

## PROXY MEMORANDUM

To: Sturm, Ruger & Co., Inc. Shareholders  
From: Catholic Health Initiatives (lead filer); Adrian Dominican Sisters; Congregation of St. Joseph; Daughters of Charity, Province of St Louise; Mercy Health; Mercy Investment Services; Sisters of Bon Secours USA; Sisters of Providence, Mother Joseph Province; Sisters of St. Francis of Philadelphia; Sisters of the Holy Names of Jesus and Mary, US Ontario Province; Trinity Health  
Subject: Shareholder Resolution - Gun Safety (Proposal #4)  
Date: April 11, 2018  
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### Executive Summary

Catholic Health Initiatives (CHI), as a religiously sponsored health system, continues to be deeply concerned about the epidemic of gun violence in this country. CHI, along with other shareholders in Sturm, Ruger & Co., Inc., has asked the Board of Directors to issue a report related to gun safety, focusing on the research and development of safer products and the monitoring of violent events connected with their products. We urge you to vote FOR proposal #4 as described below.

### Resolution

*Resolved: Shareholders request the Board of Directors issue a report, at reasonable expense and excluding proprietary information, on the company's activities related to gun safety measures and the mitigation of harm associated with gun products, including the following:*

- *Evidence of monitoring of violent events associated with products produced by the company.*
- *Efforts underway to research and produce safer guns and gun products.*
- *Assessment of the corporate reputational and financial risks related to gun violence in the U.S.*

Gun safety is an issue of concern to all companies as they seek to safeguard their workplaces, employees and customers. However, the responsibility to adopt safety measures for products marketed to the public lies squarely with manufacturers and the distributors and retailers that sell them. According to the Violence Policy Center, Sturm, Ruger & Co., Inc. products have been used in seven mass shootings since 1987, killing 60 people and wounding 70 more.<sup>1</sup>

Technology exists for the development of smart guns, which have the potential to significantly reduce accidental shootings and suicides. This could have a dramatic and positive effect on the rates of gun fatalities in the U.S., as suicides account for more than 63% of gun-related deaths, according to the most recent data from 2016 from the Centers for Disease Control and Prevention's (CDC) Fatal Injury Reports, National, Regional and State Report.<sup>2</sup> Furthermore, research in the American Journal of Public Health found that almost 60% of Americans would be willing to buy a smart gun when considering a purchase.<sup>3</sup>

Evidence from the most recent Quinnipiac Poll of voters in the U.S. shows that the public is demanding actions to reduce gun-associated violence. The most recent polling shows:

- Support of 61% for a nationwide ban on the sale of assault weapons;

- Support of 48% on a ban on the sale of all semi-automatic rifles;
- Support of 63% for a nationwide ban on the sale of high-capacity magazines holding more than 10 rounds;
- Support of 78% for requiring individuals to be 21 years old or older to buy a gun.<sup>4</sup>

Some major firearm retailers – Dick’s Sporting Goods<sup>5</sup> and Walmart<sup>6</sup> – have stopped selling assault-style weapons. Additionally, those retailers have increased the legal age to buy any firearms to 21.<sup>7</sup> Kroger has decided to phase out gun sales altogether, citing declining sales.<sup>8</sup> Numerous other corporate entities are breaking ties with the National Rifle Association (NRA) as well.<sup>9</sup> The magnitude of the epidemic of gun violence in the U.S. poses risks not only to communities but also to firearm manufacturers who refuse to contribute to a positive solution.

The recent United Nations Guiding Principles on Business and Human Rights describes the role of business enterprises in respecting human rights: “...They should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.” The issue of gun violence is an infringement on the fundamental human right, the right to life.<sup>10</sup>

## **Rationale for a Vote in Favor of the Proposal**

### **Reputational risk:**

With various polls showing support for the discontinuance of the most harmful weapons and accessories (assault weapons, semi-automatic rifles, high-capacity magazines), it is clear that a majority of Americans find it reasonable – even imperative – that safer weapons and accessories be manufactured and available for sale. The American people will question Sturm Ruger’s commitment to safety each time one of its weapons is used in a shooting significant enough to garner national headlines. The recent March for Our Lives, which was the largest youth protest since Vietnam,<sup>11</sup> demonstrated the overwhelming distaste that this new generation has for guns. Violence perpetuated by extremely harmful weapons will impact this generation’s purchasing decisions in the future. Manufacturers of guns are a prime target for public outrage.

### **Market risk:**

With national retailers insisting on safer products and clearing their shelves of the most dangerous, assault-style weapons, Sturm Ruger’s ability to sell these more harmful weapons will be negatively impacted, reducing overall sales. The recent bankruptcy of Remington<sup>12</sup> – maker of the gun used in the Sandy Hook Massacre – has been attributed to declining sales due to the election of a gun-friendly Administration. This conjecture, however, may miss a greater reason for the loss in sales: America’s growing intolerance for firearms. Emphasizing this point, it should be noted that Sturm Ruger saw a 1.6% decline in sales on the day of the worldwide March for Our Lives rally.<sup>13</sup> Additionally, corporate entities choosing to cut ties with the powerful gun lobby will take notice when they see examples of how Sturm Ruger is supporting the NRA Institute for Legislative Action with donation events such as the [2.5 Million Gun Challenge](#).<sup>14</sup> Although corporations have focused primarily on the NRA, they may begin to apply pressure to gun manufacturers who support this organization and thus contribute to a stall in reasonable public policy around guns.

BlackRock, the largest investor in Sturm Ruger, publicly urged the Company to address gun safety issues after the tragedy in Parkland, Florida. In a press release on March 2, BlackRock said that it would engage the gun manufacturer on how it is managing and assessing the reputational, financial and litigation risks associated with its business; steps taken to support the safe and responsible use of its products; and investments in promoting safe products.

BlackRock concluded its statement by saying, “Our corporate engagement is just one step in our investment stewardship...Another key...is voting on specific proxy proposals and on the election of a company’s directors.”<sup>15</sup>

### **Legal Risk:**

After Sandy Hook, the parents of victims sued the maker of the weapon used in the attack – Remington. Although the case now languishes in appeal, it has undoubtedly cost Remington, taking both a financial and reputational toll. Though there is no definitive research on the reason for lagging gun sales in the U.S., it should be noted that Remington’s recent bankruptcy has followed the negative publicity and the legal actions resulting from Sandy Hook.<sup>16</sup> Sturm Ruger is not immune from similar negative publicity and financial costs.

### **Conclusion**

Gun manufacturers face significant financial and reputational risks if they do not take a more active role in gun safety. Although the company stresses its commitment to safety, the focus is on the responsibility of the individual gun owner. Truly addressing safety that benefits the greater society will require more active and direct participation in responsible and reasonable efforts to limit lethality by Sturm Ruger. As violent firearm events increase in the U.S., the American public will continue to seek solutions from all stakeholders, including manufacturers.

We believe that the information sought by the proposal would give shareholders important information about how Sturm Ruger is evaluating and pursuing corporate efforts to advance gun safety.

### **Shareholders are urged to vote for this Proposal.**

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