

Investor Statement on North Carolina House Bill 2

We, the undersigned investors representing \$2.1 trillion in collective assets under management, believe that equality is a fundamental part of a successful workplace and community. Therefore, we stand together against North Carolina House Bill 2 (HB2), which overturns municipal non-discrimination protections for lesbian, gay, bisexual, and transgender (LGBT) people and prohibits transgender people from using restrooms consistent with their gender identity. Not only does this bill invalidate the human rights of individuals across the state, but it also has troubling financial implications for the investment climate in North Carolina.

As long-term investors in companies doing business in North Carolina, we are concerned that HB2 is making it difficult for our portfolio companies to provide the safe, open, and inclusive environment necessary for a successful workplace. Nearly 93 percent of the Fortune 500 have adopted inclusive non-discrimination policies protecting their employees on the basis of sexual orientation and 75 percent of the Fortune 500 also include gender identity/expression in order to better position themselves to attract and retain the best talent.¹ Research has also shown that LGBT-supportive policies lead to positive business outcomes, lower staff turnover, and increased job satisfaction.² As investors in companies that employ thousands of people across the state, we want North Carolina's business community to continue to thrive and be a leader in our country. Legislation such as HB2 undermines these opportunities and may constrain the ability to invest throughout the state.

Not only does HB2 make hiring top talent difficult, but it also has negative financial implications that reverberate across North Carolina. It has been estimated that the law has placed as much as \$5 billion in annual federal funding at risk.³ In terms of private investment in North Carolina, venture capital and private equity deals⁴ – which provide the foundation for much of the state's innovation economy rooted in science, technology, knowledge industries, financial services, and advanced manufacturing – are already being placed at risk. Prominent private equity investors have begun to boycott the state. In public finance, major credit rating agencies such as Moody's and Standard & Poor's have both issued guidance related to the law based on the potential negative economic impacts the law may have on the state and key municipalities that issue municipal bonds. Fixed-income investors now receive regular inquiries from clients who no longer want exposure to NC municipal bonds because of HB2.⁵ The law has suddenly placed the state's long-standing AAA credit rating at serious risk for downgrade, which would lead to a much higher cost of capital for cities, local authorities, and the state as a whole, at a time when interest rates are beginning to rise.

Quite simply, HB2 is bad for business and investors do not support legislation that limits discrimination protections and hampers the ability of our companies to offer open and productive workplaces and communities. According to the Williams Institute more than \$40 million in business investment has already been withdrawn from the state,⁶ and far more is at risk in future private equity deals and municipal bond issuance. As long-term investors in North Carolina, we seek a predictable, stable business climate where our portfolio companies can thrive. HB2 is undermining that basic condition for sound investment.

The undersigned investors are therefore united in calling for a full repeal of HB2. By taking this positive step, North Carolina would assert itself as an inclusive and competitive place for businesses and investors alike.

¹ <http://www.hrc.org/campaigns/corporate-equality-index>

² <http://williamsinstitute.law.ucla.edu/wp-content/uploads/Business-Impact-of-LGBT-Policies-May-2013.pdf>

³ <http://williamsinstitute.law.ucla.edu/research/discrimination-diversity-and-development-the-legal-and-economic-implications-of-north-carolinas-hb2/>

⁴ <http://www.recode.net/2016/4/1/11585792/google-ventures-north-carolina-hb2-ban>

⁵ https://eresearch.fidelity.com/eresearch/markets_sectors/news/story.jhtml

⁶ <http://williamsinstitute.law.ucla.edu/press/hb2-could-cost-north-carolina-almost-5-billion-a-year/>

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