

Vladimir Potanin: This is just the right time to help people

Vladimir Potanin, Nor Nickel's President, has donated RUB 1 bn of his own funds to aid NGOs amid the epidemic, while the Company is planning to allocate the same amount to finance health protection across its footprint. In his interview to Komsomolskaya Pravda, Vladimir Potanin has told how big businesses can back up the government now in return for its support during previous downturns.

WE ARE IN THE BEST SHAPE TO WEATHER THE CRISIS

You have witnessed a number of economic crises. Do you think this one will be the most severe?

Apparently, I have lived through at least three major downturns. However, the current situation is different and pretty new to all of us. This crisis is above all a health emergency rather than a financial or political turbulence. The economic meltdown of 2008 hit the rich and powerful the most. This time, the crisis is a huge blow to ordinary people and small and medium-sized businesses. With their hard work often going unnoticed, they are the pillars of the economy. Despite highly concentrated production in Russia, even here 90% of people's needs are addressed by small private companies. Hence the current support measures are the exact opposite of those 12–13 years ago. The fundamental difference is that at the start of the crisis the banking and financial system was in better state than ever before. And so was the large business. In 2008, many companies asked the government for financial aid, benefits and loans. Now, they are in good shape to weather the crisis on their own. Of course, Nor Nickel's forecasts did not include such a horrendous scenario. However, we managed to restructure our loans to ensure sufficient liquidity and availability of credit facilities for the period until 2023. We expect to remain financially stable for the next three years. Therefore, we are not aiming towards the Company's survival as it was previously, but rather towards support and assistance by taking part of the load off the government. As we have a safety buffer, we must first of all provide our employees with health protection and social guarantees. On top of that, we should support municipalities and towns (single-industry towns in particular) where we operate.

Billions of people are now on quarantine and many production facilities have been closed, leading to sales issues. How does the sharp decline in demand, including in metals, influence your business?

It has a direct impact on Nor Nickel, as many productions that use our materials are shutting down, such as nickel- and palladium-consuming automotive and electric vehicle sectors. If the quarantine drags on we might not be able to sell all the goods we produce. In that case, we can either build up inventories or resort to on-exchange and market sales, which of course puts the Company in a less advantageous position in the future. We have not reached this point yet but it can happen. Currently, we are stress testing 10%, 20% and 30% drops in metals prices and cases in which 10%, 15% or 20% of our goods remain unsold. Such figures in 2020–2021 will not entail significant risks for the Company. They will only affect our dividend payouts.

SHOWING OFF OUR HIGH DIVIDENDS IN THE CURRENT SITUATION IS UNWISE

Will Nornickel revise its dividend policy?

I have always believed that it is better to allocate a part of our revenue to finance the Company's investment programme rather than pay big dividends, especially given the numerous environmental commitments of Nornickel. I also prefer actually investing in production expansion to merely planning it. Obviously, shareholders do like dividends. However, when it is either big dividends or investment in strategic growth, 75% minority shareholders would go for the latter. The current situation also has a moral aspect. Showing off our high dividends amid the crisis is a bad idea. It is more wise to build reserves. This is why I suggested that our major shareholders consider postponing the dividend payments until the downturn is over. However, RUSAL was unsupportive of this idea and it will get a minimum amount of dividends as per a formula provided for in the agreement between our companies. RUSAL's decision is understandable as it relies on Nornickel's dividends to ensure its own financial stability.

Do you support the recent measures imposing tax on income from bank deposits exceeding RUB 1 mln and transfer of dividends to overseas accounts?

Despite being a businessman, I am a bit of an idealist myself. I think this measure is a message to the rich, as it concerns only 1% of depositors who jointly hold 55% of the total amount deposited in banks. Consider it a wealth tax. I believe that it is fair and no affluent person should object to it. I have always been convinced that wealth and luxury taxes are more efficient than fundamental measures, such as a change in flat tax rate leading to economic slowdown and deterioration of the investment climate. It is essential though that the sums accumulated as wealth tax be used to support small and medium businesses and people affected by the crisis. This is what we do at Nornickel's facilities where over 5,500 SMEs operate and provide jobs for more than 12,000 residents of Norilsk. Some of them are at risk of shutting down. We provide them with a one-month exemption from lease and utility payments. Takeaway businesses only pay for utilities. The total amount these companies save is RUB 40 mln in lease and RUB 15 mln in utility payments. We are negotiating the same terms for municipal facilities with the Norilsk administration; here, savings will be pretty much the same. However, at some point the government will have to provide direct aid to SMEs, following the example of many other countries, like the USA where the government literally gives money to individuals.

USD 1,200 per person...

Yes, but this seems an extraordinary measure to me. That said, some countries have good SME support programmes. Although we are trying to help small and medium businesses survive this first month, they will need more support going forward to save jobs. This has to do with political stability.

I GIVE MONEY TO THOSE WHO CAN REACH INDIVIDUALS

Prompt response to a pandemic is a key lesson learnt from other countries. At which point did you realise the gravity of the situation and took action?

One always starts with himself. Back in late February, I cancelled my kids' trip abroad, and I had a feeling that I should stay at work, because there will be things to do. And there were. At both Interros and Norilsk Nickel, we were quick to purchase necessary PPE, detergents and disinfectants, and — most importantly — teach people how to deal with different situations. We acted in a calm and consistent manner. Now we have sufficient stockpiles of all necessary medications. When the self isolation was

imposed, we held a detailed review of all healthcare capacities in the regions of our operations, including Norilsk. There is at least one month's supply of most items, such as masks, hygiene products, medications, and others. And we keep stocking up. We have already allocated ca. RUB 230 mln to urgent procurement, with up to RUB 500 mln to be spent after that. I would say, we will pour ca. RUB 1 bn on building additional reserve before the end of April. There was a shortage of beds for patients with infectious diseases — only 45 available in Norilsk. Together with the city authorities and local healthcare workers, we were able to bring the number up to 120. Similar activities are being carried out on the Kola Peninsula. In the nearest term, we will have up to 1,000 beds. And another 4,000 in case of a major outbreak. This could be done by turning schools into hospitals. There are many active volunteers in the Company — a few hundred people offered help. Some deliver food and medications to elderly and self-isolating people, others help them around the house. There are people willing to volunteer at the hospital if it put under quarantine.

You have allocated RUB 1 bn of your own funds to support NGOs. Who will receive this money?

In the current situation, I have just doubled the Potanin Foundation budget. There are people who need help more than others. For instance, the elderly. There is an Enjoyable Aging charity foundation, which opened our eyes to one problem: people self-isolating in retirement homes do not have anyone to talk to. A whole new way of volunteering emerged, which involves calling the elderly and talking to them. The volunteers undergo psychological training and certification to do it right. That is one of the initiatives. And there are many other funds — Vera, Nochlezhka, Miloserdie. They all consistently work to protect vulnerable people, who often go through hardships alone. So we set up a New Dimension grant competition for the charities we work with, with a total grant fund of RUB 500 mln and individual grants of up to RUB 10 mln. The demand was astonishing — we received 75 application on the first day alone. Apart from that, we support social and cultural non-profits. Everybody is too busy to pay attention to them now, but they need to survive too. So we created a separate competition for them — Common Cause — with a RUB 100 mln prize fund. Within a week, we received more than 450 applications. If need be, we will announce and renew such competitions every month. A number of vital initiatives for vulnerable people is also run by the Patriarchate, and we have contributed to these projects as well. I cannot reach out to every person by myself, so I give money to those who can and who has the necessary infrastructure.

MANY GET ON BOARD TO HELP

And what about those far away from Norilsk and Moscow? Do, for example, villages in Central Russia have someone to go to?

Our competitions for non-profits welcome participants from across Russia, not only from Norilsk and Moscow. We are trying to offer a helping hand to everybody who we can reach. My thinking was — if I ever wanted to help anyone, now would be the time. As for heads of other major corporations... We have lost touch with them a bit and don't meet that often. But I can see from the news that many are trying to contribute by donating money or sewing masks. A common enemy brings people together. It is just that not everyone has realised how serious things are. Once they realise it, they will become more involved and active. Some of the luxury fashion producers switched to making masks. Industrial companies are shifting production lines to build ventilators, for example. By the way, Interros Holding includes a company named Petrovax that produces vaccines. It turned out, they have a medicine called Polyoxidonium that improves immunological response to infection and can make coronavirus vaccine more effective. It is certified in a number of countries — Slovakia is conducting coronavirus prevention trials

with it, and China is running tests of Polyoxidonium and the vaccine that will be used. We have requested a permission to do that in Russia, but here it takes time. Our agencies could be making some reasonable but more decisive steps, especially now that the president spoke in favour of fast certification of coronavirus tests.

GLIMPSE INTO THE FUTURE: "We will place higher value on personal interaction"

A lot of people wonder what the world will be like after the pandemic. Not the same as before, obviously...

I believe in people and think they will remain the same. It is the world that will be different. We are coming to rely on the internet more, and it began before coronavirus. We are currently organising remote work — 4,500 employees of Norilsk Nickel are already working from home. But this self isolation can also remind us about simple childhood pleasures. For example, I suddenly started reading bedtime stories to my children. We are now on In Search of the Castaways again, studying maps together. Almost a workshop on geography. I think a lot of parents will reconsider their style, and spouses finally have the opportunity to talk in person rather than on the phone. I remain optimistic. Now is the time we finally appreciate human interaction, and that's nice.

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