

THOMAS P. DiNAPOLI
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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 22, 2019

David Abney
Chairman & Chief Executive Officer
UPS, Inc.
55 Glenlake Parkway
Atlanta, GA 30328

Dear Mr. Abney:

I write as Trustee of the New York State Common Retirement Fund (Fund), the third largest public pension fund in the United States, which holds and invests the assets of the New York State and Local Retirement System on behalf of its more than 1.1 million members, retirees, and beneficiaries. As an investor in UPS, Inc., I am writing regarding the Fund's longstanding concerns surrounding our portfolio companies' potential exposure to business risks that can arise from corporate political spending.

Since the 2010 *Citizens United* decision, many public companies have expanded their participation in the political process, including making direct contributions to candidates and political action committees. However, while corporate political spending can benefit companies, it can also pose numerous risks. For example, a recent study by The Center for Political Accountability highlights the reputational risk that may occur when there is a significant misalignment between a company's stated values and corporate political donations. Such misalignment can cause public, customer and employee dissatisfaction, and confuse advocates on either side of an issue, leading to negative short-term and long-term impacts.¹ In addition, The Conference Board's *Handbook on Corporate Political Activity* states:

"Companies that adopt robust approval and oversight policies that cover the full range of corporate political activity and accountability are better positioned to avoid the serious financial, legal, and reputational risks associated with political spending while protecting shareholder value and promoting the company's best interests."²

¹ The Center for Political Accountability, *Collision Course: The Risk Companies Face When Their Political Spending and Core Values Conflict and How to Address Them* (2018):

<https://politicalaccountability.net/reports/cpa-reports>

² The Conference Board, *Handbook on Corporate Political Activity: Emerging Corporate Governance Issues* (2015): <https://www.conference-board.org/publications/publicationdetail.cfm?publicationid=1867¢erid=5>

In particular, companies may face a greater risk of reputational harm arising from misalignment in the context of prominent social or political issues that attract significant scrutiny and attention, such as LGBTQ rights. Many companies, including UPS, Inc., have strong records of adopting and enforcing inclusive LGBTQ policies for their employees. These policies are important because research has shown that they lead to more positive business outcomes. However, there have been numerous instances where companies that publicly support LGBTQ rights engage in political spending on candidates or political action committees whose views and positions may undermine efforts to uphold those rights. Such misalignment with a company's business strategy, corporate values, and the views of its workers and customers, risks reputational harm which can result in adverse short- and long-term financial impacts.

Based on the Fund's experience as a long-term investor, we believe that a company's ability to mitigate reputational risk is key to fostering sound, sustainable, and profitable long-term strategies. Therefore, I urge UPS, Inc. to review its policies and procedures for making corporate political expenditures to determine whether spending is aligned with corporate strategy and values. This review would help ensure that such expenditures are consistent with its public stance on issues that pose heightened misalignment risks, like LGBTQ rights, thereby mitigating the financial ramifications of misalignment.

Thank you for your attention to this matter.

Sincerely,



Thomas P. DiNapoli
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