

Investment Management & Funds Regulatory Update - May 2025

May 30, 2025 | Client Update

In this issue, we discuss state law restrictions on the use of ESG factors by financial institutions, including with respect to managing investments or investment standards for public funds.

Rules and regulations

Updated survey of state law restrictions on ESG factors in investing and business practices, including management of public funds.

Over the past several years, approximately 18 states have passed laws of various types intended to restrict or discourage the use of ESG-type considerations by financial institutions (as well as other companies) in a number of ways. These laws include those that prohibit public funds (including state or local employee pensions) from using ESG considerations in managing investments, or set investment standards for funds that (explicitly or implicitly) exclude ESG considerations. Some of these laws may be limited to conduct by officials with authority over public funds while others extend to financial advisors or other experts engaged to manage them. These laws vary widely in scope and design and continue to be proposed and enacted, resulting in a patchwork of rapidly changing legal requirements. For more information, please see our recent [client update](#) that summarizes the current landscape of state law restrictions on ESG and provides a state-by-state summary of these laws.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Leor Landa

+1 212 450 6160
leor.landa@davispolk.com

Andrew M. Ahern

+1 212 450 3057
andrew.ahern@davispolk.com

Sijia Cai

+1 212 450 3071
sijia.cai@davispolk.com

Luke P. Eldridge

+1 202 962 7144
+1 212 450 3081
luke.eldridge@davispolk.com

Christopher P. Healey

+1 202 962 7036
christopher.healey@davispolk.com

Michael S. Hong

+1 212 450 4048
michael.hong@davispolk.com

Gregory S. Rowland

+1 212 450 4930
gregory.rowland@davispolk.com

Alisa A. Waxman

+1 212 450 3078
alisa.waxman@davispolk.com

Lee Hochbaum

+1 212 450 4736
lee.hochbaum@davispolk.com

James H.R. Windels

+1 212 450 4978
james.windels@davispolk.com

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.