



## **DIRECTIONS FOR IMPROVING CORPORATE GOVERNANCE IN MINING AND METALLURGICAL INDUSTRY ENTERPRISES**

**Kurbanmurat TAPAROV,**

Deputy Director for Personnel and Administrative Issues, Member of the Board,

"Navoi Mining and Metallurgical Combinat" Joint Stock Company

Researcher at Navoi State Mining and Technological University

Email: [ktaparov@gmail.com](mailto:ktaparov@gmail.com) [ORCID link](#)

### **Article history:**

**Received:** 14<sup>th</sup> October 2024  
**Accepted:** 11<sup>th</sup> November 2024

### **Abstract:**

Corporate governance is one of the main concepts of strategic importance for various organizations, especially large industrial enterprises. This system regulates relationships among shareholders, managers, and other stakeholders, ensuring transparency, stability, and efficiency in company operations. The corporate governance system is designed to protect shareholder interests, ensure transparency in business operations, and enhance social responsibility.

### **Keywords:**

### **INTRODUCTION**

Corporate governance is one of the main concepts of strategic importance for various organizations, especially large industrial enterprises. This system regulates relationships among shareholders, managers, and other stakeholders, ensuring transparency, stability, and efficiency in company operations. The corporate governance system is designed to protect shareholder interests, ensure transparency in business operations, and enhance social responsibility.

Improving the corporate governance system in Uzbekistan is one of the key directions of economic reforms. Significant attention is devoted to implementing advanced and modern corporate governance mechanisms to enhance the economic efficiency of entrepreneurship, develop the private sector, and attract foreign investments. "Navoi Mining and Metallurgical Combinat" Joint Stock Company (hereinafter "NMMC", the Combinat, the Company) is recognized as a world leader in the mining industry and one of the world's largest four gold producers. Over its 65-year history, the company has mastered and developed a complete cycle from innovative geological explorations to the production of the highest quality finished products.

Throughout all its years of operation, "NMMC" JSC has been one of the largest industrial enterprises in our country. "NMMC" JSC extracts gold, uranium, and rare metals and produces raw materials for the construction materials and machinery manufacturing industries, as well as a wide range of consumer goods.

Navoi Mining and Metallurgical Combinat was established in 1958. By 1964, the Central and

Southern Mining Administrations were organized, and Hydrometallurgical Plant No. 1 was put into operation in the city of Navoi. In 1967, the first quartz ores containing precious metals were extracted at the "Muruntau" mine. Hydrometallurgical Plant No. 2 was commissioned in Zarafshan in 1969. Plant No. 3 was opened in Uchkuduk in 1995, and Hydrometallurgical Plant No. 4 was implemented in Zarmitan town in 2010.

The combinat accounts for 13.5% of all industrial products manufactured in Uzbekistan and 16.7% of budget revenues. The enterprise employs over 47 thousand people. In terms of production volume, NMMC ranks fourth among the world's gold producers. However, the value of its assets was significantly lower than comparable foreign companies.

According to the Presidential Decree No. PQ-4629 of March 6, 2020, the combinat was restructured and began operating as a joint-stock company starting January 1, 2022. Extensive transformation processes aimed at introducing modern corporate governance principles have commenced at NMMC JSC. A fundamentally new corporate structure of "NMMC" JSC was created in line with modern corporate governance methods, attracting international experts and leading consulting companies.

Notably, the General Meeting of Shareholders, Supervisory Board, and Management Board (6 members), as well as the Internal Audit and Compliance service, have been introduced. The Company's organizational structure has been fundamentally improved to include structural subdivisions and positions that align with international



corporate governance standards and market economy requirements.

Several measures have been undertaken at NMMC JSC to apply corporate governance standards, including ensuring that financial statements comply with international standards (IFRS), utilizing digital technologies (1C ERP), and enhancing transparency processes through increased accountability and responsibility.

To accelerate transformation processes at "NMMC" JSC, a Project Office is operating with the primary goal of broadly applying international best practices to the company's activities. The transformation program for 2023-2025, which outlines the transformation goals and priority directions, has been approved. The program includes six main activity directions:

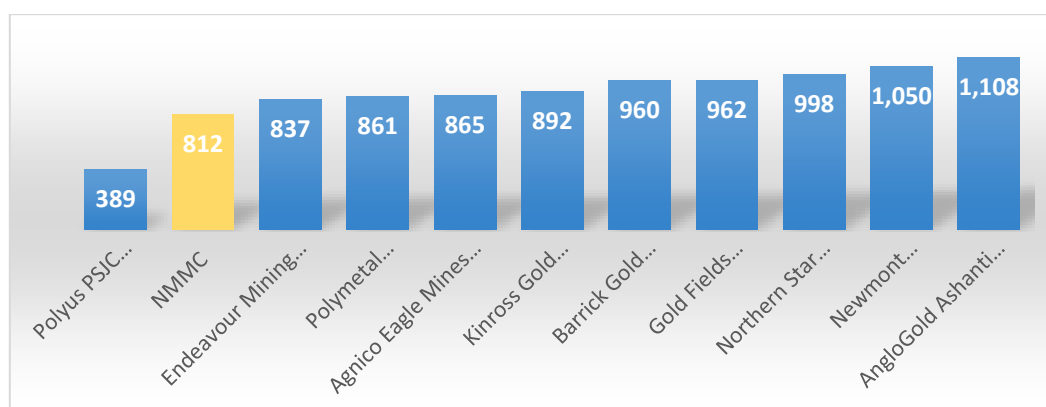
- Development of the resource base;
- Effective utilization of investment resources;
- Increasing operational efficiency;
- Organizational development;
- Digitalization;

Developing and implementing measures in accordance with ESG environmental, social, and corporate principles, as well as industry safety.

In the first phase of transformation processes, a complete inventory of the combinat's properties was

conducted, its assets were revalued, and reserves were reevaluated according to the international JORC Code. Within the framework of the investment program from 2017 to 2024, 24 large investment projects valued at a total of 3.0 billion dollars were launched, creating over 15,000 new jobs. In 2021, new units began operations including the seventh hydrometallurgical plant for heap leaching of gold ore waste with a project capacity of 15 million tons per year. In 2022, new plants were opened in the "Auminzatau-Amantay" area and Nurata district with respective capacities of processing 4 million tons of ore annually.

Consequently, gold production volume in 2024 increased by 132% compared to 2016. The value of products manufactured by the combinat in 2024 is expected to be 94 trillion soums (7.4 billion US dollars equivalent), with shares in the country's GDP at 6.3% and industrial products at 13.5%. Growth rates reached 105.3% compared to 2023. For 2024, 57.5 trillion soums in taxes and dividends were contributed to the State budget, accounting for 16.7% of the State budget's revenue. The production costs (TCC - Total Cash Cost), covering all expenses for producing one ounce of gold, amounted to 812 USD per ounce for NMMC in 2023, ranking second among global gold producers.



**Graph 1: Analysis of Production Costs of Foreign Companies in 2023 (USD)**

Collaboration partners including JP Morgan, Citi, Deutsche Bank, Societe Generale, and ICBC Standard—leading financial institutions on the global financial market—were involved in raising syndicated credit agreements totaling 1.2 billion US dollars over a five-year period. Credit financing was further complemented through partnerships involving the Eurasian Development Bank, JP Morgan, KfW IPEX-Bank, and Raiffeisen Bank International AG.<sup>1</sup>

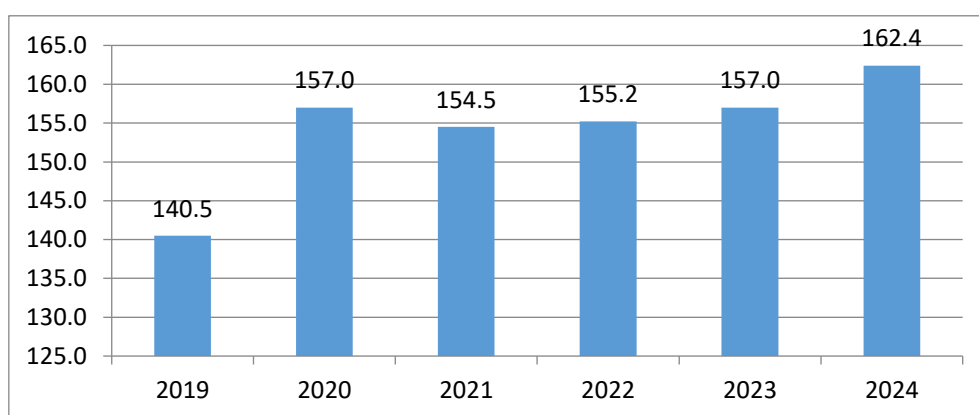
International experience suggests issuing bonds, including eurobonds, as another instrument to attract external capital. The attraction of eurobonds offers the advantage of diversifying financing sources, reducing dependency on a single capital market or investor base, and attracting capital at more competitive interest rates due to a broader base

<sup>1</sup> <https://www.ngmk.uz/uz/home/pressa/1105-jsc-nmmc-results-of-the-ii-uzbekistan-economic-forum.html>



of international investors. International rating agencies like Fitch Ratings and S&P Global Ratings assessed the operations of "NMMC" JSC at a sovereign rating level of "BB-". Consequently, in October 2024, the first tranches of international bonds were issued for a total of 1 billion US dollars split into 2 tranches with 4-year and 7-year maturities offering respective yields of 6.7% and 6.95%. The issue of bonds with competitive yields is expected to result in savings of up to 50 million USD on the current credit portfolio of "NMMC" JSC. Another international financing method is the public offering of shares through an Initial Public Offering (IPO) on international stock markets planned for "NMMC" JSC based on international experience.

The management of human resources in a major production enterprise like the combinat is becoming increasingly strategic. The average monthly indicator of labor productivity per employee at the combinat is expected to reach 162.4 million soums by 2024, increasing by 115% compared to 2019.



**Graph 2: "NMMC" JSC Labor Productivity average monthly indicator (Per Person in Million Soums)**

Incorporating artificial intelligence technologies into the digitalization of production processes at "Navoi MMC" JSC's technological facilities is being implemented across hydrometallurgical plants, integrating intelligent systems including over 100 software solutions and more than 100,000 measurement instruments for analyzing and managing technological processes. Over the past 5 years, the combinat consistently achieved first place in digital transformation statewide rankings.

A digital transformation strategy for 2023-2030 has been developed in collaboration with international consulting companies, focusing on managing mining operations, developing a digital hydrometallurgy framework, a unified mining-geological system, a unified technical service, virtual analysis with the assistance of AI, and repair systems. The strategy plans to introduce 67 modern digital solutions step-by-step into the combinat's operations, with potential economic benefits estimated at 300 million USD.

Furthermore, the digital transformation program aims to optimize various enterprise operations for high efficiency by implementing systems for:

Business analysis systems (BI) for procurement management, improving warehouse accounting systems (barcode and address storage);

Implementing a unified information system for labor protection and industrial safety using AI-based smart video analysis;

Implementing speed maps systems for mining roads;

Digitalization environmental and environmentalism sectors (ESG);

Fully digitalization of HR processes.

Significant attention is paid to three central factors when assessing a company's sustainability and social impact in investments: Environmental, Social, and Governance (ESG) aspects. These criteria help better predict future financial results of companies. Modern corporate governance in an enterprise emphasizes ESG considerations.

Many investors, especially in the West, consider environmental and social impacts when deciding on investing in a specific company. The U.S. is introducing mandatory requirements for issuers to disclose financial information concerning climate risks and greenhouse gas emissions. "NMMC" JSC conducts environmental and environmental protection activities according to Uzbekistan's laws, including the "Law on

"Environmental Protection", "Law on Protection of Atmospheric Air", "Law on Waste", and the "Law on Environmental Control", among other regulatory legal



documents.

For the years 2024-2026, "NMMC" JSC plans to implement the following priority tasks to meet ecological requirements and protect the environment:

Develop a long-term ecological and environmental protection strategy based on global initiative reports and environmental, social, governance policies to prevent soil pollution and degradation, conserve water resources, and reduce the amount of pollutants emitted into the atmosphere;

Expand production of "green products";

Prevent and mitigate negative impacts on biodiversity through research, collaborative agreements, and innovative solutions;

Ensure resources for worker safety in the event of environmental emergencies;

Accelerate the use of recycled water and develop performance indicators to promote water conservation;

Achieve significant reductions in pollutant emissions into the atmosphere.

## **CONCLUSION**

Implementing corporate governance enables the combinat to optimize project solutions for developing the resource base, ensure long-term raw material supplies, and expand potential. It also enhances investment attractiveness and operational efficiency, digitizes business processes, reduces production costs, and significantly increases production volumes and contributions to the budget. Issuing eurobonds and public offerings (IPO) of shares in international financial markets will improve the company's public image, enhance transparency and openness, attract cheaper financial resources, and reinforce financial strength.

## **REFERENCES**

1. Presidential Decree of Uzbekistan "On the Approval of the Concept of Science and Technology Development until 2030", PF-6097, October 29, 2020.
2. Presidential Decree "On Measures to Reform the State Enterprise "Navoi Mining and Metallurgy Combinat", PQ-4629, March 6, 2020.
3. Suyunov D.X. Corporate Governance Models: Conceptual Issues, Modern Trends, and Convergence Opportunities. "Economics and Innovative Technologies" Scientific Electronic Journal, No. 4, July-August 2017.

4. Khamiudin M.B. – Corporate Culture and Corporate Governance.- Tashkent: Academy, 2007. -224 pages.
5. N. Ashurova, Sh Atamuradov. Analysis of the Venture Investment Environment in the United States, Europe, and Asia and the Problems of Uzbekistan in This Region, "TEST: engineering and management", USA. 2020/5/6 Vol. 83 pages: 592-600.
6. Adams, R.B., Mehran, H. (2012). Bank board structure and performance: Evidence for large bank holding companies. *Journal of Financial Intermediation*, 21, 243-267.
7. Hassan, M.K., Halbouni, S.S. (2013). Corporate governance, economic turbulence, and financial performance of UAE listed firms. *Studies in Economic and Finance*, 30(2), pp.118-138.
8. Taparov K.X. Strategic Principles of Improving Corporate Governance Mechanisms in the Mining and Metallurgical Industry. *Strategizing: Theory and Practice* peer-reviewed journal Vol-4 No. 4/2024. Pages 510-524.