

LEGG MASON, INC.

CORPORATE GOVERNANCE PRINCIPLES

I. INTRODUCTION

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

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

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

II. OVERVIEW OF ROLES AND RESPONSIBILITIES

Board of Directors Objective

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

Board Responsibilities

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

effectiveness of the CEO; (v) the integrity of the Company's financial statements, reporting processes and internal controls; and (vi) the effectiveness of the Company's risk management program. In addition, as appropriate, the Board should offer the CEO constructive advice and counsel. The Board, in its sole discretion and at the Company's expense, may obtain advice and assistance from independent legal, financial, accounting and other advisors.

Expectations of Individual Directors

Among other things, the Board expects each Director to: (a) generally understand the Company's business model, its businesses and the marketplaces in which they operate; (b) regularly attend meetings of the Board and of the Board committee(s) on which he or she serves; (c) review and understand the materials provided in advance of meetings and any other materials provided to the Board from time to time; (d) monitor and keep abreast of general economic and business news and trends, as well as general developments in the Company's competitive environment and the Company's performance with respect to that environment; (e) actively, objectively and constructively participate in meetings and the strategic decision-making processes; (f) share his or her perspective, background, experience, knowledge and insights as they relate to the matters before the Board and its committees; and (g) be reasonably available when requested to advise the CEO and Management on specific issues not requiring the attention of the full Board but where an individual Director's insights might be helpful to the CEO or Management.

Board's Expectations of Management

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

Director Access to Management

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

III. BOARD SELECTION AND COMPOSITION

Number of Directors

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

Percentage of Independent Directors

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

Definition of Independent Director

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

Nomination and Selection of Directors

The Board will be responsible for nominating individuals for election as Directors by Stockholders and for filling vacancies on the Board that may occur between annual meetings of Stockholders. The Nominating Committee will consider all qualified Board candidates identified by members of the Nominating Committee, by other members of the Board, by Management and by Stockholders. The Nominating Committee, in consultation with the Chairman of the Board, will be responsible for screening and recommending candidates to the entire Board.

Directors are expected to possess a broad range of skills, expertise, industry or other knowledge and business or other experience useful to oversight of the Company. In addition to these expectations, the Nominating Committee and the Board, in nominating or voting on proposed new Directors or re-nominations of existing Directors, will consider qualities such as an individual's judgment, character, expertise, skill and knowledge, experience and collegiality. In connection with the selection of nominees for Director, due consideration will be given to the Board's overall diversity of perspectives, backgrounds and experiences.

Board Leadership

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

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

Director Tenure

All Directors shall be elected for terms expiring at the next annual meeting of Stockholders. A Director who is elected by the Board to fill a vacancy on the Board must stand for election by Stockholders at the next annual meeting after his or her election by the Board.

The Board believes that it is important to have the viewpoints and experience of new Directors on the Board from time to time, but also believes that this interest must be balanced against the benefits of the knowledge and experience that is developed over the time a person serves as a Director. Accordingly, the Board has decided to set no maximum number on the years that an individual may serve on the Board. The Board generally will not nominate for election to the Board any Director who has reached the age of 75 before the regular meeting of the Board at which nominations for election as directors are made for the next annual meeting of Stockholders. However, the Board has the discretion to take into account specific facts and circumstances and to nominate such a Director for election to the Board.

Subject to acceptance by the Board, any member of Management (including the CEO) who is a Director will submit a letter of resignation from the Board at the same time he or she ceases to be employed by the Company for any reason.

Majority Voting for Directors

In an uncontested election, a Director who fails to receive the required number of votes for re-election in accordance with the Bylaws shall resign subject to Board acceptance. The Nominating Committee shall make a recommendation to the Board as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Nominating Committee and the Board, in

making their decisions, may consider any factor or other information that they deem relevant. The Board shall act on the tendered resignation, taking into account the Nominating Committee's recommendation, and shall publicly disclose its decision regarding the resignation within ninety (90) days after the results of the election are certified. A Director whose resignation is under consideration shall abstain from participating in any recommendation or decision regarding that resignation. If the resignation is not accepted, the Director will continue to serve until the next annual meeting of Stockholders and until the Director's successor is elected and qualified.

The Board shall nominate for election or re-election as Directors only candidates who agree to tender, following the annual meeting of Stockholders at which they are elected or re-elected as Directors, irrevocable resignations that will be effective upon (a) the failure to receive the required vote at the next annual meeting at which they are nominated for re-election, and (b) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other Directors in accordance with this Guideline.

Change of Circumstances

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

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

Service on Other Boards

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

Directors shall be discouraged from serving 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 Director's ability to serve effectively on the Company's Audit Committee, and shall take steps to address any related issues, and disclose that determination in the Company's annual proxy statement.

Director Orientation and Continuing Education Program

Management, under the guidance and with the approval of the Nominating Committee, will provide an orientation program for new Directors that includes management meetings, a visit to the Company's headquarters, and relevant materials such as the Company's organizational and governance documents, recent Securities and Exchange Commission filings, financial information, corporate structure and organizational charts, and information about the Company's businesses, products, services and the industry in which the Company operates. Each Director must participate in at least one third-party continuing education training session every two years and is encouraged to participate in additional programs on a more frequent basis. The Company will reimburse reasonable expenses incurred by directors in connection with participating in third-party continuing education programs.

IV. BOARD OPERATIONS

Board Meetings

The Board will hold four regular meetings each year. Special meetings of the Board will be held from time to time when called in accordance with the Company's Bylaws.

Corporate Governance and Strategy Meeting

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

Location of Regular Meetings

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

Executive Sessions

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

Meeting Materials

An agenda for each Board meeting will be sent to each Director in advance of the meeting together with: (a) written materials pertaining to the matters to be presented for Board decision at such meeting; (b) minutes of the most recent Board meeting and of any committee meetings held since the distribution of materials for the most recent Board meeting; and (c) other relevant written

materials that are available in advance of the meeting. Written materials should be designed to provide a foundation for the Board's discussion of key issues and allow the Board to make the most efficient use of its meeting time. Directors may request additional information or changes in the scope, amount or format of the information provided, and the CEO will make every effort to provide such additional information or make such changes.

Board Evaluation

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

CEO Evaluation

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

Strategy

It is Management's responsibility to formulate, propose and implement strategy and the Board's role to approve strategic direction and to monitor performance on strategic objectives. The Board will engage in an ongoing dialogue with the CEO and Management regarding matters of strategy. Board approval will be required for changes in long-range strategy (including resource allocation) and changes in long-term capital structure, as well as any significant transactions that are not in the ordinary course of the Company's business.

Board Committees

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

Committee Members and Leadership

The size, membership, and chairs of each committee will be determined by the Board, based on the recommendations of the Nominating Committee. The Audit, Compensation, Nominating, and Risk Committees shall be made up of only Independent Directors. The Finance Committee shall include at least three Independent Directors and any other Board members as the Board deems appropriate. At all times a majority of the Finance Committee's members shall be Independent Directors. In nominating committee members and committee chairs, the Nominating Committee

will take into consideration, among other things, the tenure of the members and chairs of the committees.

Committee Meeting Materials

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

Management Attendance at Committee Meetings

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

Committee Reports to the Board

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

Ad Hoc Committees

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

V. OTHER MATTERS

Management Succession

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

Directors' Compensation

The form and amount of Directors' compensation, including compensation for serving on

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

Communications

Management speaks for the Company. Inquiries from Stockholders, other investors, analysts, the press, customers, suppliers, or others should be referred to the CEO or other appropriate members of Management. Individual Directors may, from time to time, meet with various constituencies of the Company, at the request of or with the concurrence of the Board or Management. Directors are free to meet with or address the public or special groups concerning board practices generally, and other matters of interest to the Directors not directly related to activities of the Company, and such contacts will not require Board or Management concurrence. Stockholders and other interested parties who wish to communicate with the Company's Board of Directors, the Chairman of the Board, the Lead Independent Director or the non-management directors as a group may do so by addressing their written correspondence to the postal address that is included in the Company's annual proxy statement and posted on its website.

Confidentiality

A board of directors should function as a collegial body and Directors should respect the confidentiality of all discussions that take place in the boardroom. Confidentiality is essential for an effective board process and for the protection of the Company and its Stockholders. If this process is compromised, Directors may cease to trust each other, which can lead to the inability of the Board as a whole to make a decision and take action. In all cases regarding suspected breaches of the obligation of boardroom confidentiality, the Board shall decide on an appropriate course of action.

Stock Ownership Guidelines

The Board believes that Directors and executive officers of the Company should have an economic interest in the success of the Company through ownership of Company common stock. In this regard, the Compensation Committee will establish stock ownership guidelines setting forth minimum stock ownership expectations for Directors and executive officers of the Company.

Code of Conduct

Upon the recommendation of the Nominating & Corporate Governance Committee, the Board has adopted a corporate Code of Conduct that applies to all directors, officers and employees of Legg Mason and its subsidiaries. Directors are expected to act in compliance with the Code of Conduct when acting on behalf of the Company.

Adopted by the Board on 4/20/04, amended by the Board on 10/18/05, 1/29/08, 10/28/08, 10/27/09, 4/27/10, 10/22/10, 10/26/10, 4/26/11, 7/26/11, 10/25/11, 10/23/12, 10/22/13, 04/28/2014, 7/29/14 and 10/28/14.

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

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

Role of the Lead Independent Director

The LID shall perform the following duties:

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

Review and Amendment

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

Role of Board and Management

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

As Adopted by the Independent Directors on July 22, 2003, and amended July 19, 2007 and July 27, 2010.