

Online Appendix
for
Economic Substance behind Texas Political Anti-ESG Sanctions

Shivaram Rajgopal
Roy Bernard Kester and T.W. Byrnes Professor of Accounting and Auditing
Columbia Business School, Columbia University
sr3269@columbia.edu

Anup Srivastava
Canada Research Chair and Professor
Haskayne School of Business, University of Calgary
anup.srivastava@ucalgary.ca

Rong Zhao
Professor
Haskayne School of Business, University of Calgary
rozha@ucalgary.ca

Online Appendix I
Domestic Equity Funds from the Texas Annex II List

This appendix presents the names of the banned funds. Panel A has the names of 79 domestic equity funds from the Texas Annex II list that are matched to Center for Research in Security Prices (CRSP) Survivor-Bias-Free Mutual Fund Database along with the names of the management companies associated with these funds. Panel B shows the percentage of funds' names containing certain environmental, social, and governance (ESG)-related words.

Panel A: Fund Name and Management Company

Fund Name	Management Company
AB Sustainable U.S. Thematic Portfolio	AB Cap Fund Inc.
Abrdn Realty Income & Growth Fund	Abrdn Funds
Alger Responsible Investing Fund	Alger Funds II
Alger Weatherbie Enduring Growth Fund	Alger Funds
Aspiration Redwood Fund	Aspiration
Avantis Responsible U.S. Equity ETF	American Century Investments
BlackRock Sustainable Advantage Large Cap Core Fund	BlackRock Funds
BlackRock Sustainable U.S. Growth Equity Fund	BlackRock Funds VII Inc.
BlackRock Sustainable U.S. Value Equity Fund	BlackRock Funds VII Inc.
BlackRock U.S. Impact Fund	BlackRock Funds
BNY Mellon Global Real Return Fund	BNY Mellon Advantage Funds Inc.
BNY Mellon Sustainable U.S. Equity Fund	BNY Mellon Investment Management
BNY Mellon Tax-Sensitive Large Cap Multi-Strategy Fund	BNY Mellon Funds Trust
BNY Mellon U.S. Equity Fund	BNY Mellon Strategic Funds Inc.
Boston Common ESG Impact U.S. Equity Fund	Boston Common Asset Management
Boston Trust Walden SMID Cap Fund	Boston Trust Walden
Brown Advisory Sustainable Growth Fund	Brown Advisory Funds
Brown Advisory Sustainable Small-Cap Core Fund	Brown Advisory Funds
Clearbridge Sustainability Leaders Fund	Legg Mason Partners Investment Trust
DFA U.S. Social Core Equity 2 Portfolio	DFA Investment Dimensions Group Inc.
DFA U.S. Sustainability Targeted Value Portfolio	DFA Investment Dimensions Group Inc.
DFA U.S. Sustainability Core 1 Portfolio	DFA Investment Dimensions Group Inc.
Domini Impact Equity Fund	Domini Investment Trust
DWS ESG Core Equity Fund	Deutsche DWS Investment Trust
Fidelity Environment and Alternative Energy Fund	Fidelity Investments
Fidelity SAI Sustainable Sector Fund	Fidelity Investments
Fidelity SAI Sustainable U.S. Equity Fund	Fidelity Investments
Fidelity Sustainable U.S. Equity Fund	Fidelity Investments
Fidelity U.S. Sustainability Index Fund	Fidelity Investments
Flexshares ESG & Climate Emerging Markets Core Index Fund	Flexshares

Fund Name	Management Company
Flexshares ESG & Climate U.S. Large Cap Core Index Fund	Flexshares
Gabelli ESG Fund	Gabelli Funds
Green Century Equity Fund	Green Century Funds
HSBC Radiant ESG U.S. Smaller Companies Fund	HSBC Funds
Invesco ESG Nadsaq 100 ETF	Invesco
Invesco ESG Nasdaq Next Gen 100 ETF	Invesco
Invesco ESG S&P 500 Equal Weight ETF	Invesco
Invesco U.S. Large Cap Core ESG ETF	Invesco
John Hancock ESG Large Cap Core Fund	John Hancock Investment Trust
JPMorgan U.S. Sustainable Leaders Fund	JPMorgan Trust I
Karner Blue Biodiversity Impact Fund Butterfly Class	Ultimus Managers Trust
Kennedy Capital ESG SMID Cap Fund	Investment Managers Series Trust II
Knights of Columbus Large Cap Growth Fund	Advisors' Inner Circle Fund III
Knights of Columbus Large Cap Value Fund	Advisors' Inner Circle Fund III
Knights of Columbus Long/Short Equity Fund	Advisors' Inner Circle Fund III
Knights of Columbus Real Estate Fund	Advisors' Inner Circle Fund III
Knights of Columbus Small Cap Fund	Advisors' Inner Circle Fund III
Knights of Columbus U.S. All Cap Index Fund I Shares	Advisors' Inner Circle Fund III
Lazard U.S. Sustainable Equity Portfolio	Lazard Funds Inc.
Neuberger Berman Sustainable Equity Fund	Neuberger Berman Equity Funds
Neuberger Berman U.S. Equity Impact Fund	Neuberger Berman Equity Funds
Northern U.S. Quality ESG Fund	Northern Funds
Nuveen ESG Small-Cap ETF	Nuveen Investor Services
Nuveen Winslow Large-Cap Growth ESG ETF	Nuveen Investor Services
Nuveen Winslow Large-Cap Growth ESG Fund	Nuveen Investment Trust II
Parnassus Core Equity Fund	Parnassus Investments
Parnassus Endeavor Fund	Parnassus Investments
Parnassus Mid Cap Fund	Parnassus Investments
Parnassus Mid Cap Growth Fund	Parnassus Investments
Pax Large Cap Fund	Pax World Funds Series Trust I
Pax Small Cap Fund	Pax World Funds Series Trust I
Pax U.S. Sustainable Economy	Pax World Funds Series Trust I
Praxis Growth Index Fund	Praxis Mutual Funds
Praxis Small Cap Index Fund	Praxis Mutual Funds
Praxis Value Index Fund	Praxis Mutual Funds
Reynders McVeigh Core Equity Fund	Capitol Series Trust
Sphere 500 Fossil Free Fund	Sphere
TIAA-CREF Social Choice Equity Fund	TIAA-CREF Funds
TIAA-CREF Social Choice Low Carbon Equity Fund	TIAA-CREF Funds

Fund Name	Management Company
Trillium ESG Small/Mid Cap Fund Institutional	Professionally Managed Portfolios
UBS U.S. Small Cap Growth Fund	UBS Funds
UBS U.S. Dividend Ruler Fund	UBS Funds
UBS U.S. Quality Growth at Reasonable Price Fund	UBS Funds
Vanguard ESG U.S. Stock ETF	Vanguard
Vanguard FTSE Social Index Fund	Vanguard World Funds
Xtrackers MSCI USA ESG Leaders Equity ETF	DWS
Xtrackers S&P 500 ESG ETF	DWS
Xtrackers S&P Midcap 400 ESG ETF	DWS
Xtrackers S&P Smallcap 600 ESG ETF	DWS

Panel B: Names of Funds Containing Keywords

Keyword	Banned Funds ($N = 79$)	
	# of Funds	Percentage of Funds
ESG	22	27.8
Sustainab	18	22.8
Social	4	5.1
Climate	2	2.5
Fossil	1	1.3
Biodiversity	1	1.3
Carbon	1	1.3
Any of the above	46	58.2

Online Appendix II
List of State Pension Funds

This appendix lists the names of state pension funds along with the partisan lean scores from FiveThirtyEight. A partisan score above (below) zero indicates that the state is Democratic-leaning (Republican-leaning).

Pension Fund	State	Partisan Score
State of Alaska, Department of Revenue Retirement Systems of Alabama	Alaska	-15
Arizona State Retirement System	Alabama	-30
California Public Employees Retirement System	Arizona	-8
California State Teachers Retirement System	California	25
Public Employees Retirement Association of Colorado	California	25
State Board of Administration of Florida Retirement	Colorado	6
Kentucky Retirement Systems Insurance Trust Fund	Florida	-8
Teachers Retirement System of the State of Kentucky	Kentucky	-27
Louisiana State Employees Retirement System	Kentucky	-27
Municipal Employees' Retirement System of Michigan	Louisiana	-21
State of Michigan Retirement System	Michigan	-2
Treasurer of The State of North Carolina	Michigan	-2
State of New Jersey Common Pension Fund D	North Carolina	-5
State of New Jersey Common Pension Fund E	New Jersey	12
New Mexico Educational Retirement Board	New Jersey	12
New York State Common Retirement Fund	New Mexico	7
New York State Teachers Retirement System	New York	20
Public Employees Retirement System of Ohio	New York	20
STRS Ohio	Ohio	-12
Oregon Public Employees Retirement Fund	Ohio	-12
Commonwealth of Pennsylvania Public School Employees Retirement System	Oregon	11
South Dakota Investment Council	Pennsylvania	-3
State of Tennessee, Treasury Department	South Dakota	-32
Employees Retirement System of Texas	Tennessee	-29
Teacher Retirement System of Texas	Texas	-12
Texas County and District Retirement System	Texas	-12
Texas Permanent School Fund	Texas	-12
Utah Retirement Systems	Texas	-12
Virginia Retirement Systems et al.	Utah	-26
Washington State Investment Board	Virginia	5
State of Wisconsin Investment Board	Washington	12
	Wisconsin	-4

Online Appendix III Top Equity Holdings by Red and Blue States

This appendix presents information on the individual equity securities held by banned funds and control funds. The prior period is the time before the passage of Chapter 809 in Texas. Post period 1 covers the calendar quarters from the third quarter of 2021 to the third quarter of 2022, from after the passage of Chapter 809 to before the announcement of the banned list of investment companies and funds. Post period 2 falls after the announcement of the banned list, that is, the calendar quarters from the fourth quarter of 2022 to the third quarter of 2023. The top 20 equity securities held by red states (blue states) are presented in Panel A (Panel B). The ranking of a security is obtained by calculating its weighted-average percentage in the total net assets of a fund and then weighting it by total net assets managed by each fund. For funds that do not hold that security in their portfolios, the percentage is set to zero.

Panel A: Top Equity Holdings by Red States

Rank	Prior Period (2013Q2–2021Q2)		Post Period 1 (2021Q3–2022Q3)		Post Period 2 (2022Q4–2023Q2)	
	Name of Security	% Total Net Assets	Name of Security	% Total Net Assets	Name of Security	% Total Net Assets
1	Apple Inc.	3.13	Apple Inc.	4.92	Apple Inc.	5.16
2	Microsoft Corp.	2.51	Microsoft Corp.	4.49	Microsoft Corp.	4.64
3	Alphabet Inc.	2.05	Alphabet Inc.	3.12	Alphabet Inc.	2.61
4	Amazon.Com Inc.	1.75	Amazon.Com Inc.	2.70	Amazon.Com Inc.	2.10
5	Meta Platforms Inc.	1.17	Tesla Inc.	1.39	Nvidia Corp.	1.43
6	Johnson & Johnson	1.13	Meta Platforms Inc.	1.29	Berkshire Hathaway	1.09
7	JPMorgan Chase & Co.	1.12	Nvidia Corp.	1.05	Tesla Inc.	1.05
8	Exxon Mobil Corp.	1.10	Berkshire Hathaway	0.99	Meta Platforms Inc.	1.04
9	Berkshire Hathaway	1.02	UnitedHealth Group Inc.	0.97	UnitedHealth Group Inc.	1.04
10	Wells Fargo & Co.	0.87	Johnson & Johnson	0.90	Exxon Mobil Corp.	0.96
11	Procter & Gamble Co.	0.84	JPMorgan Chase & Co.	0.81	Johnson & Johnson	0.90
12	Visa Inc.	0.77	Visa Inc.	0.73	JPMorgan Chase & Co.	0.85
13	Verizon Communications Inc.	0.77	Procter & Gamble Co.	0.66	Visa Inc.	0.80
14	Bank of America Corp.	0.76	Home Depot Inc.	0.66	Mastercard Inc.	0.77
15	Pfizer Inc.	0.73	Mastercard Inc.	0.64	Procter & Gamble Co.	0.70
16	AT&T Inc.	0.73	Exxon Mobil Corp.	0.62	Lilly (Eli) & Co.	0.69
17	Home Depot Inc.	0.72	Pfizer Inc.	0.59	Home Depot Inc.	0.66
18	UnitedHealth Group Inc.	0.72	Bank of America Corp.	0.57	Merck & Co.	0.66

19	Chevron Corp.	0.71	Chevron Corp.	0.52	Chevron Corp.	0.64
20	Intel Corp.	0.67	AbbVie Inc.	0.52	Broadcom Inc.	0.61

Panel B: Top Equity Holdings by Blue States

Rank	Prior Period (2013Q2–2021Q2)		Post Period 1 (2021Q3–2022Q3)		Post Period 2 (2022Q4–2023Q2)	
	Name of Security	% Total Net Assets	Name of Security	% Total Net Assets	Name of Security	% Total Net Assets
1	Apple Inc.	3.23	Apple Inc.	5.14	Apple Inc.	5.78
2	Microsoft Corp.	2.64	Microsoft Corp.	4.69	Microsoft Corp.	5.10
3	Alphabet Inc.	2.11	Alphabet Inc.	3.28	Alphabet Inc.	2.74
4	Amazon.Com Inc.	1.80	Amazon.Com Inc.	2.84	Amazon.Com Inc.	2.14
5	Johnson & Johnson	1.31	Tesla Inc.	1.45	Nvidia Corp.	1.44
6	Exxon Mobil Corp.	1.27	Meta Platforms Inc.	1.26	Berkshire Hathaway	1.36
7	Meta Platforms Inc.	1.19	Johnson & Johnson	1.22	Johnson & Johnson	1.23
8	JPMorgan Chase & Co.	1.14	Berkshire Hathaway	1.19	UnitedHealth Group Inc.	1.18
9	Berkshire Hathaway	1.12	UnitedHealth Group Inc.	1.05	Tesla Inc.	1.12
10	Procter & Gamble Co.	0.92	Nvidia Corp.	1.03	Meta Platforms Inc.	1.00
11	AT&T Inc.	0.87	Visa Inc.	0.92	Exxon Mobil Corp.	0.96
12	Wells Fargo & Co.	0.86	JPMorgan Chase & Co.	0.86	JPMorgan Chase & Co.	0.95
13	Verizon Communications Inc.	0.85	Procter & Gamble Co.	0.86	Merck & Co.	0.94
14	Visa Inc.	0.84	Home Depot Inc.	0.77	Visa Inc.	0.93
15	Pfizer Inc.	0.82	PepsiCo Inc.	0.72	Procter & Gamble Co.	0.91
16	Chevron Corp.	0.81	Costco Wholesale Corp.	0.71	PepsiCo Inc.	0.88
17	Bank of America Corp.	0.78	Accenture PLC	0.70	Lilly (Eli) & Co.	0.86
18	Home Depot Inc.	0.75	Walmart Inc.	0.68	Home Depot Inc.	0.79
19	Merck & Co.	0.74	Pfizer Inc.	0.67	Mastercard Inc.	0.75
20	General Electric Co.	0.72	Merck & Co.	0.66	AbbVie Inc.	0.70

Online Appendix IV
Texas Investments in Banned Asset Management Companies and Funds

This appendix shows investments in banned companies and funds by three Texas pension funds based on their Form 13F filings. These three funds are Employees Retirement System of Texas, Teacher Retirement System of Texas, and Texas Permanent School Fund. The prior period is the time before the passage of Chapter 809 in Texas. Post period 1 covers the calendar quarters from the third quarter of 2021 to the third quarter of 2022, from after the passage of Chapter 809 to before the announcement of the banned list of investment companies and funds. Post period 2 follows the announcement of the banned list, that is, the calendar quarters from the fourth quarter of 2022 to the third quarter of 2023.

	Prior Period (2013Q2–2021Q2)	Post Period 1 (2021Q3–2022Q3)	Post Period 2 (2022Q4–2023Q2)
Holdings in BlackRock stock (ticker: BLK)			
As a % of a pension fund’s total investment	0.127%	0.184%	0.039%
As a % of BLK’s shares outstanding	0.017%	0.020%	0.003%
Holdings in BlackRock iShares Global Clean Energy ETF (ticker: ICLN)			
As a % of a pension fund’s total investment	0.001%	0.000%	0.000%
As a % of ICLN’s shares outstanding	0.001%	0.000%	0.000%
Holdings in BlackRock iShares not on the banned list			
As a % of a pension fund’s total investment	0.030%	0.031%	0.032%
As a % of iShares funds’ shares outstanding	0.043%	0.052%	0.048%