

COUNTRY SPOTLIGHT — 1

# SWEDEN'S INSTITUTIONAL INVESTMENT INTO CHINESE BAD ACTORS

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## EXECUTIVE SUMMARY

- PSSI has investigated 18 select funds from some of Sweden’s largest financial institutions to uncover the extent to which these invest in directly or indirectly<sup>1</sup> sanctioned companies, cumulatively referred to as bad actor companies.
- These companies are overwhelmingly sanctioned due to national security concerns through **ties to the Chinese military** or facilitating **human rights abuses** against ethnic minorities in China.
- Of the funds investigated, four are channeling Swedish investments into directly sanctioned companies, while a further five invest into indirectly sanctioned companies. Both directly and indirectly sanctioned companies have been linked to highly problematic corporate activity, including developing advanced weapons systems for the Chinese armed forces, and participating in or facilitating mass surveillance programs tracking and targeting Uyghurs and other ethnic minorities.
- In total, over **\$70 million dollars** have been invested into bad actor companies, including over **\$14 million dollars into directly sanctioned companies**.

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<sup>1</sup> Indirectly sanctioned companies refers to companies with direct ties to sanctioned companies through their ownership structure, such as parent companies or subsidiaries of sanctioned companies.

## SWEDEN'S INSTITUTIONAL INVESTMENT INTO CHINESE BAD ACTORS

After an extensive investigation, PSSI can reveal that Swedish financial institutions have invested over \$70 million dollars into corporate bad actors<sup>2</sup>, including over \$14 million dollars into directly sanctioned companies. These sanctions lists contain companies linked to the Chinese military, forced labor abusers, and entities deemed threats to U.S. national security.<sup>3</sup>

The study analyzed one global fund, one emerging markets fund, and one Asia fund from six of Sweden's largest financial institutions. Out of the 18 funds examined, nine were found to have investments in companies which are either directly sanctioned or with ownership ties to sanctioned entities. These findings seem to represent a lack of awareness among financial institutions about how their channeled investments contribute to a more unjust world – funding human rights abusers and supporting authoritarianism, militarism, and mass surveillance against ethnic minorities.

### KEY FINDINGS

PSSI's investigation examined 18 funds from six of Sweden's largest financial institutions – Handelsbanken, Swedbank, SEB, Länsförsäkringar, Nordea, and AMF. Handelsbanken was most exposed in terms of total investments, with over \$43 million invested in corporate bad actors – more than the rest combined. This is followed by Swedbank with \$11.18 million, Länsförsäkringar with \$10.74 million, SEB with nearly \$5 million, and Nordea with \$2.55 million. PSSI did not find any corporate bad actors held by AMF in the analyzed funds. Of note is that both Handelsbanken and SEB had corporate bad actors in all three of their respective examined funds.

Furthermore, Handelsbanken, SEB, and Länsförsäkringar were all investors in directly sanctioned companies, channeling capital into entities linked to the exploitation of forced labor or the Chinese military. Handelsbanken again stands out as a particularly egregious investor, with over \$11 million invested into sanctioned companies – a stunningly disproportionate share of the total, with SEB and Länsförsäkringar accounting for \$0.53 and \$2.17 million respectively.

Financial Institution	All Bad Actors Investment Value	Directly Sanctioned Companies Investment Value
Handelsbanken	\$ 43.2 million	\$ 11.46 million
Swedbank	\$ 11.18 million	
SEB	\$ 4.98 million	\$ 0.53 million
Länsförsäkringar	\$ 10.74 million	\$ 2.17 million
Nordea	\$ 2.55 million	
<b>Total:</b>	<b>\$ 72.64 million</b>	<b>\$ 14.16 million</b>

<sup>2</sup> Corporate bad actors refers to both directly sanctioned companies as well as companies which are not listed on a sanctions list themselves but have direct ties to sanctioned companies through their ownership structure, such as parent companies or subsidiaries of sanctioned companies.

<sup>3</sup> The absence of a company on a sanctions list does not mean it is free from problematic activities. Indirectly sanctioned companies highlighted in this report have for example been linked to developing weapons systems for the Chinese military, mass surveillance programs used to track and target Uyghurs and other ethnic minorities, and other highly concerning activities.

## SIGNIFICANCE

While these investments are individually relatively minor, they represent a clear dismissal of the significance of these sanctions lists. Lists like The Uyghur Forced Labor Prevention Act Entity List and the U.S. Department of Defense's list of Chinese Military Companies are targeted tools to combat forced labor and national security risks. By dismissing their holdings in these companies, these Swedish financial institutions signal that they are overlooking the ethical and strategic risks highlighted by these lists and prioritize complying with the minimum regulatory requirements over taking genuine responsibility for their investments.

With the current Trump administration in the U.S., it is also highly likely that the companies on these lists will become direct targets for new measures, in line with U.S. ambitions to limit China's military, economic, and technological influence. Maintaining these investments thus poses a significant risk for future financial losses – a risk that Swedish financial institutions must manage for the benefit of their customers and investors.

## SELECT SANCTIONED COMPANIES – CASE STUDIES

The following are a selection of companies which are directly sanctioned and have enjoyed investments from Swedish financial institutions.

### Dahua Technology

Dahua, a major surveillance technology firm, has been sanctioned due to its connections to both the Chinese military and the government's repressive policies in Xinjiang. The company has played a central role in mass surveillance of ethnic minorities, particularly Uyghurs, through advanced facial recognition technology. Dahua has developed surveillance standards for China, including ethnic identification and tracking systems. Its cameras are used by police in Xinjiang to identify Uyghurs, triggering "real-time Uyghur warnings" to security forces. Due to its involvement in China's surveillance state, both the U.S. and the U.K. have banned Dahua equipment in sensitive government settings. The company is also listed on the U.S. Federal Communications Commission's "Covered List," which restricts federal purchases of security-sensitive equipment.

Dahua is on the DoD List of Chinese Military Companies Operating in the United States. Both Handelsbanken and Länsförsäkringar are investors, with Handelsbanken holding approximately \$1.4 million in Dahua shares.

### Ninestar Corporation

Ninestar, one of the world's largest printer manufacturers, has direct ties to forced labor in Xinjiang. The company has collaborated with Chinese authorities to recruit and transport Uyghur and other ethnic minority workers to factories under exploitative conditions. Documentation from both the company itself and the Chinese government, alongside media reports, confirm its involvement in labor transfer programs linked to forced labor.

Ninestar is on the Uyghur Forced Labor Prevention Act Entity List. Handelsbanken has a \$1.4 million stake in Ninestar, while Länsförsäkringar and SEB have smaller holdings.

## FiberHome

FiberHome is heavily involved in China’s high-tech surveillance and repression of minorities in Xinjiang. The company has supplied technology to China’s military and collaborated with the paramilitary Xinjiang Production and Construction Corps (XPCC), an organization sanctioned for human rights violations. FiberHome has also developed technology used in border surveillance systems.

FiberHome is on the Commerce BIS Entity List. Handelsbanken holds a \$1.5 million stake in FiberHome.

## iFlytek

iFlytek is a leading provider of voice recognition and artificial intelligence technologies, with approximately 80% market share in China. The company has strong ties to China’s mass surveillance apparatus, providing voice recognition technology for extensive biometric data collection, including voice samples, facial images, fingerprints, and DNA. Human Rights Watch has documented its role in surveillance and repression in Xinjiang. Additionally, iFlytek collaborates with authorities responsible for operating prisons in Xinjiang and actively promotes its products to China’s military.

iFlytek is on the Commerce BIS Entity List. Both Handelsbanken and Länsförsäkringar are investors, with stakes valued under \$0.2 million.

## THE SANCTIONS LISTS

The following are the five sanctions lists into which Swedish financial institutions have channeled investment capital.

Name	Description
Commerce BIS Entity List (BIS Entity List)	A U.S. Department of Commerce list, compiled by the Bureau of Industry and Security (BIS), including foreign individuals, companies, and entities restricted from accessing U.S.-origin items due to involvement in activities contrary to national security or foreign policy interests.
Uyghur Forced Labor Prevention Act Entity List (UFLPA List)	A U.S. Customs and Border Protection list identifying companies using forced labor from Xinjiang, triggering import bans under the UFLPA legislation.
DoD List of Chinese Military Companies Operating in the United States (1260H List)	A U.S. Department of Defense list, also known as the 1260H list, referring to Section 1260H of the National Defense Authorization Act, identifying entities associated with China’s military-industrial complex or military-civil fusion strategy.
Treasury OFAC SDN List (SDN List)	A U.S. Department of the Treasury’s list, compiled by the Office of Foreign Assets Control (OFAC), including individuals, entities, and vessels subject to sanctions due to their involvement in terrorism, narcotics trafficking, weapons proliferation, human rights abuses, or other activities threatening U.S. national security or foreign policy.
Treasury OFAC Chinese Military-Industrial Complex Companies List (CMIC List)	A U.S. Treasury Department list targeting companies linked to China’s military, requiring U.S. persons to divest from or avoid investments in these entities under E.O. 13959 and related amendments.

## THE SANCTIONED COMPANIES IN SWEDISH FUNDS

The following is the full list of directly sanctioned companies found in the holdings of Swedish financial institutions.

<b>Company Name</b>	<b>Ticker</b>	<b>Sanctions List</b>
360 Security Technology	SHA: 601360	1260H List
BGI Genomics	SHE: 300676	1260H List
Cambricon Technologies	SHA: 688256	BIS Entity List
CRRC Corp Ltd	SHA: 601766 HKG: 1766	1260H List
FiberHome Telecommunication Technologies	SHA: 600498	BIS Entity List
Guangzhou Haige Communications Group	SHE: 002465	BIS Entity List
Hygon Information Technology	SHA: 688041	BIS Entity List
Iflytek	SHE: 002230	BIS Entity List
Ninestar	SHE: 002180	UFLPA List
SenseTime Group	HKG: 0020	1260H List, CMIC List
Xinjiang Daqo New Energy Co	SHA: 688303	UFLPA List, BIS Entity List
Zhejiang Dahua Technology	SHE: 002236	1260H List, BIS Entity List

## BAD ACTOR COMPANY CASE STUDIES – THE INDIRECTLY SANCTIONED COMPANIES IN SWEDISH FUNDS

The following are a selection of bad actor companies which are indirectly sanctioned and have enjoyed investments from Swedish financial institutions.

Company Name	Ticker	Company Description	Relation to Sanctioned Entity	Sanctions List
ZTE	SHE: 000063 HKG: 0763	A state-backed telecommunications giant with deep ties to China's military-industrial complex. It has been sanctioned multiple times by the US for violations, including aiding North Korea and Iran. It has also been linked to surveillance and repression in Xinjiang.	ZTE is parent to a sanctioned subsidiary, ZTE Parsian. ZTE is itself jointly controlled by CASC and CASIC, which appoint 5 of 9 directors. Both CASC and CASIC are on sanctions lists due to their close ties to the Chinese military.	ZTE Parsian is on the BIS Entity List; CASIC is on the CMIC List and the 1260H List; CASC is on the BIS Entity List.
China Greatwall Technology	SHE: 000066	China Greatwall Technology is a highly integrated player in China's defense industry, developing technology for military data management and tactical communication networks. Its military contracts include delivering satellite terminal equipment to the Chinese Central Military Commission.	The company is part of the state-owned defense group CEC, a key producer of military electronics which plays a crucial role in China's military and security infrastructure.	China Electronics Corporation (CEC) is on the DoD 1260H List and the OFAC CMIC List.
China National Software & Service Co.	SHA: 600536	China National Software & Service Co. designs, develops, and integrates software for strategic sectors, including defense.	The company is owned by CEC, a state-owned defense conglomerate.	
Inspur Electronic Information Industry Co.	SHE: 000977	A key supplier to the PLA, developing AI and cloud computing technologies that support China's military modernization and surveillance apparatus.	A part of Inspur Group, which has been sanctioned by the U.S. for its involvement in China's defense sector.	Inspur Group is on the DoD 1260H List, BIS Entity List, and the OFAC CMIC List.
Zhuzhou CRRC Times Electric	SHA: 688187 HKG: 3898	Zhuzhou CRRC Times Electric is involved in China's military-industrial complex, developing cutting-edge weapons systems such as electromagnetic railguns for the PLA Navy.	A subsidiary of CRRC, which supplies technology to China's military and supports military logistics. CRRC actively contributes to China's military-civil fusion strategy, and has been implicated in Uyghur forced labor.	CRRC is on the DoD 1260H List.
China National Nuclear Power	SHA: 601985	China National Nuclear Power is a subsidiary of China's main nuclear weapons builder, China National Nuclear Corporation (CNNC).	A subsidiary of CNNC, which oversees China's nuclear weapons program, produces nuclear fuel for China's strategic forces, and powers Chinese military facilities, including in the South China Sea.	CNNC is on the OFAC CMIC List, and the DoD 1260H List.
CNOOC Energy Technology & Services	SHA: 600968	CNOOC Energy Technology & Services is a subsidiary of China National Offshore Oil Corporation (CNOOC), which has been sanctioned by the U.S. for its ties to China's military.	A subsidiary of CNOOC, which is on multiple sanctions lists over assisting Chinese military activities in the South China Sea and contributing to human rights abuses through its business practices.	CNOOC is on the DoD 1260H List, OFAC CMIC List, and the BIS Entity List.

## **DISCLAIMER:**

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