

March 31, 2022

Christopher Ailman  
Chief Investment Officer  
California Teachers Retirement System  
100 Waterfront Place  
West Sacramento, CA 95605  
[REDACTED]

Re: Divesting of CalSTRS's investment in Chinese surveillance company in KKR Asian Fund III

Dear Mr. Ailman:

On October 20, 2021, I wrote to you requesting that CalSTRS conduct an independent investigation into its investment in Cue Group, a Chinese surveillance company formed by KKR Asian Fund III entities. Your office replied that you were reviewing this information internally.

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 ("Zhuhai Lab"), 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 California 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]

Sincerely,

[REDACTED]

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

Enclosure