

# China Mengniu Dairy

China Mengniu Dairy included in KLP's investments in 2011.

## China Mengniu included after milk scandal

In 2008, Chinese authorities reported that milk powder for infants produced in the country had been poisoned with melamine. Involved in this scandal were some of China's largest dairies, including China Mengniu Dairy.

The poisoning led to the death of six children and about 294,000 became ill with kidney stones and kidney failure. Melamine is a chemical used to make plastic and does not contain nutrients. Subcontractors have mixed milk with water to increase the amount, and mixed in melamine to apparently increase protein levels.

For KLP and the KLP funds, the following four requirements for inclusion have been important to allow investments in the company:

1. The reported incident has ceased.  
Chinese and international press - the way in which Chinese authorities initiated research and action - was greatly uplifted. The company has implemented a test and monitoring system for product quality and safety. The system tests the products for melamine and other hazardous substances.
2. The company has handled the reported incident and its consequences in a responsible manner.  
China Mengniu Dairy has demonstrated that they are reviewing the product control system. In addition, the victims and their families have been compensated.
3. The company has systems and routines in place to prevent similar occurrences in the future.  
China Mengniu Dairy has established a policy that requires testing of products and monitoring of suppliers to ensure product quality.
4. Points 1-3 have been verified.  
Through the assessment of systems and documentation, as well as dialogue with the company and others (including Chinese authorities), GES Investment Services has confirmed that China Mengniu Dairy is working systematically and purposefully to ensure product safety and quality.