



MANAGING HUMAN RIGHTS RISKS IN FINANCIAL INSTITUTIONS' FINANCING

Engagement Case Study



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In November 2023, we were alerted to a report by Global Witness implicating several financial institutions in financing companies allegedly linked to violence and potential war crimes in South Sudan¹. The report raised concerns about financial institutions' alignment with their publicly stated commitments to responsible investing and human rights principles. Specifically, it suggested by financing the China National Petroleum Corporation (CNPC) and Petronas, these institutions had indirectly contributed to ongoing conflicts and severe human rights abuses in South Sudan.

Nordea, a prominent Nordic financial services group, was one of the institutions implicated. Upon being informed of the controversy, we immediately placed the issuer on hold, imposing an embargo on the acquisition of additional bonds from the issuer, and initiated engagement. Our objective was to ascertain the details of Nordea's direct and indirect financing relationships with CNPC and Petronas. Furthermore, ESG-AM requested comprehensive information regarding Nordea's ESG framework and risk management policies concerning human rights violations.

Nordea responded promptly, acknowledging that it held shares in both CNPC and Petronas. The bank provided detailed insights into its sustainability framework, including its processes for identifying and managing risks related to human rights violations. Nordea further clarified that Petronas had already committed to exiting Sudan, addressing one of the key concerns raised in the report². More significantly, the bank stated that CNPC would be placed on its exclusion list and that it planned to execute divestment.

Given the significance of the issue, ESG-AM carried the engagement over into 2024 to monitor the implementation of this commitment and ensure that divestment was fully completed. In February 2024, Nordea confirmed that it had fully executed the divestment from CNPC and the exclusion list had been updated accordingly³.

We acknowledge the dedication to transparency and responsiveness that Nordea demonstrated during our engagement. Based on the responses received, we found the actions taken to be satisfactory and lifted the hold. The swift response and decisive measures to align its investment policies with human rights commitments highlight a strong dedication to responsible investing. This case study emphasizes the importance of asset managers' engagement as a risk management tool, illustrating how timely dialogue and concrete actions can enhance investor confidence in a financial institution's adherence to responsible investment principles.

CONTACT

We are committed to continuous improvement and value feedback from our stakeholders. We invite readers to share their feedback on this case study via engagement@esg-am.com. For further inquiries on our engagement framework, please reach out to our Engagement Manager, Paula Krol: paula.krol@esg-am.com



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ENDNOTES

- ¹ Global Witness (2024). *Fuel to the fire: EU banks and investors tied to violence in South Sudan*. Global Witness. Available at: <https://www.globalwitness.org/en/campaigns/holding-corporates-account/fuel-fire-eu-banks-and-investors-tied-violence-south-sudan/> (Accessed on 16 June 2025).
- ² PETRONAS (2024). *PETRONAS withdraws from the Republic of South Sudan*. PETRONAS. Available at: <https://www.petronas.com/media/media-releases/petronas-withdraws-republic-south-sudan> (Accessed 16 June 2025).
- ³ Nordea (2025). *The Nordea Exclusion List: May 2025*. Nordea. Available at: <https://www.nordea.com/en/doc/the-nordea-exclusion-list-2025.pdf> (Accessed on 16 June 2025).