

# FIREARM MARKET FACTSHEET

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# ABOUT THIS REPORT

Since its founding in 1852 when Horace Smith and Daniel Baird Wesson made their dream of creating a repeating firearm using a self-contained cartridge a reality, Smith & Wesson has empowered Americans with freedom, equality, and security. Over the past 170 years, Smith & Wesson has perfected the American sidearm and become one of the world's most respected brands.

We are pleased to share this Firearm Market Factsheet, which marks a significant step forward in our effort to communicate more effectively and transparently with our stakeholders. This report is intended to increase transparency around the manner in which we operate our business. For example, we provide details about our go-to-market approach for both domestic and international sales, which is designed to ensure that we comply with all applicable laws, rules, and regulations, and we discuss our responsible approach to marketing our products.

An important theme that permeates our business practices is our commitment to acting ethically and in compliance with applicable laws, rules, and regulations. We recognize that, while States are primarily responsible for making and enforcing laws, rules, and regulations, we have a role to play in advocating for the lawful, safe, and proper handling of firearms.

This report is intended to highlight our commitment to promote the responsible ownership of firearms and to dispel various myths about us and our industry. In many ways, we live in an age of disinformation. Under these circumstances, we believe that it is important for us to clearly communicate not only what we do, but also what we do not do.

We hope that you enjoy reviewing this report and continue to share our unending appreciation for the Second Amendment of the U.S. Constitution.



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A WELL REGULATED MILITIA, BEING NECESSARY TO THE SECURITY OF A FREE STATE,  
**THE RIGHT OF THE PEOPLE TO KEEP AND  
BEAR ARMS, SHALL NOT BE INFRINGED.**



# GO-TO-MARKET APPROACH FOR DOMESTIC SALES

We sell domestically to **ONLY** three different groups:



**FEDERAL FIREARM LICENSE (FFL) HOLDERS,** where end consumers go to legally purchase firearms.

All consumers who purchase a firearm from an FFL holder must pass a background check or possess a U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF)-qualified state issued license that, by law, may substitute for a National Instant Criminal Background Check System (NICS) background check.

We categorize these FFLs, who are licensed, regulated, and monitored by ATF, into three separate groups.

- **Distributors:** Wholesale suppliers who sell firearms to FFL holding retailers across the country.
- **Buying Groups:** Groups of FFL holding retailers whose combined purchasing power allows them to buy direct from us at a discount and then sell to end consumers.
- **Strategic Retailers:** Large, multistore FFL holding retailers who buy direct from us and then sell to end consumers.



**POLICE DEPARTMENTS**



**GOVERNMENT AGENCIES**

**DID YOU KNOW** that contrary to claims by gun-control activists, companies that sell firearms online **DO NOT** ship them directly to the buyer? Firearms sold online must be shipped to a FFL holder located in the home state of the buyer. The buyer must appear in person at that FFL and submit to a background check and complete transfer paperwork before being allowed to pick up the firearm.

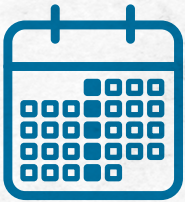


# Extensive checks and vetting on domestic sales of firearms:



## SERIAL NUMBERS

We include an electronic list of serial numbers shipped with every shipment of firearms that we make to our business partners. Upon receipt, our business partners verify the firearm serial numbers received, providing a dual authentication over the transfer of every firearm shipped.



## THOROUGH VETTING

When business partners are added to our enterprise resource planning shipping system, we obtain a copy of their current approved FFL. Our software validates all FFLs in our system against ATF's eZ Check system to ensure that the licenses remain valid. Our systems block any business whose license has expired or has been revoked by ATF, effectively preventing any shipments from us to that business.



## BACKGROUND CHECKS

Individuals who wish to purchase our products at a retail outlet are subject to rigorous screening procedures designed to confirm their lawful suitability to possess a firearm – these include:

- Responding to a series of questions on ATF Form 4473, with false statements being punishable as a felony under federal law
- Completing a background check conducted by the Federal Bureau of Investigation (NICS) or the state at the point of sale, unless the purchaser possesses an ATF-qualified state issued license that, by law, may substitute for a NICS background check
- Being subject to a potential denial of sale by the seller, who is required to deny the sale if he or she has reasonable cause to believe the customer is prohibited from owning a firearm or that the transaction involves a straw purchase (i.e. an illegal purchase where the buyer, being unable to pass required background checks or desiring not to be associated with the purchase, uses a proxy buyer)



# GO-TO-MARKET APPROACH FOR INTERNATIONAL SALES

International firearm sales make up only a small portion of our annual revenues (less than 5%). We take our responsibilities seriously and employ a robust compliance process to vet each potential customer and opportunity.

Our international sales vetting process is designed to ensure that we engage in responsible sales of firearms every time:

**ASSESSMENT & SCREENING:** We review information about potential customers or sales representatives (including by identifying any “red flags”) before entering into any business transactions with them. These parameters are regularly updated and assessed over time.

**CHECK:** We evaluate and assign a “high”, “medium” or “low” risk rating to the companies and organizations (and their owners), government agencies, key officials, and any other key individuals involved in a proposed transaction. Based on the ratings, we may subject the party to a full third party criminal, financial and corruption background check. Our evaluation includes verifying that the party is not a prohibited party or person under U.S. export regulations.

**ETHICS:** All new territories and new government opportunities related to international sales must be formally approved by our Business Ethics Committee (BEC) prior to negotiation of the final business terms. The BEC, which includes members of our executive team, meets at least quarterly, at which time the committee members review full ethics reports on particular opportunities. These reports address the details of particular opportunities, including the country and organization involved, any and all involved parties, the business case, and any red or yellow flags that were noted.

**NEGOTIATIONS:** Non-negotiable terms must be agreed to that include our business ethics terms & conditions, FCPA/Anti-bribery clause, and an anti-boycott clause.

**TRANSACTION:** The sale is approved pending confirmation from our Compliance team, which ensures that proper internal control processes and protocols have been followed, as well as adherence to all applicable export / import licensure requirements.

**DID YOU KNOW** that, pursuant to our international sales vetting process, we added Mexico to our barred country list in June 2021 (two months prior to the country filing suit against us and other industry participants) due to reports of entrenched government corruption?





# PARTNERSHIPS TO PROMOTE THE RESPONSIBLE OWNERSHIP OF FIREARMS

At Smith & Wesson, we are fathers and mothers, and sons and daughters – and we are committed to promoting responsible gun ownership, safe handling and secure storage.

We are proud to have developed our own programs, and to have partnered with third parties that have developed programs, that are dedicated to educating, informing, and developing safe, responsible members of the firearm community.

**DID YOU KNOW** that we include gun locks at no additional charge with every firearm we sell?

**DID YOU KNOW** that, in response to the surge in new gun owners, we launched the novel **GUNSMARTS™** program in 2020 to welcome and educate gun owners on safe, responsible ownership? This educational video library allows any gun owner, at any time, to learn firearm training basics, safe handling and storage, tips to increase proficiency, and access to educational resources (including how to find a range or certified firearm instructor), all from firearm experts. We provided **GUNSMARTS™** free of charge and offer it to any new firearm owner, regardless of which brand of firearm he or she purchased.



In addition, we support efforts to reduce gun violence, prevent suicides, and educate the public on safe-storage practices to prevent unauthorized access. We work hand-in-glove with our industry partners, the ATF, and law enforcement at the local, state, and federal levels to identify where we can best apply our collective financial resources, expertise, and human capital towards solutions that have tangible, real world impacts. In contrast to proposals made by certain politicians and special interests that violate the Second Amendment while impacting only law-abiding citizens, we remain focused on delivering **REAL SOLUTIONS** in the fight to prohibit access to firearms to criminals and the mentally unstable, provide tools and information that facilitate law-enforcement's ability to apprehend and hold criminals accountable, and educate the public in the safe, lawful use of firearms.

## PROJECTS TO RESTRICT ACCESS

**FixNICS:** We successfully worked with industry partners and legislators to improve background checks through comprehensive reporting of criminal justice records in order to reduce the risk that prohibited persons would obtain a firearm.

- In 2019, one year after the signing of the federal FixNICS bill, there was a 6.2% increase in the number of records in the databases searched. These additional searches led to an increase of more than 240% of disqualifying adjudicated mental health records submitted to the FBI – meaning that fewer firearms reached the hands of individuals who should not, and legally could not, possess them.

**Operation Secure Store:** This is a direct partnership with the ATF that provides FFLs with education, planning, and solutions and services to enhance security, prevent theft, and find stolen merchandise if a break-in occurs.

- Upon its launch in 2018, then ATF Deputy Director Brandon praised the initiative saying, “ATF welcomes the opportunity to collaborate... [and] to educate and inform FFL retailers on how they can enhance the security of their businesses.”

**Don't Lie For The Other Guy:** This program, which is another partnership with the ATF, helps to educate firearm retailers on how to identify a potential “straw purchase” coupled with a national public awareness campaign designed to discourage illegal firearm purchases.

- According to the most recent reports from the Bureau of Justice Statistics, 40% of criminals obtain their firearms from friends or family.

## PROJECTS TO PREVENT MISUSE

**Project 2025:** This is a partnership with the American Foundation for Suicide Prevention focused on educating the range, retail, and broader firearm-owning community on how to spot suicide risk and know what steps can be taken to save lives.

- Aims to reduce the annual rate of suicide in the U.S. by 20% by 2025

**Project Childsafe:** For over 20 years, Project Childsafe has provided education and the tools needed for gun safety and safe firearm storage.

- By partnering with over 15,000 law enforcement agencies nationwide, this program gives out free gun locks that are instrumental in preventing firearm misuse and accidental firings.





# PROTECTION OF LAWFUL COMMERCE IN ARMS ACT (PLCAA)

## WHAT is it?

- The PLCAA was signed into law in 2005 after it passed with **broad bipartisan support** in Congress – a nearly two-thirds margin. Before the PLCAA was signed into federal law, 33 individual states had already passed similar protections into law.
- The PLCAA was designed to protect firearm manufacturers and retailers from liability when their **legally manufactured and lawfully sold products** are later used in criminal acts.

## WHY does it exist?

- In the mid to late 1990's and early 2000's, gun-control advocates sought to circumvent state legislatures by bringing waves of frivolous lawsuits against gun manufacturers and retailers. These lawsuits sought damages for the criminal misuse of non-defective, legal firearms that were sold lawfully to law-abiding Americans. Although these lawsuits were unlikely to ultimately succeed, many believed the goal of the gun-control advocates was not to win the lawsuits, but rather to bankrupt the industry through mounting legal defense fees. The PLCAA was passed to prevent this attack on the Second Amendment.



## WHO wants to repeal it now?

- Gun control activists and anti-Second Amendment lawmakers ignore the important Second Amendment foundations of the PLCAA in order to argue that the PLCAA should be repealed in order to once again open up the abuse of the legal system Congress sought to stop.

### MYTH:

Gun companies are singled out under federal law for special treatment not granted to other industries.

### FACT:

The PLCAA does not grant the firearm industry protection different than that granted to other industries.

Comparably protected industries include, but are not limited to, small aircraft manufacturers and vaccine makers that are similarly predisposed to baseless litigation.

Industries cannot and should not be held culpable for the wrong-doing of individuals who purchase their properly functioning products legally and then proceed to use them in a criminal manner.

### MYTH:

Gun manufacturers are shielded from liability and cannot be sued.

### FACT:

Six exemptions in the law expressly allow suits based on knowing violations of federal or state law related to gun sales or on traditional grounds including negligence or breach of contract.

In fact, Congress specifically carved out exceptions to allow claims of negligence and negligent entrustment to proceed where allowed under state law (e.g. retailer sells a firearm to someone under age or someone visibly intoxicated who then uses the firearm to injure themselves or others).

President Obama's Justice Department agreed, noting the PLCAA's "narrowly crafted limitation is not a general bar of civil actions against firearms manufacturers and sellers."



# RESPONSIBLE ADVERTISING PRACTICES

The Second Amendment guarantees the right of “the people” to keep and bear arms. Shooting sports, including properly supervised youth participation in such sports, teaches discipline, safety, self-sufficiency, and good citizenship. The history of firearms and the Second Amendment is part of the history of our nation and our fundamental rights. That said, we also believe that the decision to purchase a firearm should be limited to adults. Therefore, we market **ONLY** to adults and maintain marketing practices and policies that are designed to ensure that our messaging is directed towards responsible, law-abiding, adult members of the shooting sports community.

- We train our marketing personnel to help them comply with applicable rules and guidelines
- We do not license our brand (or grant permission) for use in video games.
- We monitor the published reviews, social media posts, or other content about us created by our influencers and endorsers
- We impose obligations on our influencers and endorsers with respect to content. For example:
  - Content should be directed to adults
  - Content should promote firearm use only in a responsible manner
  - Content should not contain cartoon-like or game-like imagery
  - Content should not depict, promote, or encourage unsafe or irresponsible firearm use
  - Content should not depict, include, or imply illegal drug use, alcohol abuse, profanity, sexual harassment, hate speech, indecent exposure or other social impropriety, or any violation of law

**We are committed to providing consumers with information about our firearms to assist them to understand a firearm’s features, uses and performance. Every person who purchases a S&W firearm is provided extensive information on how to be a responsible and safe gun owner. For example, our safety and instruction manuals include the following warnings:**

- **BEFORE HANDLING ANY FIREARM, UNDERSTAND ITS OPERATION.** Not all firearms are the same. Familiarize yourself with the mechanical features of any firearm you intend to use. If you feel uncertain about any operational aspects of your firearm, please contact Smith & Wesson® at 1-800-331-0852, ext. 4125 before proceeding with its operation.
- **NEVER ALLOW A FIREARM TO BE USED BY INDIVIDUALS WHO DO NOT UNDERSTAND ITS SAFE OPERATION OR HAVE NOT READ THESE FIREARM SAFETY RULES.**
- If you are unfamiliar with firearms you should seek formal training before using your pistol.
- **ALWAYS SECURE YOUR FIREARM IN A MANNER THAT WILL PREVENT UNAUTHORIZED ACCESS.**

**We take our responsibilities as stewards of the iconic Smith & Wesson brand seriously. Our approach to marketing our products is informed by our core values, culture and view of what it means to be a responsible corporate citizen, all of which are expressed in our Corporate Stewardship Policy.**





# WHAT WE DON'T DO

**In the age of disinformation, it is important that we clearly communicate both what we DO and what we DO NOT DO**

- We do **NOT** manufacture automatic weapons for sales to the general public.
  - Federal law prohibits the sale of new automatic firearms to the general public. The National Firearms Act of 1934 restricted the civilian ownership of automatic weapons and the Firearms Owners Protection Act of 1986 completely prohibits sales of new automatic weapons to civilians.
  - The main exception is for a Special Occupational Taxpayer (SOT), which is an FFL that is granted special permissions from the ATF to import or make NFA items such as automatic weapons. Even then, however, such weapons can only be transferred to qualified state and federal agencies.

**DID YOU KNOW** that modern sporting rifles (MSRs), including ARs, are not fully automatic? They have the same rate of fire as revolvers, pistols, and semi-automatic shotguns.

- We do **NOT** manufacture for sale to individuals any unfinished firearm parts (i.e. partially complete, disassembled, or non-functional frames or ATF regulated receivers that have reached a stage of manufacture where a private citizen can create a functional frame or receiver), which can be used to construct an untraceable firearm that does not carry a serial number (referred to as an unserialized firearm or what gun control advocates misleadingly call “ghost guns”).
  - As a strong supporter of the protections afforded the American people by the Second Amendment, we support the practice of home firearm construction that has existed since the founding of our nation and has historically been viewed as protected by the Second Amendment.
  - We manufacture our products in accordance with applicable laws, rules, and regulations. All of the firearms that we manufacture and sell are **complete and serialized** in accordance with ATF rules and regulations, and all firearm parts that we sell are **complete**.