

The Benefit Entities Act 2025 – Bermuda

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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.

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 is expected to come into force before the end of this year, will amend 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.
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.

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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.



FIND US

Carey Olsen Bermuda Limited
Rosebank Centre 5th Floor
11 Bermudiana Road
Pembroke HM 08
Bermuda

T +1 441 542 4500

E bermuda@careyolsen.com



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Visit our trusts and private wealth team at [careyolsen.com](https://www.careyolsen.com)



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