



March 31, 2022

Michael Townsend
Administrator
Public Safety Personnel Retirement System of the State of Arizona
3010 East Camelback Road Suite 200
Phoenix, AZ 85016

Re: Arizona PSPRS's investment in Chinese surveillance company in KKR Asian Fund III

Dear Mr. Townsend:

On November 10, 2021, I wrote to you requesting that the Public Safety Personnel Retirement System conduct an independent investigation into its investment in Cue Group, a Chinese surveillance company formed by KKR Asian Fund III entities. I did not receive a reply.

On February 20, 2022, *The Wire China* published an investigative article, confirming that Cue and its CEO's personal company collaborated with the Video National Engineering Laboratory Zhuhai Innovation Center, an arm of China's Ministry of Public Security. The Ministry of Public Security is the organ that develops and implements the government's mass surveillance system throughout China.

We believe it is fundamentally wrong for public employees' retirement in Arizona to fund collaboration with China's repressive surveillance state.

According to *The Wire China*:

"The fact that KKR had a controlling stake in Cue Group while Cue was openly promoting its connection to the MPS lab is 'a wake up call' to global companies, says Michael Santoro, a corporate ethics expert at the Santa Clara University's Leavey School of Business. If a private equity firm's portfolio company works with China's surveillance apparatus, he says, 'It could hardly be a more direct line between their investment and human rights violations.'"

KKR and Cue denied the collaboration to *The Wire*, even though *The Wire* obtained confirmation from the Zhuhai Lab of Cue's collaboration. The article documents how "both KKR and Cue have scrambled to distance themselves from any association with the surveillance industry..."

According to *The Wire* and our information, KKR and Cue are removing references to this collaboration. After contact from *The Wire*, Cue removed phrases relating to the government-run Zhuhai lab from its website and deleted references to public security and military applications of a new autonomous vehicle project. KKR took down an unrelated website containing a filing that listed KKR's indirect subsidiaries, including Cue and two personal companies of Cue's CEO.

Efforts to cover up this collaboration make action by your office even more urgent. We urge you to divest of your investment in Cue (which is held in KKR Asian Fund III) immediately and contribute any profits from Cue to human rights organizations involved with China.

I look forward to your action. I can be reached at [REDACTED]

Sir [REDACTED]

David T. Young
International Vice President
Director, National Strategic Retail Department

Enclosure

Cc: Mark Steed, Chief Investment Officer
Board of Trustees