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Zambia's Economic Sector Insights

Manufacturing Sector

Legal Perspectives Across the Manufacturing Sector



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Table of Contents

Foreword	2
Data Protection in Zambia's Manufacturing Sector: Key Data Protection Clauses Every Supplier Contract Should Contain	4
From Disclosure to Continuous Transparency: What Zambia's 2025 Beneficial Ownership Reforms Mean for Manufacturers (Part 1)	8
Assessment of the Licensing and Regulatory Requirements under the Cotton Act No. 14 of 2025 to ensure Compliance in Zambia	12
Manufacturing Sector Team Members	15

This publication contains general information and should not be construed as legal advice or opinion or as a substitute for the advice of Counsel.

Foreword



I am pleased to welcome you to the second issue, first volume of Zambia's Economic Sector Insights, in which we turn our attention to the legal and regulatory developments shaping Zambia's manufacturing sector.

Manufacturing remains central to Zambia's ambitions for industrialisation, economic diversification and sustainable growth. Beyond its contribution to employment and investment, the sector plays an important role in strengthening domestic value chains and supporting the country's broader economic development. Realising this potential, however, requires businesses to navigate an increasingly complex legal and regulatory environment while remaining competitive and operationally resilient.

For manufacturers, regulatory compliance is no longer simply a matter of meeting statutory obligations. It is increasingly intertwined with commercial decision making, corporate governance, supply chain management and business continuity. Developments in areas such as data protection, beneficial ownership transparency and industry-specific licensing illustrate how legal requirements can directly influence the way businesses operate, manage risk and engage with their commercial partners.

In this edition, our Manufacturing Sector team examines these developments and their practical implications for businesses operating within Zambia's manufacturing value chains. Our objective is not merely to highlight changes in the law, but to encourage businesses to consider how those changes may affect their operations and the steps they can take to remain compliant, competitive and resilient.

At Corpus Legal Practitioners, we recognise that effective legal advice must be grounded in an understanding of the industries in which our clients operate. Through this publication, we seek to contribute informed, commercially relevant perspectives that support better decision-making and meaningful dialogue on the opportunities and challenges facing Zambia's manufacturing sector.

On behalf of the Manufacturing Sector team, I thank you for taking the time to engage with this edition. We welcome your feedback and look forward to continuing the conversation as we explore the legal and regulatory developments influencing Zambia's key economic sectors.

Jackie Jhala

Partner | Head of Manufacturing Sector and Corporate Advisory Department
Corpus Legal Practitioners



Manufacturing Sector

Data Protection in Zambia's Manufacturing Sector: Key Data Protection Clauses Every Supplier Contract Should Contain

By Christine Mwambazi

Introduction

The manufacturing sector is increasingly becoming data-driven. From automated production systems, enterprise resource planning platforms, outsourced logistics, biometric access controls and digital procurement processes, manufacturers now process significant volumes of personal data in the ordinary course of business. Employee records, supplier contact information, biometric attendance data, occupational health and safety record, customer details, CCTV footage, delivery records and fleet tracking information have become integral to modern manufacturing operations.

As manufacturers continue to rely on third-party suppliers, including contractors, logistics providers, payroll administrators, recruitment firms, security companies and cloud service providers, the sharing and processing of personal data across supply chains has created heightened legal and compliance risks. In Zambia, these risks are governed by the Data Protection Act No. 3 of 2021 (the "Act" or "DPA"), which regulates the collection, use, transmission, storage and other processing of personal data.

For manufacturing companies, compliance with the Act is no longer confined to internal policies and cybersecurity systems. Supplier contracts are now a critical compliance mechanism for allocating responsibility, controlling downstream processing and ensuring that third parties handling personal data comply with statutory data protection obligations. This is particularly important because a supplier's failure may expose the manufacturer to regulatory scrutiny, contractual disputes, operational disruption and reputational damage.

The Growing Importance of Data Protection in Manufacturing

Historically, data protection concerns were more commonly associated with banks, telecommunications companies and technology firms. However, manufacturing entities now process vast amounts of personal information through:

- human resource management systems;
- payroll administration;
- biometric access and attendance controls;
- occupational health, safety and incident records;
- CCTV and workplace surveillance;
- customer, distributor and supplier databases;
- vendor onboarding and procurement processes;
- logistics, fleet management and delivery tracking systems; and
- quality assurance, product recall and complaint-management processes where customer or employee information may be captured.

In many cases, these functions are outsourced to third-party service providers. A manufacturer may engage an external payroll administrator, cloud storage provider, security company, recruitment agency, occupational health service provider, waste-management contractor, or transport contractor, each of whom may access or process personal data on behalf of the manufacturer.

This creates significant legal exposure because the unlawful disclosure, misuse or inadequate protection of personal data by a supplier may expose the manufacturer to regulatory scrutiny, reputational damage and potential liability under the Act. Accordingly, supplier agreements must be drafted with careful consideration of data protection compliance obligations.

The Legal Framework Under the Data Protection Act No. 3 of 2021

The Act establishes several key principles governing the processing of personal data. These include:

- lawful, fair and transparent processing;
- purpose limitation;
- data minimisation;
- accuracy of data;
- storage limitation;
- processing in accordance with the rights of data subjects; and
- integrity and confidentiality through appropriate technical and organisational measures.

The Act further imposes obligations on both data controllers and data processors to implement appropriate security safeguards and ensure that personal data is processed only for lawful, legitimate and specified purposes. It also requires registration of data controllers and data processors, record-keeping, security safeguards, breach notification, data retention controls and, where applicable, data protection impact assessments and appointment of a data protection officer.

Within manufacturing supply chains, manufacturers will often qualify as data controllers because they determine the purpose and means of processing personal data, while third-party suppliers may qualify as data processors where they process data for and on behalf of, and under the instruction of, the manufacturer. This distinction is important because the Act places direct obligations on both parties, making contractual regulation essential.

Essential Data Protection Clauses in Manufacturing Supplier Contracts

1. Definitions Clause

Supplier contracts should clearly define key data protection concepts such as personal data, sensitive personal data, processing, data subject, data controller, data processor, recipient, third party and security breach.

Where possible, these definitions should align with the wording and interpretation contained in the DPA to avoid ambiguity and ensure consistency with statutory obligations. Clear definitions establish the scope of contractual responsibilities and reduce interpretational disputes.

2. Role Allocation and Registration Clause

A manufacturing supplier contract should not merely refer to "data protection compliance" in general terms. It should clearly identify whether the supplier acts as an independent controller, joint controller or processor in relation to each category of personal data handled under the contract.

Where the supplier acts as a processor, the contract should confirm that the supplier processes personal data only for and on behalf of the manufacturer and under the manufacturer's documented instructions. Where the supplier independently determines the purposes or means of processing, the contract should allocate controller responsibilities accordingly, including responsibility for transparency, notices, lawful basis, data subject requests and regulatory engagement.

The agreement should also require each party to maintain any registration, licence, approval or exemption required under the Act for its role as a controller or processor, and to notify the other party promptly of any suspension, cancellation, expiry or material change affecting that registration.

3. Purpose Limitation Clause

Supplier agreements should expressly limit the supplier's use of personal data to specified contractual purposes only. Suppliers should not be permitted to use personal data for unrelated commercial purposes, profiling, marketing activities, analytics, product development, or unauthorised disclosures unless a separate lawful basis and contractual permission exist.

A purpose limitation clause may provide that personal data may only be processed in connection with performance of the contract; processing must occur strictly in accordance with the manufacturer's instructions; and the supplier is prohibited from retaining, reusing or combining data beyond the contractual scope.

4. Confidentiality and Non-Disclosure Obligations

Manufacturers should require suppliers to maintain strict confidentiality obligations concerning all personal data accessed during the contractual relationship.

Such clauses should restrict disclosure of personal data to authorised personnel only; require employee confidentiality undertakings; prohibit unauthorised copying, sharing or disclosure of data; and impose continuing confidentiality obligations even after termination of the contract.

The clause should also address disclosure to affiliates, subcontractors, professional advisers and regulators, and should require advance notice to the manufacturer where legally permissible.

5. Data Security and Cybersecurity Obligations

One of the most critical contractual protections relates to cybersecurity and data security obligations.
Supplier agreements should require suppliers to implement appropriate technical and organisational measures to safeguard personal data against unauthorised access, accidental loss, destruction, cyberattacks, unlawful disclosure, misuse, modification or compromise.

Such measures may include encryption protocols, password-protected systems, restricted access controls, multi-factor authentication, secure cloud storage arrangements, employee cybersecurity training, secure disposal procedures, physical access controls and incident response procedures.

For manufacturers, this clause should be tailored to the supplier's operational role. For example, a payroll provider, security company using CCTV, biometric access-control vendor, cloud ERP provider or logistics contractor will each require different controls depending on the data handled and the risk presented.

6. Data Breach Notification and Incident Response Clauses

Supplier contracts should contain clear obligations requiring suppliers to notify manufacturers immediately upon becoming aware of a data breach or suspected compromise involving personal data.

This timing should be sufficiently short to enable the manufacturer, where it is the data controller, to comply with its statutory obligation to notify the Data Protection Commissioner within twenty-four hours of a security breach affecting personal data processed. A processor is required to notify the controller as soon as practicable, but a manufacturing contract may impose a stricter operational timeline, such as immediate notification or notification within a specified number of hours.

The notification clause should address timelines for notification; information to be provided regarding the breach; containment and mitigation obligations; cooperation during investigations; preservation of evidence; communications with regulators and data subjects; and remedial measures.

Prompt notification is essential because delayed reporting may increase regulatory exposure, reputational harm, financial losses and operational disruption.

7. Subcontracting Restrictions

Suppliers frequently engage subcontractors, cloud service providers or outsourced support providers to
assist with service delivery. However, uncontrolled subcontracting may create additional data protection vulnerabilities.

Supplier agreements should therefore prohibit subcontracting of data processing activities without the manufacturer's prior written consent.

This reflects the Act's requirement that a processor should not engage another processor without the prior specific or general written authorisation of the controller. Where general authorisation is granted, the supplier should be required to inform the manufacturer of any intended addition or replacement of sub-processors and give the manufacturer an opportunity to object.

The contract should also require any approved subcontractor to comply with equivalent data protection obligations imposed on the primary supplier. This ensures continuity of compliance throughout the supply chain.

8. Cross-Border Data Transfer and Data Localisation Provisions

Cross-border transfer clauses are increasingly important in multinational manufacturing operations where data routinely flows across regional and international supply networks.

Many manufacturing businesses operate across multiple jurisdictions and utilise international software systems, cloud storage infrastructure, foreign logistics providers and group-wide HR or procurement platforms. As a result, supplier contracts should address cross-border transfers of personal data.

The agreement should identify the circumstances in which personal data may be accessed from, stored in or transferred outside Zambia; require compliance with the Act's cross-border transfer requirements; allocate responsibility for confirming the relevant legal basis and safeguards; and require the supplier to provide information on hosting locations, remote-access arrangements and sub-processors.

In manufacturing supply chains, this is particularly relevant where cloud ERP systems, global payroll platforms, group procurement tools or foreign technical support teams access Zambian employee, customer, driver, supplier or visitor data.

9. Audit and Compliance Rights

Manufacturers should retain contractual rights to verify supplier compliance with data protection obligations.

Audit clauses may allow manufacturers to conduct compliance audits; request evidence of security measures; inspect supplier systems and processes; require compliance certifications; review incident response procedures; and request copies of policies, training records and data protection impact assessments where relevant.

Audit rights should be proportionate and should balance operational practicality with the manufacturer's need to demonstrate accountability under the Act. The agreement may permit desk-based audits, questionnaires, independent assurance reports or on-site inspections depending on the supplier's risk profile.

10. Data Retention, Return and Deletion Clauses

Supplier agreements should regulate how long personal data may be retained and establish procedures for secure deletion or return of data upon termination of the contractual relationship.

The contract should require suppliers to retain personal data only for the specified purpose and for the period required under the Act or other applicable law. The Act requires personal information to be kept for as long as it is used for the specific purpose for which it was collected, for as long as it remains relevant for that purpose and for at least one year thereafter or such other period as may be prescribed.

The contract should require suppliers to securely destroy redundant data, return data upon request, maintain records of disclosures and certify deletion where applicable. This aligns with the storage limitation principle and reduces unnecessary exposure arising from prolonged retention of personal data.

11. Data Subject Rights and Assistance Clause

Supplier contracts should require suppliers to assist the manufacturer in responding to data subject requests, including requests for access, rectification, erasure, objection, restriction and information regarding third-party disclosures.

This is important because, in practice, relevant data may sit in supplier systems such as payroll portals, attendance systems, visitor registers, CCTV platforms, logistics records or recruitment databases. The supplier should be required to respond within timelines that allow the manufacturer to meet its statutory obligations.

12. Liability and Indemnity Clauses

Finally, supplier agreements should clearly allocate liability arising from breaches of data protection obligations.
Indemnity provisions may address regulatory penalties, third-party claims, financial losses, breach-related remediation costs, notification costs, forensic investigation costs and reputational harm resulting from supplier misconduct, negligence or breach of contract.

The clause should be carefully drafted so that liability follows the party responsible for the breach, while recognising that regulators may still examine the manufacturer's own compliance, oversight and vendor-management arrangements.

Practical Compliance Challenges in Zambia's Manufacturing Sector

Despite the enactment of the DPA, many manufacturing entities continue to face practical compliance challenges. These include:

- limited awareness of data protection obligations;
- inadequate cybersecurity infrastructure;
- informal supplier management practices;
- absence of written data processing agreements;
- increasing reliance on foreign cloud systems;
- limited visibility over sub-processors;
- use of biometric attendance, CCTV and access-control systems without sufficiently tailored notices, policies and retention rules;
- resource constraints among small and medium-sized enterprises.

Additionally, many suppliers may not fully appreciate that handling employee records, customer details, visitor logs, CCTV footage, driver information or operational data can trigger statutory obligations under the Act. Consequently, manufacturers must adopt proactive compliance strategies that integrate data protection considerations into procurement, contracting, vendor onboarding and operational governance frameworks.

A practical manufacturing-sector approach should therefore include supplier due diligence, risk-based contract clauses, internal approval processes for new systems, clear data retention schedules, breach escalation procedures and periodic review of high-risk suppliers.

Conclusion

The Data Protection Act No. 3 of 2021 has fundamentally changed the way organisations collect, use, store and share personal data. For manufacturers, compliance is no longer confined to protecting employee or customer information. It now extends across the entire manufacturing ecosystem, including supplier relationships, technology platforms, human resource management, customer engagement and increasingly digital production environments.

As manufacturing businesses continue to embrace digital transformation, automation and data-driven decision-making, robust data governance will become an increasingly important component of operational resilience, regulatory compliance and stakeholder trust. Organisations that proactively embed data

protection into their governance frameworks are likely to be better positioned to manage legal risk, strengthen customer confidence and respond effectively to evolving regulatory expectations.

Ultimately, data protection should not be viewed simply as a legal obligation. It is an important business enabler that supports responsible innovation, strengthens corporate governance and enhances the long-term sustainability and competitiveness of manufacturing businesses operating in an increasingly digital economy.

How We Can Support

At Corpus Legal Practitioners, we advise manufacturers and businesses across a broad range of industries on compliance with the Data Protection Act No. 3 of 2021 and broader information governance obligations. We recognise that data protection extends beyond legal compliance and has become an essential component of operational resilience, customer trust and corporate governance.

Our services include:

- Data protection compliance assessments and gap analyses;
- Drafting and reviewing privacy notices, policies and internal governance frameworks;
- Advising on lawful processing, employee data, customer data and cross-border data transfers;
- Preparing data processing agreements and data sharing arrangements;
- Assisting with personal data breach response, regulatory engagement and investigations;
- Advising on technology, artificial intelligence and emerging digital regulatory issues; and
- Delivering practical data protection training tailored to manufacturing businesses, directors, employees and operational teams.

We also assist clients in embedding data protection into their day-to-day operations by reviewing procurement processes, vendor management frameworks, cybersecurity governance and contractual arrangements to ensure that compliance supports, rather than hinders, business objectives.

If you are reviewing your organisation's data protection framework or seeking to strengthen compliance across your manufacturing operations and supply chain, we would be pleased to assist.

From Disclosure to Continuous Transparency: What Zambia's 2025 Beneficial Ownership Reforms Mean for Manufacturers (Part 1)

By Manufacturing Sector Legal Team

Introduction

The Companies (Amendment) Act No. 23 of 2025 (the **"Amendment Act"**) introduces one of the most significant reforms to Zambia's beneficial ownership framework in recent years.

For years, beneficial ownership disclosure was treated largely as a once-off regulatory exercise, typically undertaken during incorporation, following changes in shareholding, or in connection with statutory filings. The new reforms signal a fundamental shift in approach. Beneficial ownership is no longer viewed as information that is disclosed only when required. Instead, companies are now expected to continuously identify, verify, maintain and, where necessary, update information relating to the individuals who ultimately own, control or derive economic benefit from their business. The question is therefore no longer simply who appears on corporate records, but who truly owns, controls, and benefits from the business at any given point in time.

For manufacturers, the implications extend well beyond regulatory compliance. Manufacturing businesses frequently operate through complex ownership structures involving family-owned enterprises, multinational groups, nominee shareholders, investment vehicles and regional holding companies. These structures increasingly attract scrutiny from regulators, financial institutions, investors, procurement authorities and commercial counterparties. Beneficial ownership information now shapes banking relationships, investor due diligence, procurement eligibility, supply-chain integrity, anti-money laundering compliance, and overall corporate credibility.

Equally important, the reforms arrive at a time when manufacturers are facing increasing governance expectations from financiers, multinational customers, development finance institutions and public procurement authorities, all of whom are placing greater emphasis on corporate transparency and accountability. A manufacturer that cannot readily demonstrate who ultimately owns or controls its business may experience delays in financing transactions, procurement processes, mergers and acquisitions, supplier onboarding exercises and cross-border commercial engagements.

Getting beneficial ownership right, therefore, is no longer merely a legal imperative but has become an important component of sound corporate governance, effective risk management and long-term commercial competitiveness.

This article, the first in a two-part series, examines the key reforms introduced by the Amendment Act and explores why manufacturers should begin treating beneficial ownership as a strategic business issue rather than simply a compliance obligation.

What Are Beneficial Ownership Requirements?

Beneficial ownership requirements are legal obligations that require companies and other legal entities to identify and disclose the natural persons who ultimately own, control, or benefit from them.

The objective is to look beyond formal legal arrangements, such as share registers, nominee structures, trusts, layered corporate vehicles and other indirect ownership arrangements, to determine who truly exercises control or enjoys the economic benefits associated with a company.

Importantly, beneficial ownership is not determined solely by legal title to shares. A person may qualify as a beneficial owner even where they are not recorded as a shareholder if, in substance, they exercise ultimate effective control over the company or derive significant economic benefit from its activities. Conversely, a person whose name appears on the share register may not necessarily be the beneficial owner where they hold shares solely as a nominee or trustee for another person.

This is not a uniquely Zambian concern. It forms part of a broader global movement towards greater corporate transparency, driven by international efforts to combat money laundering, terrorist financing, tax evasion, corruption, and the misuse of opaque corporate structures. International standards developed by organisations such as the Financial Action Task Force (FATF) have increasingly encouraged jurisdictions to ensure that competent authorities have timely access to accurate and up-to-date beneficial ownership information. Zambia's recent reforms should therefore be viewed within this wider international context.
While these international initiatives have understandably focused on preventing the abuse of corporate vehicles for illicit purposes, the commercial significance of beneficial ownership has evolved considerably. Increasingly, banks, investors, insurers, multinational customers and procurement authorities rely on beneficial ownership information as part of their own governance, compliance and risk assessment processes.

Accordingly, beneficial ownership requirements are no longer concerned solely with law enforcement or regulatory enforcement. They have become an important mechanism for promoting corporate transparency, strengthening governance standards, enhancing investor confidence and reinforcing the credibility of legitimate businesses. For manufacturers operating within increasingly sophisticated domestic and international supply chains, maintaining accurate beneficial ownership information is therefore becoming a commercial expectation as much as a legal requirement.

What Has Changed?

Before the Amendment Act, beneficial ownership compliance in Zambia was largely treated as a procedural requirement. In practice, disclosures were made principally at incorporation, following prescribed corporate changes, and during certain statutory filings. Once those disclosures had been made, many companies regarded their obligations as largely complete unless another filing obligation arose.

The Amendment Act marks a decisive departure from that approach. Rather than viewing beneficial ownership as a static disclosure exercise, the reforms establish an ongoing governance framework requiring companies to actively understand, verify and maintain accurate information regarding the individuals who ultimately own or control them. The focus has therefore shifted from what is formally recorded to what is substantively true at every moment. Companies are expected to actively understand, verify, and maintain their ownership and control structures on an ongoing basis, and not just at the moment of filing.

For manufacturers, this means that beneficial ownership compliance can no longer be delegated solely to the company secretary or revisited only during annual compliance exercises. Ownership changes arising from investment transactions, intra-group restructurings, succession planning, shareholder funding arrangements, nominee relationships or changes in control may now trigger continuing compliance obligations that require prompt attention.

This shift is reflected across five key areas.

1. A Lower Threshold and a Broader Concept of Control

Section 3 significantly expands the definition of a beneficial owner. The definition now expressly provides that natural persons directly or indirectly holding at least 5% of a legal person's shares are beneficial owners, substantially increasing the number of individuals who may fall within the disclosure regime.

Companies must now disclose all persons who hold at least 5% ownership of the company.

More significantly, the concept of beneficial ownership now extends beyond shareholding. The law captures individuals who exercise "ultimate effective control" or derive substantial economic benefit through arrangements that may not be reflected in formal ownership records.

Control is therefore no longer confined to voting rights, directorship positions or registered shareholding. It now encompasses indirect influence and practical decision-making authority, even where such influence is exercised through informal arrangements, contractual rights, family relationships, nominee structures or intermediaries.

For manufacturers, this expanded concept of control is particularly significant. Manufacturing businesses often involve multiple generations of family ownership, regional holding companies, private equity investors, strategic commercial partners or foreign parent entities. While these structures may have historically appeared straightforward from a share register perspective, companies must now assess whether individuals exercising influence behind those structures also fall within the expanded definition of beneficial owner.

2. From Disclosure to Verification and Continuous Maintenance

It is no longer enough to disclose beneficial ownership information. Companies must now ensure that such information is adequate, accurate and current at all times.

This creates a continuing duty of verification. Companies are required to make reasonable inquiries into their ownership structures, monitor for changes and report updates within statutory timelines.

This represents one of the most significant practical changes introduced by the Amendment Act. Compliance is no longer event-driven; it is continuous. Companies must implement internal governance processes capable of identifying changes in beneficial ownership as they occur, rather than waiting until the next regulatory filing.

For manufacturers operating across multiple subsidiaries, jurisdictions or investment vehicles, this may require greater coordination between legal, company secretarial, finance and compliance functions to ensure ownership information remains accurate across all internal and external records.

3. Increased Transparency of Nominee and Indirect Structures

The reforms directly address nominee arrangements by requiring disclosure not only of nominee shareholders and directors but also of the individuals on whose behalf they act.

Historically, nominee structures could obscure the identity of the true controlling party. The Amendment Act seeks to close this transparency gap by ensuring that intermediated ownership arrangements are no longer treated as disclosure endpoints.

The emphasis is now on identifying the ultimate natural person behind the arrangement rather than merely the intermediary appearing on corporate records.

This is likely to have practical implications for manufacturers that have historically utilised nominee shareholders, investment holding companies or trustee arrangements for succession planning, financing or regional investment purposes. Such structures remain lawful; however, they no longer relieve companies of the obligation to identify and disclose the natural persons who ultimately exercise ownership or control.

4. Stronger Enforcement, Higher Penalties and Material Consequences

The enforcement framework has been significantly strengthened. Non-compliance may now attract substantial administrative penalties, criminal liability and, in serious cases, imprisonment of responsible officers. Companies may also face turnover-based financial penalties, reflecting a move towards sanctions with greater deterrent effect.

The Registrar's powers have similarly been expanded. Under section 21A, the Registrar may conduct periodic reviews and verification exercises relating to both the Register of Companies and the Register of Beneficial Owners. The Registrar may direct a company to update its records for the purposes of ensuring that the record of particulars, documents and information is adequate, accurate and up-to-date, and the company shall comply with the directive within thirty (30) days of receipt. Failure to comply may result in an administrative penalty of up to 500,000 penalty units. Further, non-compliance may lead to the publication of a non-compliance notice and deregistration of the company.

In addition, the amended section 317 now expressly authorises deregistration where a company:

- operates below the prescribed minimum share capital;

- fails to maintain a beneficial ownership register for a period of one year; or

- retains a shareholder, director or beneficial owner who becomes a designated or nationally listed person without taking appropriate remedial action.

For manufacturers, these reforms significantly elevate beneficial ownership from a routine compliance matter to a board-level governance issue. The financial, operational and reputational consequences of non-compliance have increased considerably, particularly for businesses that depend on operating licences, public procurement opportunities, financing arrangements or cross-border commercial relationships.

5. Beneficial Ownership as Part of a Wider Regulatory Ecosystem

Perhaps the most structurally significant change is the integration of beneficial ownership into a broader regulatory and enforcement environment.

Beneficial ownership information is no longer just a PACRA concern. Banks, regulators, law enforcement agencies and foreign counterpart institutions are all increasingly relying on this data as part of their own risk assessment and compliance processes.

Companies are now expected to maintain consistency across internal records, regulatory filings and information provided to financial institutions. Cross-border information sharing and discrepancy-reporting mechanisms mean that inconsistencies are far more likely to be detected and scrutinised than before.

For manufacturers, this means that beneficial ownership information should no longer be viewed in isolation. Information provided to PACRA should be consistent with information disclosed to banks during know-your-customer (KYC) processes, to procurement authorities during tender evaluations, to regulators during licensing exercises and to investors or financiers during due diligence. Inconsistencies between these records may result in regulatory enquiries, delays in commercial transactions or increased compliance scrutiny.

Ultimately, the reforms recognise that beneficial ownership transparency has become an integral component of modern corporate governance. Manufacturers that proactively maintain accurate ownership information are likely to be better positioned to demonstrate regulatory compliance, strengthen stakeholder confidence and facilitate commercial transactions in an increasingly transparency-driven business environment.

Beyond Compliance: What Do These Reforms Mean for Manufacturers?

These reforms raise an important strategic question for manufacturers: in an increasingly transparent regulatory and commercial environment, what does your ownership structure say about your business?

Beneficial ownership transparency is increasingly more than a statutory disclosure requirement. It has become an indicator of governance maturity, institutional credibility, regulatory readiness, and the kind of business partner a manufacturer is.

Manufacturers are increasingly expected to demonstrate transparency not only to regulators, but also to lenders, investors, insurers, multinational customers, development finance institutions and procurement authorities. In many cases, beneficial ownership information forms part of broader environmental, social and governance (ESG), anti-money laundering (AML), know-your-customer (KYC) and supply-chain due diligence assessments.

As lenders intensify due diligence, as procurement processes demand greater disclosure, and as supply chains face heightened scrutiny, a well-governed and clearly documented ownership structure is becoming a valuable commercial asset rather than merely a compliance obligation.

The reforms therefore present manufacturers with an opportunity to strengthen their governance frameworks. Businesses that maintain accurate beneficial ownership records, regularly review their ownership structures and proactively address disclosure obligations are likely to experience smoother financing transactions, more efficient due diligence exercises and greater confidence from investors and commercial counterparties.

Manufacturers that get ahead of these reforms will find themselves better positioned to:

- access finance on the basis of stronger governance credentials;

- attract both domestic and foreign investment;

- satisfy increasingly robust customer and supplier due diligence requirements;

- compete more effectively for public and private procurement opportunities;

- reduce regulatory and compliance risk associated with inaccurate ownership disclosures;

- facilitate mergers, acquisitions and corporate restructuring exercises; and

- build long-term trust with regulators, financiers and business partners.

Conversely, businesses that continue to treat beneficial ownership as a periodic filing exercise may find themselves facing greater regulatory scrutiny, transaction delays, increased compliance costs and avoidable reputational risks.

Ultimately, the most successful manufacturers are likely to be those that recognise beneficial ownership transparency as an integral component of corporate governance rather than simply another regulatory obligation.

Looking Ahead

The second article in this series will examine the practical steps manufacturers can take to embed beneficial ownership compliance into their day-to-day governance processes. In particular, we will explore how manufacturers can incorporate beneficial ownership considerations into procurement processes, supplier onboarding, investment planning, corporate restructurings and broader compliance frameworks.

In the meantime, manufacturers should begin assessing whether their ownership structures, internal records and governance arrangements align with the enhanced standards introduced by the Amendment Act.

As an initial governance exercise, manufacturers should consider whether they have sufficient visibility over the individuals who ultimately own, control or derive economic benefit from their business, and whether existing internal processes are capable of

identifying and responding promptly to changes in ownership or control.

Practical steps may include:

- conducting a comprehensive beneficial ownership audit across all ownership and control structures;
- reviewing nominee, family, trust and informal ownership arrangements to identify potential disclosure gaps;
- reconciling PACRA filings with banking, tax, licensing and internal governance records;
- updating shareholder agreements and constitutional documents to accurately reflect control rights and economic interests;
- strengthening governance processes to ensure continuous monitoring of ownership changes;
- establishing internal reporting procedures to ensure that changes in ownership or control are identified and escalated promptly;
- training directors, company secretaries and senior management on the enhanced beneficial ownership obligations introduced by the Amendment Act; and
- preparing for verification requests and enhanced due diligence by the Registrar, financial institutions and other reporting entities.

While compliance with the Amendment Act is mandatory, manufacturers that approach these reforms strategically will be better placed to strengthen governance, enhance investor confidence and improve their competitiveness within increasingly transparent domestic and international markets.

Conclusion

The Companies (Amendment) Act No. 23 of 2025 represents a significant evolution in Zambia's corporate transparency framework. By shifting from periodic disclosure to continuous verification and maintenance of beneficial ownership information, the reforms reinforce the importance of proactive corporate governance and ongoing regulatory compliance.

For manufacturers, the implications extend well beyond statutory filings with PACRA. Beneficial ownership transparency is increasingly influencing financing arrangements, investment decisions, procurement opportunities, mergers and acquisitions, and broader stakeholder confidence. Businesses that maintain accurate and up-to-date ownership information will be better positioned to navigate regulatory scrutiny, facilitate commercial transactions and demonstrate sound governance practices.

Ultimately, the reforms should not be viewed merely as an expansion of disclosure obligations. They present an opportunity for manufacturers to strengthen governance, improve transparency and reinforce their credibility with regulators, financiers, investors and commercial partners. Those that embrace these changes proactively are likely to gain a competitive advantage in an increasingly transparent and compliance-driven business environment.

How We Can Support

At Corpus Legal Practitioners, we advise companies across the manufacturing, mining, agricultural and commercial sectors on corporate governance, beneficial ownership compliance and regulatory risk management. Our approach focuses not only on meeting statutory obligations but also on helping businesses strengthen governance frameworks that support investment, financing and long-term commercial growth.

Our services include:

- advising on beneficial ownership disclosure obligations under the Companies Act;
- reviewing shareholder structures, nominee arrangements and corporate governance frameworks;
- conducting beneficial ownership compliance audits and gap assessments;
- assisting with PACRA filings and ongoing regulatory compliance;
- advising on mergers, acquisitions, restructurings and corporate transactions involving beneficial ownership considerations;
- supporting due diligence exercises for investors, financiers and commercial counterparties; and
- reviewing shareholder agreements, constitutional documents and governance policies to ensure alignment with Zambia's evolving corporate transparency requirements.

We also assist clients in integrating beneficial ownership compliance into broader governance, procurement and enterprise risk management frameworks, enabling businesses to respond confidently to regulatory scrutiny while strengthening stakeholder confidence.

If you are assessing the impact of the Companies (Amendment) Act No. 23 of 2025 on your business or reviewing your corporate governance framework in light of the enhanced beneficial ownership requirements, we would be pleased to assist.

Assessment of the Licensing and Regulatory Requirements under the Cotton Act No. 14 of 2025 to ensure Compliance in Zambia

By Judith Mukololo

Introduction

The cotton industry remains a key component of Zambia's agricultural and manufacturing value chain, supporting livelihoods, driving rural economic development, and supplying raw materials for textile production, edible oil processing, agro-processing, and related manufacturing activities. As demand for greater supply chain transparency, product traceability and quality assurance continues to grow, the regulation of the cotton sector has become increasingly important to the broader manufacturing ecosystem.

Against this backdrop, the enactment of the Cotton Act No. 14 of 2025 (the **"Act"**) introduces a comprehensive regulatory framework designed to formalise, strengthen and modernise the governance of Zambia's cotton industry. Once brought into force, the Act will establish a structured system for the registration, licensing and oversight of participants across the cotton value chain, with the objective of promoting accountability, improving traceability, enhancing product quality and strengthening regulatory oversight. As at the date of this publication, however, the Act has not yet come into force.

The Act introduces a framework for the registration, licensing, and regulation of participants within the cotton value chain, particularly cotton producers and ginners, while also establishing regulatory mechanisms that will have important downstream implications for manufacturers, processors, exporters and other commercial participants who rely on cotton as a key production input.

For industry participants, compliance will no longer be simply a procedural formality. Rather, compliance will become a fundamental legal and operational requirement that directly affects an entity's ability to lawfully participate within Zambia's cotton value chain. Manufacturers that source cotton or cotton-derived products will therefore have a growing commercial interest in ensuring that their suppliers operate within the regulatory framework established by the Act.

This article outlines the key compliance obligations under the Act, with a particular focus on registration, licensing, and penalties for non-compliance. It also highlights the practical implications for industry participants, particularly manufacturers whose operations depend upon a stable, compliant and traceable cotton supply chain.

Registration: The Gateway to Participation in the Cotton Value Chain

A central feature of the Act is the requirement for mandatory registration before engaging in regulated cotton sector activities. Section 10 of the Act provides that any person or entity involved in key cotton-related activities, including production, ginning, buying, selling, storage, importation or exportation of seed cotton, is required to register with the Cotton Board of Zambia (the **"Board"**) and obtain a certificate of registration. Registration therefore serves as the legal gateway to participation within the regulated cotton industry and is not merely an administrative formality. Once a certificate of registration is obtained, it remains valid for an unlimited period unless and until it is suspended or cancelled by the Board in accordance with the Act.

A person who contravenes the above requirement commits an offence and is liable, upon conviction, to a fine not exceeding ZMW 200,000, imprisonment for a term not exceeding five (5) years, or both.

From a commercial perspective, the registration requirement has implications that extend beyond those entities required to register. Manufacturers and processors increasingly rely on stable and compliant supply chains to ensure continuity of production, satisfy customer expectations and manage regulatory risk. Procuring cotton from an unregistered supplier may expose businesses to contractual uncertainty, supply chain disruption and heightened regulatory scrutiny.

Accordingly, manufacturers should consider incorporating registration verification into their supplier onboarding and procurement processes. This may include obtaining evidence of registration, conducting periodic compliance checks and requiring suppliers to notify them of any suspension, cancellation or material change affecting their registration status.

The Act therefore reinforces the importance of supply chain due diligence. Regulatory compliance is no longer confined to the direct regulated entity but is becoming an important consideration for businesses throughout the cotton value chain.

Licensing Requirements for Producers and Ginners

In addition to registration, the Act introduces a separate licensing regime, particularly for cotton producers and cotton ginners under section 18. This dual framework registration coupled with licensing creates a two-tier regulatory system comprising:

- Registration, which confirms a person's eligibility to participate within the regulated cotton sector; and
- A licence, which authorises the holder to undertake specific regulated activities, such as cotton production or cotton ginning.

The distinction is significant. Registration alone does not authorise

a person to undertake regulated activities. Rather, registration establishes legal recognition under the Act, while the relevant licence confers the authority to conduct the particular regulated activity.

From a practical standpoint, this means that a registered entity will not automatically be entitled to operate without obtaining the appropriate licence. Licences are activity-specific and may be subject to conditions imposed by the Board.

Operating without a valid licence exposes an entity to enforcement action, including penalties prescribed under the Act, the suspension or cancellation of regulatory approvals, and potential interruption of business operations.

Although the licensing obligations fall principally on producers and ginners, manufacturers should not regard them as matters affecting only upstream participants. The licensing status of producers and ginners has direct implications for manufacturers that depend upon reliable cotton inputs. A producer or ginner whose licence is suspended or cancelled may be unable to fulfil contractual supply obligations, resulting in production delays, increased procurement costs and disruption to manufacturing operations.

Manufacturers should therefore consider implementing contractual safeguards requiring suppliers to maintain all registrations and licences required under the Act throughout the duration of the commercial relationship. Supply agreements may also include warranties confirming ongoing regulatory compliance, notification obligations where licences are suspended or threatened, and termination rights where a supplier ceases to meet the statutory licensing requirements.

Viewed more broadly, the licensing regime introduced by the Act is likely to encourage greater professionalism and accountability throughout the cotton value chain. Businesses that proactively verify the regulatory status of their suppliers will be better positioned to minimise operational risk while strengthening the resilience and integrity of their supply chains.

Distinguishing Mark and Traceability Requirements

The Act also introduces a requirement for certain participants, particularly producers and ginners, to obtain and use a distinguishing mark certificate under Part V. The purpose of this requirement is to enhance traceability, accountability and product integrity throughout the cotton value chain.

In practical terms, this means that cotton products must be identifiable to their registered source. The distinguishing mark therefore serves as an important regulatory tool for tracing cotton from production through to processing, thereby improving transparency across the value chain and enabling the Board to more effectively monitor the movement of regulated cotton products.

The use of another party's distinguishing mark is prohibited, reinforcing the integrity of the traceability system and reducing the risk of misrepresentation, fraud and unauthorised trading. This creates a system that supports regulatory tracking of cotton movement from production through to processing.

For manufacturers, these traceability requirements extend beyond regulatory compliance. Increasingly, domestic and international customers expect manufacturers to demonstrate greater visibility over the origin of raw materials used in their products. Effective traceability systems may therefore strengthen quality assurance processes, facilitate product recalls where necessary, support export certification requirements and enhance customer confidence in the integrity of manufactured goods.

The distinguishing mark regime may also complement broader environmental, social and governance (ESG) objectives by promoting greater transparency and accountability throughout agricultural supply chains. Manufacturers sourcing cotton from compliant and traceable suppliers may therefore be better positioned to satisfy customer due diligence requirements and emerging international supply chain standards.

A person who contravenes the above requirement commits an offence and is liable, upon conviction, to a fine not exceeding ZMW 200,000, imprisonment for a term not exceeding five (5) years, or both.

Accordingly, manufacturers should consider incorporating traceability requirements into their procurement processes by requiring suppliers to maintain valid distinguishing mark certificates where applicable and ensuring that internal quality assurance procedures adequately capture traceability information throughout the production process.

Suspension and Cancellation of Registration or Licenses

The Act empowers the Board to suspend or cancel registration certificates and licences where specified statutory grounds exist.

These circumstances may include:

- breach of license or registration conditions;
- obtaining a registration certificate or license through fraud or misrepresentation;
- non-compliance with statutory obligations; and
- being convicted of an offence under the Act or another written law, among other prescribed grounds.

The Board's power to suspend or cancel regulatory approvals underscores that compliance under the Act is not a once-off obligation but a continuing responsibility. Registration and licensing status must therefore be actively maintained throughout the life of the business.

Importantly, suspension or cancellation has consequences that extend beyond the regulated entity itself. A producer or ginner whose registration or license is suspended may no longer be able to lawfully undertake regulated activities, with the result that customers and downstream manufacturers may experience interruptions in supply, delays in production and potential contractual disputes.

From a procedural fairness perspective, affected parties are generally expected to be afforded notice and an opportunity to respond or, where appropriate, remedy the identified non-compliance before regulatory action is taken, subject to the provisions of the Act. This underscores the importance of maintaining robust internal compliance systems capable of identifying and addressing regulatory concerns before they escalate into enforcement action.

Manufacturers should likewise consider developing contingency plans to address the potential suspension or cancellation of key suppliers' registrations or licences. Diversifying supplier networks, conducting periodic compliance reviews and incorporating regulatory compliance obligations into supply agreements may significantly reduce operational disruption arising from enforcement action taken against upstream suppliers.

Key Implications for Manufacturers and Other Industry Players

Although the Act primarily regulates producers and ginners, its practical impact extends well beyond those directly subject to registration and licensing requirements. Manufacturers, processors, exporters, financiers and other downstream participants within the cotton value chain will all be affected, either directly or indirectly, by the enhanced regulatory framework.

In practice, the reforms require manufacturers to look beyond the quality and price of cotton inputs and give greater consideration to the regulatory compliance of their suppliers. Regulatory risk has become an increasingly important component of supply chain risk management.

Key implications include:

- Supply chain resilience and dependency risk: manufacturers are indirectly exposed to regulatory breaches by upstream suppliers, meaning that enforcement action against producers or ginners may have significant operational consequences for downstream businesses.

- Enhanced supplier due diligence: verification of supplier registration, licensing and, where applicable, distinguishing mark certification should become an integral component of supplier onboarding and ongoing procurement processes.

- Greater emphasis on traceability: distinguishing mark requirements may influence procurement decisions, quality assurance procedures, inventory management and export compliance, while also supporting broader supply chain transparency.

- Operational continuity risk: suspension or cancellation of a supplier's registration or licence may disrupt production inputs, increase procurement costs, affect contractual performance and expose manufacturers to delays in meeting customer commitments.

- Contractual risk management: supply agreements should be reviewed to incorporate regulatory compliance warranties, continuing compliance obligations, audit rights, notification requirements and termination provisions linked to registration or licensing status.

- Governance and compliance integration: manufacturers should consider integrating Cotton Act compliance into broader enterprise risk management, procurement governance and supply chain oversight frameworks to ensure that regulatory compliance is monitored alongside commercial performance.

Accordingly, manufacturers should not treat the Act as legislation affecting only farmers and ginners. Rather, it introduces a regulatory framework that has significant commercial implications across the entire cotton value chain. Businesses that proactively incorporate these regulatory requirements into their procurement, governance and risk management processes are likely to be better positioned to maintain resilient supply chains and minimise operational disruption.

Conclusion

The introduction of the Cotton Act No. 14 of 2025 marks a significant shift in the regulation of Zambia's cotton industry. Rather than simply introducing new registration and licensing requirements, the Act establishes a more comprehensive regulatory framework aimed at improving accountability, traceability and governance throughout the cotton value chain.

Once brought into force, the Act will impose clear compliance obligations on producers and ginners while also creating important commercial implications for manufacturers, processors, exporters and other downstream participants.

For manufacturers, the significance of the Act extends beyond regulatory compliance. It underscores the growing importance of supply chain governance, supplier due diligence and operational resilience in an increasingly regulated business environment. Manufacturers that proactively understand the regulatory status of their suppliers and integrate Cotton Act compliance into their procurement and risk management processes will be better positioned to minimise disruption, strengthen stakeholder confidence and maintain reliable production operations.

Businesses operating in or relying upon the cotton value chain should ensure that their compliance frameworks are reviewed and updated to align with the new regulatory regime before the Act comes into force. In particular, attention should be given to supplier registration and licensing verification, distinguishing mark requirements, contractual risk allocation, and supply chain traceability.

Ultimately, the Cotton Act should not be viewed solely as legislation governing cotton producers and ginners. It represents an important step towards strengthening the integrity, transparency and sustainability of Zambia's cotton value chain. Businesses that prepare early and adopt a proactive approach to compliance will be better positioned to respond to regulatory expectations while enhancing their commercial competitiveness in both domestic and international markets.

How We Can Support

At Corpus Legal Practitioners, we advise clients across the agricultural, manufacturing and agribusiness sectors on regulatory compliance, commercial transactions and risk management. Our experience advising participants across complex supply chains enables us to provide practical, commercially focused solutions that go beyond technical legal compliance.

Our services include:

- Licensing and registration under sector-specific legislation;

- Regulatory due diligence on supply chains;

- Structuring and reviewing commercial contracts to manage regulatory and operational risk;

- Advisory support on regulatory investigations, enforcement proceedings and engagement with regulators;

- Compliance audits and risk assessments; and

- Reviewing procurement and supplier onboarding frameworks to strengthen regulatory compliance and supply chain resilience.

We also assist clients with assessing the practical implications of new legislation, developing compliance frameworks, reviewing governance processes and implementing contractual protections designed to minimise regulatory and commercial risk across their operations.

If you are reviewing your position under the new cotton regulatory framework or assessing supply chain exposure or would like assistance in preparing your business for the commencement of the Act, we would be pleased to assist.

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