

The Benefit Entities Act 2025 – Bermuda

Briefing Summary: With the introduction of the Benefit Entities Act 2025 (the **Benefit Act**) Bermuda has taken the important and laudable step of allowing corporations to more easily incorporate environmental, social and governance (often referred to as **ESG**) factors into certain decisions.

Service Area: Corporate, Trusts and Private Wealth

Location: Bermuda

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The Benefit Act is a product of industry wide support in Bermuda for evolving views regarding the impacts of corporate governance and the need for sustainability in the company law sector that supports both financial stewardship and a broader purpose. The constitutional documents of a benefit company will contain a clearly stated mission to have a material positive impact on society and the environment while benefitting its shareholders, members, or partners. Benefit company directors and managers will thereby be required to consider the impact of decisions on all stakeholders and be empowered to implement and maintain stated ESG objectives and hold the company to higher standards of accountability and transparency.

The Benefit Act, which came into force on 1 December 2025, amends the Companies Act 1981, the Limited Liability Company Act 2016 and the Limited Partnership Act 1883 so that each type of entity created pursuant to these acts may opt-in to a legal framework under which they choose to identify as a public benefit company and thereby incorporate public benefits into their governance and decision-making processes.

Benefit company directors would operate their businesses with the same authority as a traditional company. However, benefit companies differ from traditional companies in the following three ways:

1. There is a public benefit requirement which means that in addition to carrying on their ordinary business activities, benefit companies must pursue a positive effect (or a reduction of a negative effect) on one or more communities or categories of persons or on the environment (including, but not limited to air, land, water, flora and fauna), including, but not limited to, effects of an artistic, charitable, cultural, economic, educational, environmental, literary, medical, religious, scientific, sporting or technological nature.

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2. They must operate under a stakeholder-centric business model whereby their decision-making must consider the effects of any action or inaction not only on shareholders but on all stakeholders, including employees, community, customers, the environment, and short and long-term interests of the company.
3. They have specific reporting requirements that involve transparency provisions requiring benefit companies to publish periodic benefit reports of their social and environmental performance using a comprehensive and credible third-party standard. Although, in certain instances, a benefit company will have the ability to opt out of the reporting requirements.

Under Bermuda's legislation, traditional companies that do not opt-in to become a benefit company will not be impacted in any way.

While benefit company legislation has been passed in a number of US jurisdictions, as well as Italy, Peru, Colombia, Ecuador, Rwanda and the Canadian province of British Columbia, Bermuda will be the first international financial centre to pass benefit company legislation.

FAQs

1. What is the purpose of the Benefit Entities Act 2025?

The Benefit Entities Act 2025 allows Bermuda companies, LLCs, and limited partnerships to formally incorporate environmental, social and governance (ESG) considerations into their decision-making. It creates a legal framework for entities to opt in as "benefit companies" and incorporate public benefit considerations into their decision-making processes.

2. How does a benefit company differ from a traditional company?

Benefit companies are required to:

- Pursue a public benefit (positive or reduction of negative societal or environmental impact).
- Adopt a stakeholder-centric approach that considers the effects of decisions on employees, communities, customers, the environment, and long-term company interests.
- Comply with reporting requirements and publish benefit reports (with limited opt-out options).

Traditional companies that do not opt in are unaffected by these requirements.

3. What qualifies as a "public benefit"?

A public benefit may include any positive effect - or reduction of negative effect - on communities, people, or the environment. This can include artistic, charitable, cultural, economic, educational, environmental, literary, medical, religious, scientific, sporting, or technological impacts.

4. What reporting obligations do benefit companies have?

Benefit companies must publish periodic benefit reports detailing their social and environmental performance. These reports must be based on a comprehensive, credible third-party standard. In some cases, companies may opt out of reporting requirements, subject to the provisions of the Act.

5. How does the Act position Bermuda internationally?

While benefit company legislation exists in jurisdictions such as various U.S. states, Italy, Peru, Colombia, Ecuador, Rwanda, and British Columbia, Bermuda is the first international financial centre to adopt such legislation – strengthening its leadership position in sustainable corporate governance.

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