investing (SRI) parameters.

Brandywine Global

With over 20 years of experience managing to ESG parameters, Brandywine Global has helped many institutions tailor ESG solutions to reflect their unique set of ethical investment standards and pursue attractive relative returns over the long term. It recognizes that a company's or country's ESG success can play an instrumental role in fostering long-term success for investors. Brandywine Global incorporates ESG screens and qualitative ESG analysis in the pursuit of a successful value-investing process and currently manages to ESG parameters in equity and fixed income portfolios.

Permal Group

Permal Group (Permal), a leading global alternative asset manager, assesses the long-term sustainability characteristics of its investment mandates and those of the funds it selects. As part of its due diligence process, Permal asks underlying managers to complete a pre-meeting questionnaire which asks if the manager complies with Environmental, Social and Corporate Governance principles/guidelines.

QS Investors

QS Investors (QS), another fiscal year 2015 Legg Mason acquisition, applies "negative screens" for large pension fund clients. It also has an active ESG strategy seed funded by Legg Mason.

Principles for Responsible Investment

In addition to these representative ESG programs, our ClearBridge, Martin Currie and Permal Affiliates are signatory institutions of the United Nations-supported Principles for Responsible Investment (PRI). As signatories, they have publicly committed to adopt and implement the six principles where they are consistent with their fiduciary responsibilities. They also commit to evaluate the effectiveness and improve the content of the principles over time, and encourage their adoption by other investors. The PRI initiative has quickly become the leading global network for investors to publicly demonstrate their commitment to responsible investment, to collaborate and learn with their peers about the financial and investment implications of ESG issues, and to incorporate these factors into their investment decision-making and ownership practices.



Mary Jane McQuillen
*Managing Director,
Portfolio Manager,
Head of Environmental,
Social and Governance
Investment*
ClearBridge Investments

ClearBridge Investments' approach to ESG investing

A pioneer in ESG investing since 1987, ClearBridge ranks among the first — and largest — mainstream investment managers to commit to sustainable investing.

ClearBridge Investments manages assets for institutional and retail clients who are seeking to meet both performance and impact objectives in their public equity allocation. ClearBridge applies ESG integration at the fundamental research level, active company engagement and shareholder advocacy.

ClearBridge takes a different approach to ESG investing than most of its peers. ClearBridge's centralized research platform has a process that integrates ESG factors by sector and assigns internal ESG ratings per company. The quality and depth of the ESG research is part of the analyst performance review and compensation structure. Both the fundamental analysts and portfolio managers may include ESG factors in their valuation process as appropriate. ClearBridge analysts then use a proprietary ESG research process to consider

how a company's approach to E, S, and G can either exacerbate or diminish its overall risk in the long-term. In addition to the rigorous financial analysis for an investment candidate, the internal ESG ranking assigned to each company helps inform the portfolio managers in the portfolio construction process. This proprietary approach also allows ClearBridge to not rely on exclusionary third-party lists, and rather, to identify quality companies whose sustainability practices may be potentially undervalued for future competitive opportunities and growth potential.

The company engagement due diligence by the sector analysts is a key part of the ongoing ESG approach — to advocate for positive changes in the environmental, social and governance aspects of the company's operations, products and services. Within governance, for example, the analysts will assess the shareholder value from a company's capital allocation policies and use of cash. The progress that the companies make on each of the factors will be measured by the analysts in terms of impact, and incorporated into the overall ESG rating.

The ClearBridge investment process provides clients with equity-focused strategies in a number of investment vehicles (separate accounts and a mutual fund), and styles (growth, value, U.S. international, etc.), combined with personalized, value-added client service. It currently offers ESG strategies that support three investment objective options: generate reliable income, protect assets, and actively manage investment positions to optimize returns. Clients can also request customized screens, for example: specific faith-based guidelines.



OUR CLIENTS

ESG practices at Legg Mason

We attract and retain investors by making relevant products and strategies — including ESG — available to them on a global basis. In recent years, we have made strategic investments that have expanded our capabilities, introduced innovative products that align with current trends and projected future demand, and improved our ability to address global investment opportunities. And by proactively managing risk, our goal is to deliver compelling investment returns that help clients and Legg Mason shareholders reach their long-term goals.

Risk management

Sound governance and risk management practices help Legg Mason attract and retain clients, employees, potential investors and new Affiliate organizations. We maintain an active, independent and increasingly diverse Board, and take an enterprise-wide approach to actively managing a broad range of risks — from contract compliance, to client privacy, to corruption and bribery. (Visit our [Corporate Governance](#) page.) For example, we perform our asset management services under increasingly complex contracts with investment funds. We have established specific administration processes to ensure compliance — processes that help protect both our reputation and our assets under management.

Legg Mason's CSR and ESG investment risk management activities are independently overseen by the Company's chief risk officer, who leads the Enterprise Risk Management

Group. This group's risk management activities are monitored by the Risk Committee of Legg Mason's Board of Directors. Legg Mason Enterprise Risk Management uses a disciplined process supported by the entire organization designed to identify and plan for potential risk events that may materially affect the Company.

Management has embedded risk management activities into processes and procedures at Legg Mason and across our Affiliates. These activities are integral to our internal control structure and contribute to operating effectiveness. For example, Affiliates actively manage risks associated with ESG investing by applying proprietary ESG screening processes when reviewing investment opportunities.

Ethics and integrity

Our "No Chalk" approach to ethics and integrity is deeply embedded in our culture. It expresses the expectation that all Legg Mason employees conduct business well within the boundaries, never nearing the chalk lines that mark unethical territory. It keeps us well inside the boundaries for ethical behavior, mandating that we interact with our clients fairly and in good faith and never even appear to compromise personal ethics or integrity. We support our "No Chalk" standard through robust training programs across corporate and our Affiliates.



Proactive cybersecurity policies and investments

As the threat of cyber-attack continues to grow, data security is becoming increasingly important to investors — and to the U.S. Securities and Exchange Commission (SEC). Legg Mason's cybersecurity policies, procedures and capabilities help us provide secure processing, storage and transmission of confidential information. We also take proactive measures and modify our approach as circumstances warrant and invest resources as necessary. For example, in 2015, we established a new two-factor authentication program that requires employees to enter a special code sent to their mobile device to gain remote access to the Legg Mason network. Our Global Information & Business Solutions Security Awareness Team also introduced a Firm-wide network security training program to help employees understand, identify and report network threats. These and other proactive investments are necessary to keep Legg Mason and client data safe.



Ethisphere verifies Legg Mason's ethics & compliance practices

In 2014, Legg Mason engaged NYSE Governance Services to provide a third-party evaluation of our internal ethics and compliance program. The analysis concluded that Legg Mason's program aligns with best practice standards — and that we are strongly committed to its success. The evaluation also commended us for our strong written standards, well-structured program, strong senior leadership access and commitment, and close coordination between our internal audit and global compliance functions. As a result, it awarded Legg Mason Ethisphere Anti-Corruption Program Verification in June 2014.

PEOPLE AND COMMUNITY

For today's employees, workplace and job dynamics, as well as their lives off the job, contribute directly to job commitment, performance, retention, client relationships and revenues.

Legg Mason is deriving strategic value from workplace initiatives that promote efficiency, enhance quality of life, cultivate new leaders, encourage community service and maintain a values-based corporate culture. For the 2014

calendar year, these initiatives supported a low 6.5% voluntary turnover rate for U.S. corporate/distribution employees and a 7.1% rate for global corporate/distribution employees.

ClearBridge Investments

ClearBridge and Western Asset were among the 29 companies included in the *Pensions & Investments* third annual list of the "Best Places to Work in Money Management." ClearBridge was recognized

WESTERN ASSET

for providing an open environment for employees to work, communicate and collaborate. Western Asset was acknowledged for a culture that emphasizes teamwork and a collegial spirit.³

LEGG MASON GLOBAL ASSET MANAGEMENT

16th among medium-sized companies in *The Baltimore Sun's* 2014 "Best Places to Work" survey.¹

Legg Mason and our Affiliates strive to create a workplace culture that encourages creativity, collaboration and achievement. In 2014, Legg Mason and its Affiliates, Brandywine Global, ClearBridge and Western Asset received third-party endorsements as "Best Places to Work."

Brandywine GLOBAL

One of Philadelphia's "Best Places to Work" in the Large Company category. Recognized for its generous benefits program and its efforts to foster a unique, creative and effective work environment.²

• BEST PLACES TO WORK •

¹ Source: "100 Top Workplaces Rankings for 2014," *The Baltimore Sun*, <http://data.baltimoresun.com/top-workplaces-2014/>.

² Source: "Best Places to Work," *Philadelphia Business Journal*, 8/22/2014, <http://www.bizjournals.com/philadelphia/gallery/70521>.

³ Source: "Best Places to Work in Money Management," *Pensions & Investments*, 12/8/2014, <http://www.pionline.com/article/20141208/INTERACTIVE/141209901>.

Diversity and Inclusion

Inclusive workplace policies and practices are material to Legg Mason because they help us attract and retain investment managers and sales professionals with strong track records, diverse perspectives and tremendous drive to excel. Employees across Legg Mason participate in a diverse and inclusive work environment that encourages creative thinking and recognizes and invests in success.

To compete effectively on a global scale, we seek talented professionals who meet Legg Mason's high standards for ethics, integrity and performance. We believe that achieving even greater diversity will only improve our overall performance. It will help us connect with investors and investment managers around the world, and it will enhance our success in creating custom investment products that address widely diverse client needs.

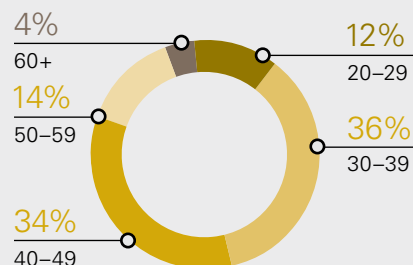
To help foster an inclusive culture, our Diversity & Inclusion Leadership Council sponsors a variety of employee resource groups (ERGs). These employee-led affinity groups encourage employees to share similar interests, embrace diversity and inclusion at Legg Mason, engage in community projects, and develop new networks and job skills.

These ERG engagement opportunities extend to employees across the organization, and over time our efforts to involve them have contributed directly to long employee tenure, low turnover rates and third-party recognition for "Best Places to Work."



Employee and Board Diversity

Total number of employees by age



Diversity of board of directors

11 directors; including
2 minorities & 2 females
10 of 11 directors are independent

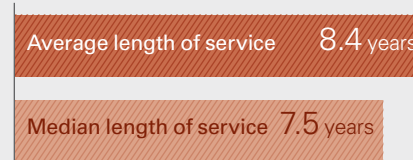
ERG engagement & fundraising

58 Events 1,172 U.S.-based attendees \$35,725 Fundraising

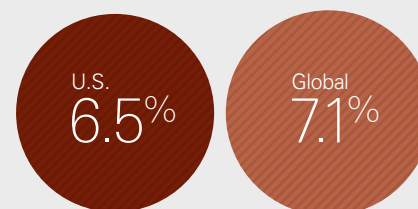


Recruiting and Retention

Average and median length of employment



Voluntary employee turnover



Employees benefit from family friendly policies

Eligible Legg Mason employees benefit from several policies designed to help them fulfill family responsibilities. Employees may receive up to five workdays of Paid Family Leave time at 60% of base salary for a qualifying event. They may also receive up to four weeks of Paid Parental Leave at 50% of base salary. In addition, employees may elect to cover their same or opposite gender domestic partners in Legg Mason's health and welfare plans, including medical, dental, vision, and supplemental life insurance coverage.

Girl Rising event raises awareness

In March 2014, Legg Mason celebrated International Women's Month by focusing on the critical role education plays in creating opportunity and choice for young women around the world. As part of our Diversity & Inclusion Leadership Council's Lecture Series, the WLN screened the captivating film *Girl Rising* for Legg Mason corporate and Affiliate audiences in 10 locations around the world. In all, nearly 250 employees gathered to learn how nine determined girls overcame adversity, poverty and discrimination to seize the education they dreamed about.

Following the screening, viewers discussed their reactions and shared their comments more broadly through an online survey. They used words like "inspirational," "educational," "touching," "powerful" and "thought provoking" to describe how the film brought much-needed awareness to the plight of young women across the globe. They also pledged to take a number of actions, including volunteering time to help girls in need, donating to the Girl Rising organization and arranging for other community members to see the film.

Global professional services ERG goes red for women

Legg Mason's Global Professional Services ERG is proud to support the American Heart Association in its effort to raise awareness and funds for research, diagnosis, prevention and treatment of heart disease. The group led Legg Mason's offices in Baltimore, New York and Stamford in our effort to Go Red for Women. Employees also participated in the American Heart Association's 2014 Baltimore Heart Walk, where Legg Mason ranked 12th overall in fundraising for this important cause.

Legg Mason Employee Resource Groups





Employee training programs

Legg Mason offers employees opportunities to expand their knowledge and cultivate new skills. We are working to improve our ability to accurately track those statistics for inclusion in future reports.

Investments in Thought Leadership

Legg Mason and our Affiliates have built a deep and diverse talent pool that includes many seasoned professionals who are widely respected industry thought leaders, and we encourage them to share their expertise. Legg Mason supported IMPACT® 2014, an important national conference that helps Registered Investment Advisors become

better advocates for their clients, their firms and the industry. As part of her busy annual speaking schedule, our leading ESG expert joined two other investment managers on a panel entitled “Evolution of Socially Responsible Investment.” The invitation-only conference attracted more than 1,900 independent Registered Investment Advisors.

Corporate & Affiliate training

Global Leadership Program

Legg Mason introduced two new global leadership programs in fiscal year 2014 to harness the power of a new generation of employees today — and prepare them for leadership positions tomorrow. Participants in the Leadership Development Program and the Leadership Academy are nominated by their managers and selected by department heads, and their training includes formal workshops, leader assessments, coaching and feedback.

Program participants also engage in intensive capstone projects that tackle real business challenges. For fiscal year 2015, these projects included a pilot Innovation Tournament that surfaced a dozen ideas, including the winning entry, “Virtual Wholesaler,” that are being considered for various distribution channels. Additional projects focused on mergers and acquisitions of Affiliates and explored how knowledge sharing and technology can help build Legg Mason’s “corporate memory.”

Legg Mason Sales Academy

Global Distribution made a strategic investment in a program designed specifically for Legg Mason that will enhance the skills and overall effectiveness of its sales team. The Academy provides in-depth training on key components of the sales process through a combination of lecture, discussion and role play.

Martin Currie Training

Martin Currie has established a process to identify the organization’s best talent and transform these achievers into the next generation of investment professionals. The program gives employees the support, guidance, infrastructure and encouragement they need to achieve excellence.

Feeder-Bench Program

Our Stamford, Connecticut, office created a feeder-bench program to recognize emerging talent and prepare diverse employees to move into sales positions. In fiscal year 2015, the talent bench within U.S. Sales filled 74 positions, 28 of them from internal promotions. Of these promotions, 35% were minorities or women.

HR Training

Harassment & Discrimination Prevention Training is offered every other year. Training metrics for fiscal year 2016 will be included in the next report.

Lean Six Sigma

Legg Mason’s “Compete to Win” initiative is introducing employees to Lean Six Sigma principles. It engaged them in Kaizen events — collaborative exercises promoting continuous improvement — that help make us a more sustainable company. The program, which has trained 450 white, yellow and green belts, focuses on achieving greater efficiency and investing the savings to drive growth.

Board Leadership Program

This award-winning program matches interested Legg Mason professionals with nonprofit board service opportunities in Baltimore, Maryland; New York City; and Stamford, Connecticut. The program also provides board governance training and continual learning forums. Across locations, approximately 30 employees are currently in the program at various stages of the process.

Western Asset Learning & Development

Western Asset offers employees numerous opportunities to advance their skills and industry learning through its Western Asset University program, which provides over 400 online or in-office courses on subjects such as presentation skills, leadership and interviewing, and tutorials on fixed income and bond market nomenclature. Western Asset also sponsors additional talent development programs, including international client-guest training where client employees spend two weeks with Western Asset learning about the fixed income business.

Community engagement

Legg Mason and our nearly 3,000 employees around the world take pride in the many investments we make to improve lives in local communities. In fiscal year 2015, we developed new KPIs that provide greater insight into our commitment to corporate citizenship.

Allocation of corporate resources

At a corporate level, we support various community initiatives that positively impact diverse populations in and around the geographic areas where Legg Mason's largest employee populations reside — Baltimore, Maryland; Stamford, Connecticut; and New York City — and we allocate financial resources accordingly.

Within these communities, we focus our resources on areas that generate the greatest impact for both Legg Mason

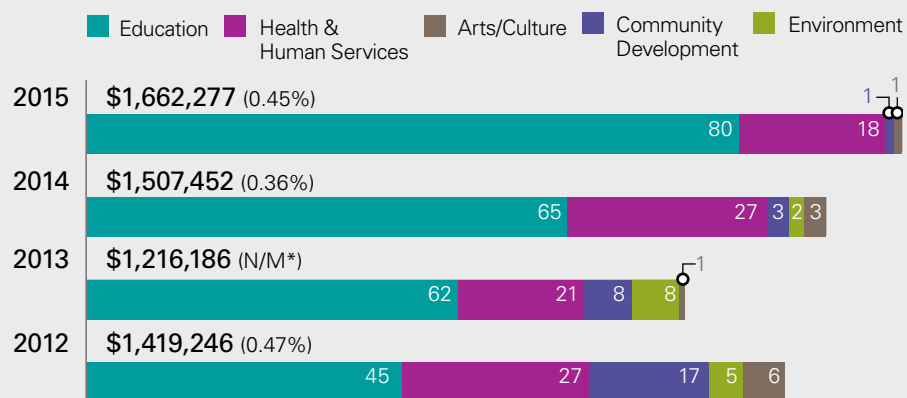
and these communities. In recent years, we have concentrated on supporting educational programs while also funding local environmental initiatives, as well as health and human services programs that help strengthen our economic system and positively impact the length and quality of life. In fiscal year 2015, we increased our Charitable Foundation's educational focus from 65% to 80% of our total outreach and began to direct more funding to programs that provide opportunities for underserved youth. We are targeting areas where research indicates the greatest potential impact — principals, teachers, scholarships, pre-K and after-school programs. We also work to educate youth about the importance of saving for education, saving for retirement and ultimately using these investments to improve quality of life.



Community Investment

Grants made via the Legg Mason Charitable Foundation (LMCF)

\$ Grants and % of pre-tax income



* Fiscal 2013 results included \$734.0 million, or \$3.81 per diluted share, of non-cash impairment charges related to intangible assets.

PEOPLE AND COMMUNITY

Employee volunteerism

Legg Mason and our Affiliates place a high value on volunteerism in our communities, and we encourage our employees to lend their time and talent to organizations across our global communities. The active role they play helps make our philanthropic interests and community outreach successful and sustainable. According to our April 2014 Corporate Citizenship Survey, more than 77% of respondents volunteer more than 16 hours per year with various nonprofit organizations. As we grow internationally, we are committed to finding new ways to involve our staff, clients, suppliers and community partners in helping to make a sustainable difference. Visit our [Facebook community page](#).

Internship and mentoring programs create pathways to success

Legg Mason has established strong partnerships with Big Brothers Big Sisters, Bottom Line, Boys Hope Girls Hope of Baltimore, College Bound Urban Scholars, Cristo Rey Jesuit High School, and Urban

Alliance — community groups that create education, mentoring, and/or employment opportunities for high school students.

In fiscal year 2015, nine students from Baltimore's Patterson High School completed a three-year mentoring program that exposed them to Legg Mason's work environment and introduced them to budgeting, banking, credit and savings practices. Two of these students earned paid internships in Legg Mason's finance and technology departments through Urban Alliance. In addition, one student affiliated with Bottom Line served an internship in Legg Mason's New York office.

Employee-driven support

At Martin Currie, employees spearhead a CSR initiative that creates opportunities to help others, share new experiences, learn new skills, improve health and well-being, and have fun. Every three years, the Martin Currie Charitable Foundation appoints three senior charity partners who lead initiatives to support targeted causes in the United Kingdom, and throughout the world. The

Foundation also makes smaller donations to more than 60 charities and invites staff to work on its behalf to support local needs. Since its launch in 2006, the staff-run Foundation has awarded more than £2.7 million to organizations representing a broad range of focus areas, including health, welfare, international aid, the environment, education, community and culture.

Each year, the Foundation also holds its flagship fundraising event — the Martin Currie [Rob Roy Challenge](#) — at the end of June. Hundreds of participants enter as teams or individuals to walk/run 16 miles and cycle 39 miles along the spectacular Rob Roy Way in the Scottish Highlands.

ClearBridge Investments donates gifts and clothing to more than 500 families via the Children's Aid Society. Employees also support Big Brothers Big Sisters of America and volunteer at the annual American Heart Association Wall Street Run & Heart Walk.

Total volunteering hours (estimated)

FY2014

3,000

FY2015

3,500



ENVIRONMENT

Environmental issues are evolving from relatively minor factors in corporate decision-making to integral drivers of competitiveness.

Early in Legg Mason's sustainability journey, our Environmental Sustainability Council identified opportunities for reduction in energy use, emissions and office supplies as three tangible ways the Firm could boost performance and contribute to a sustainable future. They are material to Legg Mason because these actions save money, increase margins, help improve employee productivity, reduce our climate footprint and enhance our reputation.

Energy and Climate Energy Efficiency

While energy efficiency is an important concern, we have limited control over several important variables that impact our opportunity and performance. Like many other financial services firms, we have minimal physical assets, a limited supply chain and no physical distribution structure. Because we lease all our Legg Mason and Affiliate

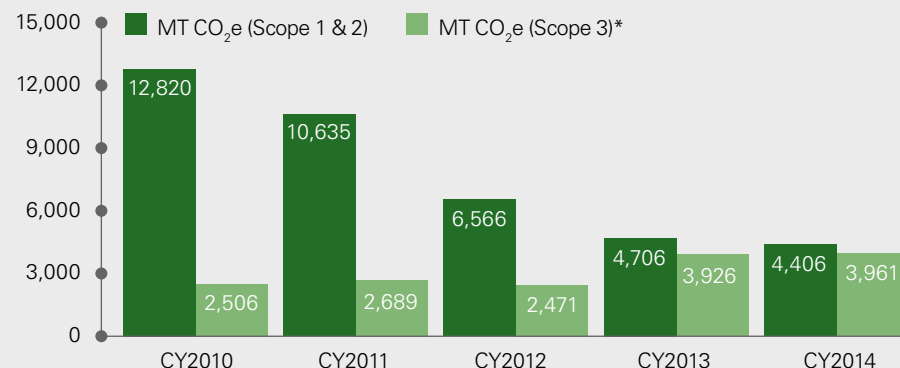
offices, we have marginal influence over existing tenant policies and limited flexibility to implement new programs. Nevertheless, many of the global facilities we occupy utilize efficient building systems. We are also reducing our own energy consumption by occupying less space and by making efficient use of the space we lease. In previous reports, we detailed the LEED® green building program of our Baltimore headquarters, initiatives at our London office and our strategic use of renewable energy credits to procure power from low-carbon energy sources.

For fiscal year 2015, we have expanded our KPIs to include an additional indicator of energy efficiency: Absolute energy use in MWh/joules. This metric demonstrates how our corporate values align with our work in the ESG arena and indicates how our energy efficiency initiatives reduce costs and risks.



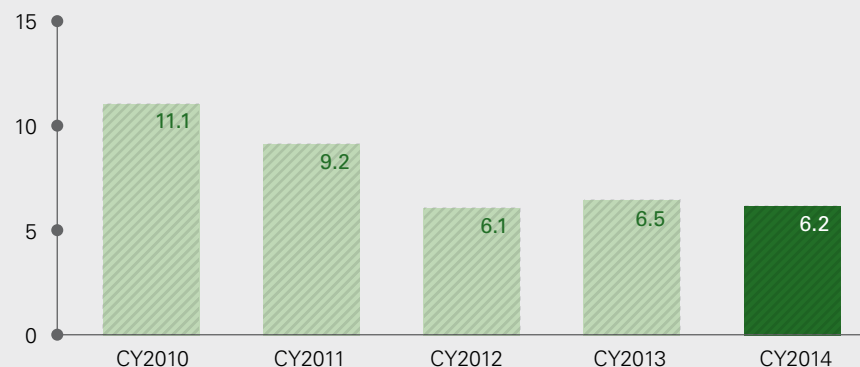
Energy Efficiency

Absolute CO₂e emissions in metric tons

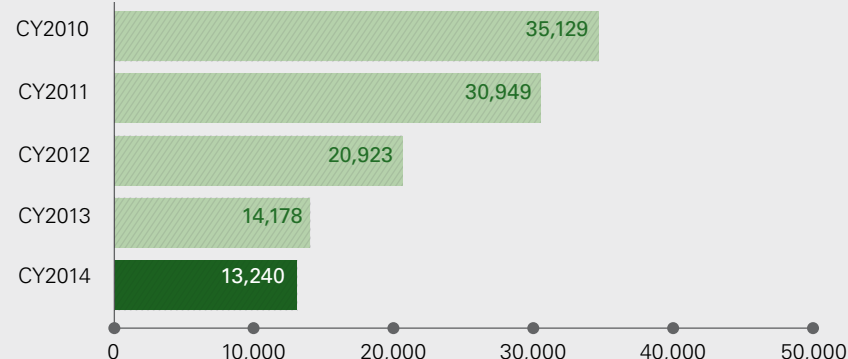


* Scope 3 Emissions boundary was expanded in 2013 to include downstream leased assets (subleased space)

Normalized CO₂e emissions by square footage (Scope 1 & 2)



Absolute energy emissions in MWh/joules



ENVIRONMENT

GHG Emissions

In fiscal 2015, we also continued to address the risk of global climate change by further reducing GHG emissions. From our 2007 baseline, we established an aggressive goal of decreasing total Scope 1 & 2 GHG emissions by 50% by 2020. With a 54% decrease against our 2007 base year, Legg Mason is ahead of schedule.

Scope 3 GHG emissions consist of employee travel and subtenant emissions. We have reduced travel Company-wide by investing

in video conferencing technologies and equipment in all our global locations — and by encouraging employees to use them whenever possible. (For more information on the data used to calculate our emissions, please reference page 8 in our 2013 CSR Report.)

To better understand the impact of our efforts, we have modified our KPIs to include absolute CO₂e use and normalized CO₂e by square footage. These metrics express our total carbon footprint and capture ongoing performance regardless of acquisitions or divestitures.

Three years of climate disclosure leadership

Legg Mason is proud of our seven-year relationship with CDP and of the results we've achieved since 2008. Our ranking in the annual CDP Climate Change Report gives Legg Mason and our stakeholders a clear measure of our commitment, our transparency and our impact.

In 2014, CDP recognized Legg Mason in its Climate Disclosure Leadership Index for the third time. We maintained the B Performance Band we earned in 2013, and improved our CDP disclosure score from 97 to 99, on a scale of 0 to 100. Overall, we ranked 10th out of the 17 financial services companies that responded and ranked in the top 10% of the 337 companies that completed the rigorous reporting process.

Overview of GHG protocol scopes & emission categories*



* Please note: Overview is provided for general context only. Not all categories apply to Legg Mason.

ENVIRONMENT

Recycling and procurement

Comprehensive recycling programs

We also continue to promote and measure other sustainable activities we directly control, including paper use and recycled content, waste and recycling, and more sustainable procurement practices. Year-over-year comparisons are challenging in all these areas because acquisitions and yearly fluctuations in employee headcount skew results.

Paper and printing

Document management is material to Legg Mason because generating and distributing investment information and financial data is integral to our business process. We control consumption by taking full advantage of technologies that enable paperless processes. We achieve the greatest results by advocating electronic communication with clients and other stakeholders, and by encouraging employees and shareholders to access information in digital rather than printed form. When documents must be printed, we optimize our use of recycled paper and print cartridges, default to duplex printing and create larger-scale economies through print outsourcing.

Global recycling

Around the world, employees of Legg Mason and our Affiliates work to limit the amount of waste they produce. They embrace broad-based recycling programs that include not just paper, but batteries, glass and plastic containers, electronic devices and composting of food waste. In fiscal year 2015, we introduced new recycling processes in our Baltimore and London office cafeterias and launched a new employee e-cycling program that makes it easy to responsibly dispose of outdated equipment.

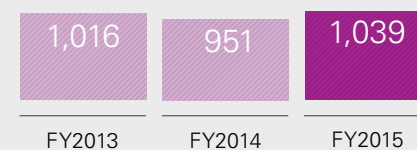
Procurement

Being smarter about what and how we purchase office supplies enables Legg Mason to create efficiencies, reduce our environmental footprint, contribute to local economies and reward vendors for their own sustainable practices. We continue to develop new procurement policies and practices and introduce new metrics to engage vendors and improve our overall results. Legg Mason also factors sustainability performance into the vendor selection process. We ask all existing and prospective corporate-level suppliers to provide sustainability metrics based on annual volume/actual spend.



Paper Use and Recycled Content

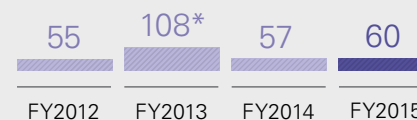
Total paper purchased (tons)



Total paper printing outsourced (tons)

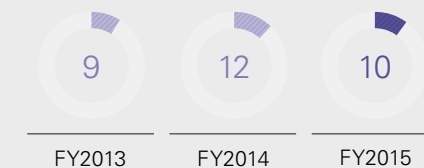


Total paper shredded (tons)

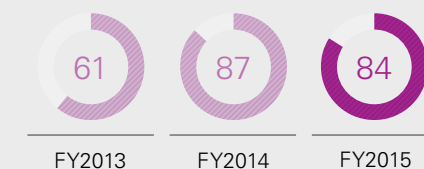


* Spike caused by the closure of our Water Street office in NY after Hurricane Sandy, which resulted in a large volume of paper being shredded

Recycled content (%)



FSC-certified (%)



New space configuration increases efficiency

Efficient use of office space directly impacts our environmental footprint — and our bottom line. In 2014, our Stamford, Connecticut, office planned to add 40 new employees to support U.S. Distribution and other departments — something it aimed to accomplish without leasing additional space. We created a flexible, cost-effective design that can be adapted to future projects across Legg Mason. We reconfigured 125 existing

workstations, added 41 new workstations and two new offices, created 19 touchdown spaces to support traveling employees and created additional open space for collaboration. By eliminating the need for an estimated 10,000 square feet of additional space, the new configuration reduced annual operating expenses by approximately \$830,000/year, or \$8.3 million over the remaining 10 years of our lease.



GRI INDEX

GRI# Strategy & analysis		Response/Page #
General standard disclosures		
Strategy & analysis		
1	CEO Letter	See Annual Report
2	Key impacts, risks, and opportunities	See Annual Report
Organizational profile		
3	Organization name	Legg Mason Global Asset Management
4	Primary brands, products, and services	See 10-K
5	Headquarters location	Baltimore, Maryland, USA
6	Where the organization operates	See 10-K
7	Nature of ownership and legal form	See 10-K
8	Markets served	See 10-K
10	Total number of employees	See 10-K
11	Collective bargaining agreements	None
12	Supply chain description	Process involved for purchasing, transportation, customer service, supply management. Supply chain is the network of individuals, organizations, resources, activities and technology involved in the creation, sale, and delivery of source materials from a supplier to our end users.
13	Organizational changes during the reporting period	See 10-K (Business Section)
15	External charters, principles, or other initiatives	Select Affiliates are PRI Signatories
16	Membership associations	Ceres, CDP, others
Material aspects & boundaries		
17	Entities included in financial statements	See Annual Report (Notes to Financial Section)
18	Process for defining report boundaries and content	Via Stakeholder Process
19	Material aspects included in the report	See Materiality Matrix, page 6 of CSR Report
23	Changes from previous reports in terms of scope and/or boundaries	This is the first material assessment in CSR report.
Stakeholder engagement		
24	Stakeholder groups	Multiple
25	How stakeholders were identified	Via Legg Mason and Ceres
26	Approach to stakeholder engagement	Periodic Multi-Stakeholder Engagement via Ceres
27	Topics raised during stakeholder engagements	While we don't go into all topics, please refer to the material matrix on page 6 re: process in CSR report

GRI# Strategy & analysis

Response/Page

General standard disclosures (Continued)		
Report profile		
28	Reporting period	4/1/2014–3/31/2015
29	Date of most recent report	Current report: October 2015
30	Reporting cycle	Fiscal Year — 4/1/2014–3/31/2015
31	Report contact	Kristin Kosmides, Head, Corporate Social Responsibility, kokosmides@leggmason.com
32	"In accordance" option, GRI Index and report assurance	We are reporting in alignment with GRI guidelines but not core or comprehensive levels. Our greenhouse gas emissions data was assured (limited) by PWC; see Legg Mason's 2015 CDP response via www.cdp.com
33	Policy regarding report assurance	We are reporting in alignment with GRI guidelines but not core or comprehensive levels. Our greenhouse gas emissions data was assured (limited) by PWC; see Legg Mason's 2015 CDP response via www.cdp.com
Governance		
34	Governance structure of the organization	See Annual Report and leggmason.com
36	High-level accountability for sustainability topics	CFO
38	Composition of the board and its committees	See Proxy and leggmason.com
39	Whether the chair of the board is also an executive officer	Yes; see Proxy
40	Nomination and selection processes for the board and its committees	See Proxy
41	Board conflicts of interest	See Proxy
48	Highest committee or position that formally reviews and approves the organization's sustainability report	CFO
49	Process for communicating critical concerns to the board	See Proxy
Ethics & integrity		
56	Code of conduct	See leggmason.com
57	Helplines or advice lines for employees	Yes
58	Mechanisms for reporting concerns about unethical or unlawful behavior	Yes

GRI# Strategy & analysis

Response/Page

Specific standard disclosures

Economic

Economic performance

EC1	Economic value	See Annual Report and leggmason.com
EC2	Climate change risks	See Firm's 2015 CDP Response via www.cdp.com
EC3	Benefit plan coverage	Yes; please see Proxy, 10-K

Procurement practices

EC9	Local suppliers	Multiple local suppliers
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Environmental

Materials

EN1	Materials by weight or volume	Paper use and recycled content noted on page 21 of CSR report
EN2	Recycled input materials	Recycling statistics noted on page 21 of CSR report

Energy

EN3	Energy consumption (Scope 1 + 2)	Please see pages 19–20 of CSR Report and Legg Mason's 2015 CDP response via www.cdp.com
EN4	Energy consumption (Scope 3)	Please see pages 19–20 of CSR Report and Legg Mason's 2015 CDP response via www.cdp.com
EN5	Energy intensity	Please see pages 19–20 of CSR Report and Legg Mason's 2015 CDP response via www.cdp.com
EN6	Energy reductions	Please see pages 19–20 of CSR Report and Legg Mason's 2015 CDP response via www.cdp.com

Biodiversity

EN11	Facilities in or near areas of high diversity	Headquarters is within close proximity of the Chesapeake Bay. Volunteerism efforts noted on page 17–18 of CSR Report.
EN13	Habitats protected or restored	Via volunteerism efforts: please see page 17–18 of CSR Report.
EN14	IUCN Red List species	None

Emissions*

EN15	GHG emissions (Scope 1)	Please see pages 19–20 of CSR Report and Legg Mason's 2015 CDP response via www.cdp.com
EN16	GHG emissions (Scope 2)	Please see pages 19–20 of CSR Report and Legg Mason's 2015 CDP response via www.cdp.com
EN17	GHG emissions (Scope 3)	Please see pages 19–20 of CSR Report and Legg Mason's 2015 CDP response via www.cdp.com
EN19	Reduction of GHG emissions	Please see pages 19–20 of CSR Report and Legg Mason's 2015 CDP response via www.cdp.com


GRI# Strategy & analysis	Response/Page #
Specific standard disclosures (Continued)	
Environmental (Continued)	
Transport	
EN30 Environmental impacts from employee travel	Per Scope 3 Emissions; please see pages 19–20 of CSR Report and Legg Mason's 2015 CDP response via www.cdp.com
Supplier environmental	
EN32 New suppliers screened using environmental criteria	Yes via Supplier RFP.
Labor Practices	
Employment	
LA1 Number and rate of new employee hires and turnover	Turnover number noted on page 14 of CSR Report.
LA2 Benefits provided to full-time employees	Select leave related benefits noted in this report; see page 15 of CSR Report.
Diversity	
LA12 Composition of governance bodies and employees	Select statistics noted on page 14 of CSR Report.
Human Rights	
Human rights investments	
HR2 Employee training on human rights	Harassment training provided. See page 16 of CSR Report.
Child labor	
HR5 Significant risk of child labor in operations and suppliers	No
Forced or compulsory labor	
HR6 Significant risk of forced or compulsory labor in operations and suppliers	No
Security practices	
HR7 Security personnel trained in the organization's human rights policies	Not applicable
Indigenous rights	
HR8 Incidents of violations involving rights of indigenous peoples	No
Human rights assessments	
HR9 Operations that have been subject to human rights assessments	Not applicable
Human rights grievance mechanisms	
HR12 Grievances about human rights impacts	Not applicable

GRI# Strategy & analysis		Response/Page #
Specific standard disclosures (Continued)		
Society		
Local Communities		
SO1	Local community engagement, impact assessments and development programs	See Community Initiatives on pages 13–18 of CSR Report.
SO2	Negative impacts on local communities	Not applicable
Anti-Corruption		
SO4	Communications and training on anti-corruption	See Ethisphere Training information on page 4 and page 12 of CSR Report.
Product Responsibility		
Customer Health & Safety		
PR1	Health and safety impact assessments of products and services	Not applicable
PR2	Non-compliance concerning the health and safety impacts of products and services	Not applicable

* This data received limited assurance per PWC. Legg Mason uses the principles and guidance of the World Resources Institute and the World Business Council for Sustainable Development's Greenhouse Gas Protocol Initiative's Corporate GHG Accounting and Reporting Standard, Revised (the "GHG Protocol").

Brandywine Global
ClearBridge Investments
Martin Currie
Permal
QS Investors
RARE Infrastructure
Royce & Associates
Western Asset

 leggmasonfunds.com

 1-800-822-5544

 youtube.com/leggmason

 linkedin.com/company/legg-mason

 [@leggmason](https://twitter.com/leggmason)

Legg Mason is a leading global investment company committed to helping clients reach their financial goals through long-term, actively managed investment strategies.

- Over \$672 billion* in assets invested worldwide in a broad mix of equities, fixed-income, alternatives and cash strategies
- A diverse family of specialized investment managers, each with its own independent approach to research and analysis
- Over a century of experience in identifying opportunities and delivering astute investment solutions to clients

What should I know before investing?

Past performance is no guarantee of future results. Equity securities are subject to price fluctuation and possible loss of principal. Fixed-income securities involve interest rate, credit, inflation and reinvestment risks; and possible loss of principal. As interest rates rise, the value of fixed-income securities falls.

* As of September 30, 2015.

All investments involve risk, including loss of principal.

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