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Sustainability | North America

'New' Sustainability Landscape in the US — Important Nuances Plus Stock Opportunities

In this note, we highlight important Sustainability considerations regarding recent Executive Orders (many actions will require legislation) and highlight investment opportunities.

Sustainability

Key Takeaways

- There are many nuances to recent Executive Orders regarding the energy sector; in most cases, legislation or rulemaking is needed, which can take time.
- As such, stocks exposed to the energy transition face significant headline risk in the coming months — potentially longer — until we know the final rules.
- Still, we see several investment opportunities for investors looking to generate alpha in the energy transition theme, many associated with pursuit of GenAI.
- Climate and DEI corporate goals may be reduced/eliminated, as corporates back away from commitments for a number of reasons.
- Focus on Social Investing is rising — we summarize our work and list 25+ OW-rated stocks exposed to different Social themes.

In a report published last week in collaboration with our sector teams (*Future of Energy: President Trump Executive Orders – A Comprehensive Guide*), we discussed President Trump's Executive Orders (EOs) issued during his first day in office related to the country's energy sector. **In this report, we share key nuances regarding *implementation* of some items in the EOs. We also share: a)** developments around the potential for a **carbon border tariff** (as well as countries exporting goods into the US that could potentially be in scope), **b)** our views on the **current Sustainability landscape** in the US (including changes to corporate commitments to climate as well as to diversity, equity & inclusion programs), and ways to play the **Social** theme.

Our views regarding timing and legal means by which the new administration could affect climate policy are informed by conversations we have hosted over the past few weeks with Loyti Cheng and David Zilberberg, environmental attorneys with the firm Davis Polk; and James Coleman, energy law professor at the University of Minnesota.

First and foremost, headline risk to providers of clean energy solutions will prevail for some time (from months to potentially years) — where are the investment opportunities? Several key items included in the relevant executive orders are likely to face legal challenges and ultimately require legislative action or rulemaking, with some more likely to receive enough support in Congress than

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others (more on this below). Despite the questionable odds of success of items like pausing all disbursement of funds appropriated through the IRA and IIJA, it could take a considerable amount of time (months to potentially years) to have clarity on the ultimate rules of the game, which creates headline risk for the stocks of many companies seen as enablers of the energy transition — a key area of investor focus in the world of Sustainability.

We are recommending investors to focus on:

- **Providers of clean energy solutions that offer near term catalysts (in many cases related to the Powering GenAI theme):** These include fuel cell providers (**BE** — OW rated), tier 1 developers of renewables and storage assets with sizable positions in the interconnection queue (**NEE** and **AES** — both OW), and nuclear power solutions providers, from owners and operators of nuclear plants (**VST, PEG, NEE** — all rated OW) to their suppliers (**CW** and **GEV** — both OW). There are other stocks exposed to the Powering GenAI theme but through the offering of carbon intensive solutions (e.g., natural gas-fired turbines) — see here for a list.
- **Providers of clean energy solutions (and related suppliers) with strong domestic manufacturing presence:** Including those with solar manufacturing capacity (**FSLR** and **TSLA** — both OW), energy storage (**TSLA** — OW; and **FLNC** — EW), and critical minerals production including lithium and rare earths (**XOM** — OW; and **MP** — EW) — see here for an in-depth note on US-China trade issues and potential impacts on the supply of critical minerals.
- **Providers of clean materials that are key for tech hyperscalers to develop their AI capabilities while making progress toward their 2030 net zero climate goals:** These include clean steel manufacturers (**NUE, AA,** and **X** — all OW) and clean cement (**CX** — OW) — see slide 35 here for a global list of stocks.
- **Enablers of the energy transition but with business models that have significantly less policy/legislative risk:** Such as providers of Electric Grid Infrastructure solutions, including Transmission and Distribution (T&D) Utilities (**SRE, FE, AEP,** and **PPL** — all OW), suppliers of hardware (**VRT, ETN, GEV** — all OW) and of software (**ADSK** — OW); as well as providers of Energy Efficient solutions (**VRT, TT, JCI** — all OW) — see here for details on how investment in the electric grid can enable the energy transition and for a broader list of stocks, including EW and UW-rated stocks.
- **Enablers of CCUS technology, also key for tech hyperscalers to reach their climate goals:** From proprietary technology providers to capture solutions providers and CCS enablers (**XOM, OXY, SLB, LIN, NEXT, BKR,** and **GTLS** — all OW) — see here for a primer on CCUS technology and global players.

Exhibit 1: OW-Rated Stock Opportunities Within the Energy Transition Theme — sorted by upside to MS PT

Ticker	Company Name	Country	Industry	MS Analyst Name	MS Rating	Currency	Mkt. Cap (mn)	Closing Price	Price Target	Upside to PT	Bull:Bear Skew	Description
Clean Energy Providers Exposed to GenAI												
AES.N	AES Corp.	US	Utilities	Arcaro, David	Overweight	USD	7,850	11.01	25.00	127%	26.7	Clean energy developer and electric utility
BE.N	Bloom Energy Corp.	US	Capital Goods	Percoco, Andrew	Overweight	USD	4,570	20.40	28.00	37%	1.6	Solid oxide fuel manufacturer
NEE.N	NextEra Energy Inc	US	Utilities	Arcaro, David	Overweight	USD	145,588	70.54	94.00	33%	12.3	Clean energy developer, electric & gas utility, and T&D infrastructure provider
CW.N	Curtiss-Wright Corp.	US	Aerospace/Defense	Liwag, Kristine	Overweight	USD	12,909	338.02	405.00	20%	1.9	Equipment provider for utilties and renewable developers
PEG.N	Public Service Enterprise Group Inc	US	Utilities	Arcaro, David	Overweight	USD	41,034	81.74	94.00	15%	1.0	Electric and gas company
VST.N	Vistra Corp	US	Utilities	Arcaro, David	Overweight	USD	52,060	149.64	172.00	15%	2.6	Power generation company
GEV.N	GE Vernova	US	Capital Goods	Percoco, Andrew	Overweight	USD	97,658	355.12	400.00	13%	1.7	Equipment provider for utilties and renewable developers
Domestic Manufacturers												
FSLR.O	First Solar Inc	US	Technology/Semiconductors	Percoco, Andrew	Overweight	USD	17,236	160.24	297.00	85%	3.9	Solar module manufacturer
XOM.N	Exxon Mobil Corporation	US	Energy	McDermott, Devin	Overweight	USD	474,846	108.04	141.00	31%	5.2	Integrated oil and gas company
TSLA.O	Tesla Inc	US	Autos & Auto Parts	Jonas, Adam	Overweight	USD	1,392,121	398.09	430.00	8%	2.0	EV manufacturer and clean energy provider
Clean Material Providers												
AA.N	Alcoa Corp	US	Metals & Mining	De Alba, Carlos	Overweight	USD	8,895	34.15	51.00	49%	4.3	Global producer of bauxite, alumina, and aluminum
CX.N	Cemex	Mexico	Building Products	Obregon, Alejandra	Overweight	USD	8,591	5.84	8.00	37%	1.3	Cement and ready-mix concrete producer
NUE.N	Nucor Corp	US	Steel	De Alba, Carlos	Overweight	USD	29,754	126.55	166.00	31%	2.2	Steel manufacturer
X.N	US Steel	US	Steel	De Alba, Carlos	Overweight	USD	9,230	36.33	39.00	7%	1.5	Integrated steel producer
Enablers of the Energy Transition												
VRT.N	Vertiv Holdings Co.	US	Capital Goods	Snyder, Christopher	Overweight	USD	39,983	106.55	150.00	41%	4.7	Power and thermal/cooling solutions provider
FE.N	FirstEnergy Corp	US	Utilities	Arcaro, David	Overweight	USD	23,202	40.19	51.00	27%	9.0	T&D utility
JCI.N	Johnson Controls International Plc	US	Capital Goods	Snyder, Christopher	Overweight	USD	51,425	76.12	95.00	25%	1.8	Smart building technology provider
ETN.N	Eaton Corporation PLC	US	Capital Goods	Snyder, Christopher	Overweight	USD	124,724	312.67	385.00	23%	4.5	Hardware & software provider
TT.N	Trane Technologies PLC	US	Capital Goods	Snyder, Christopher	Overweight	USD	83,393	365.76	445.00	22%	3.2	HVAC and refrigeraton solutions provider
ADSK.O	Autodesk	US	Technology/Software	Porter, Elizabeth	Overweight	USD	67,880	309.93	375.00	21%	2.8	Software provider
SRE.N	Sempra	US	Utilities	Arcaro, David	Overweight	USD	52,117	81.75	98.00	20%	1.8	T&D utility
GEV.N	GE Vernova	US	Capital Goods	Percoco, Andrew	Overweight	USD	97,658	355.12	400.00	13%	1.7	Equipment provider for utilties and renewable developers
PPL.N	PPL Corp	US	Utilities	Arcaro, David	Overweight	USD	24,301	32.84	35.00	7%	1.0	T&D utility
AEP.O	American Electric Power Co	US	Utilities	Arcaro, David	Overweight	USD	53,386	100.00	105.00	5%	1.5	T&D utility
Enablers of CCUS technology												
GTLS.N	Chart Industries	US	Energy	Kutz, Daniel	Overweight	USD	9,265	205.72	275.00	34%	1.8	Gas and energy equipment manufacturer
OXY.N	Occidental Petroleum Corp	US	Energy	McDermott, Devin	Overweight	USD	46,351	49.00	65.00	33%	2.0	Oil & gas producer
XOM.N	Exxon Mobil Corporation	US	Energy	McDermott, Devin	Overweight	USD	474,846	108.04	141.00	31%	5.2	Integrated oil and gas company
NEXT.O	NextDecade Corporation	US	Energy	McDermott, Devin	Overweight	USD	2,015	7.85	10.00	27%	2.7	Liquified natural gas development company
BKR.O	Baker Hughes Co	US	Energy	Kutz, Daniel	Overweight	USD	43,063	43.28	55.00	27%	2.1	Provider of integrated oilfield products
SLB.N	Schlumberger NV	US	Energy	Kutz, Daniel	Overweight	USD	58,501	41.32	50.00	21%	1.5	Oil and gas technology provider
LIN.O	Linde PLC	US	Chemicals	Andrews, Vincent	Overweight	USD	208,776	435.51	495.00	14%	3.6	Industrial gases and engineering company

Source: FactSet, Morgan Stanley Research, Pricing as of 1/28/2025.

Second, there are practicalities to consider when analyzing the true risk associated with / and the potential timing of changes that could come from President Trump's executive order "Unleashing American Energy" (CONTINUE INSIDE)

Key Nuances to Consider

"Unleashing American Energy"

There are practicalities to consider when analyzing the true risks associated with / and the potential timing of changes that could come from President Trump's executive order "Unleashing American Energy." Before we dive into these nuances, it's worth sharing the views of our head of North American Energy Research team and lead commodity strategist for Global Gas & LNG markets, Devin McDermott, on the ultimate impacts to the country's O&G production levels: *"While many of the items identified in these executive orders set the stage for looser regulation and more supportive policy for oil & gas development, we do not anticipate any meaningful changes in near-term investment levels or production growth across the industry."*

A) Regarding risks to the IRA —

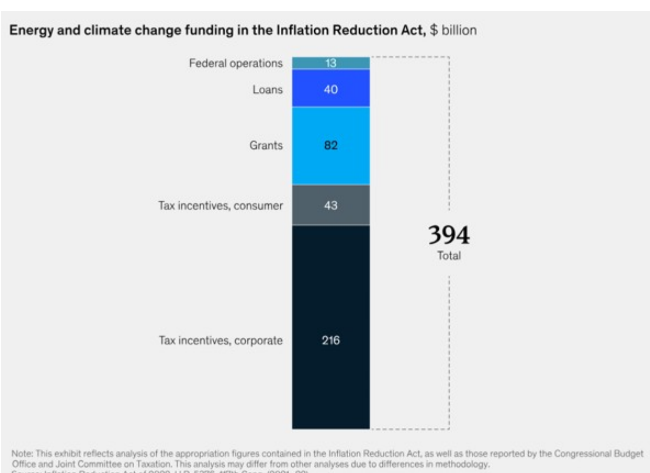
"Sec. 7. Terminating the Green New Deal." mandates all federal agencies to immediately pause the disbursement of funds appropriated through the IRA or the IIJA while they *"review their processes, policies, and programs for issuing grants, loans, contracts, or any other financial disbursements of such appropriated funds for consistency with the law."* As we have written in various notes, **we believe this is likely to face legal challenges** given the mechanics for "disbursements" under the IRA (and receipt of tax credits, which represent majority of the IRA's funding may not ultimately be considered "disbursements") have been spelled out both in the bills and in subsequent federal agency interpretive findings, meaning presidential action alone cannot stop them. Earlier this week, a federal judge temporarily blocked this order (AP), and the White House later rescinded its broader spending freeze. **Regardless, the IRA is likely to see some changes — next we discuss the legal means to do it, potential timing, and areas most at risk:**

- **Means:** Through Budget Reconciliation, which is how the IRA was enacted in 2022, requiring a simple majority in the Senate (50 votes + VP Vance as the tie-break) and the House of Representatives.
- **Timing:** Unclear, but if legislative attempts at repeal are slotted into the budget reconciliation process, it seems per available reporting the earliest it could be done is late spring. As we've noted, the Speaker has laid out a May time frame for reconciliation to be complete, but we think building consensus on other related tax issues will take months, putting passage around later 2025.
- **Areas most at risk:** Given the support that some pieces of the IRA have from Republican lawmakers, we expect legislative changes to the IRA (i.e. repeal efforts) will be very targeted to items that don't enjoy the same broad support, including the EV consumer tax credit (already targeted via executive order) and the EPA mandate to implement a methane fee for oil & gas companies with methane emissions above a certain threshold, and to regulate GHG emissions from power plants. Some of the rules that come into scope could be potentially addressed via the Congressional Review Act (CRA), depending on the timing of their finalization (i.e. within the permissible lookback period). Other rules that may be subject to CRA include the EPA's Lead and Copper Rule Improvements and the guidelines

issued by the Treasury/IRS on IRA credits, such as the clean hydrogen guidelines — see here for details.

- **Caveat:** Note that since the EPA is mandated to charge a methane fee and regulate GHG emissions emitted by fossil fuels (it has statutory authority provided in the Clean Air Act following amendments made through the IRA), the new administration would need to replace these rules (and not simply repeal them) unless it amends the CAA. The EPA's Endangerment Finding states that GHG *"in the atmosphere threaten the public health and welfare of current and future generations,"* requiring their regulation. While it might prove difficult to find scientific data suggesting otherwise (that GHGs are not a threat to public health), rules could be significantly weakened (e.g., a much lower methane fee or other ways to reduce GHG from fossil fuel plants that reduce the threat to their economics). Changes to the social cost of GHG could also be pursued as a means to weaken existing EPA rules, related or not to the IRA. Regardless of the means to change the rules, theses changes could take years to become final, which has the potential to hinder investment in various technologies.
- **Loans & grants:** It remains an area of debate the risk that unappropriated vs. already appropriated but not yet disbursed funds in the form of loans, grants, and contracts face. According to public reporting, 84% of the $96.7 billion in clean energy grant funding from the IRA has been obligated across agencies like the DoE's Loan Program Office and the EPA. Specifically, these projects involve EV and battery factories, battery-mineral mining, processing, and recycling facilities, distributed solar and battery deployments, EV-charging, alternative aviation fuels, clean hydrogen production, and nuclear reactors. Other projects at risk include federal purchases of clean solutions (e.g., electric buses), the clean hydrogen hub and power grid projects funded by the IIJA — this is a non-exhaustive list of projects/technologies at risk.

Exhibit 2: IRA's $394 billion budget split



Source: McKinsey

For investors with a longer-term investment horizon, we believe technologies where the US could have a differentiated, long-term economic moat, some supported by the IRA, include: advanced nuclear (e.g., SMRs), enhanced geothermal, and CCUS — the US is particularly well suited to CCUS due to the trifecta of favorable costs, geology and policy incentives that the IRA improved and that we believe are safe of rollbacks. That said, for Direct Air Capture (DAC), we see risks that planned projects in Louisiana (by OXY and Climeworks) could be delayed as they await a court battle to receive their earmarked money (a combined $1.2bn) or moved abroad entirely to a location with a more certain investment landscape. In either case this likely pushes out carbon credit delivery for DAC beyond the original timeline (est. 2028)

B) Diving deeper into the Transportation sector —

The order calls out as an area of policy for the country *"to eliminate the 'electric vehicle (EV) mandate' and promote true consumer choice, which is essential for economic growth and innovation, by removing regulatory barriers to motor vehicle access; by ensuring a level* *regulatory playing field for consumer choice in vehicles; by terminating, where appropriate, state emissions waivers that function to limit sales of gasoline-powered automobiles; and by considering the elimination of unfair subsidies and other ill-conceived government-imposed market distortions that favor EVs over other technologies and effectively mandate their purchase by individuals, private businesses, and government entities alike by rendering other types of vehicles unaffordable."* **Several things to note but first and foremost, EV mandates cannot be eliminated via executive order, they require proper legislative/ rulemaking process:**

- **A key item to track that could move stocks, in our view, is changes to the EPA's 2027 Low-NOx Rule for Heavy-Duty Vehicles,** finalized in December 2022, that put in place stringent air pollutant emission standards for heavy-duty vehicles and engines starting in model year 2027. As we have written in the past (here and here), many believe this rule may ultimately be safe given the support it has from industry players that have spent a significant amount of capital to comply with the rule and that see the rollback as hurtful for American OEMs in the long-term as it puts them at a disadvantage to global players from an innovation standpoint. Also, California state rules align with this EPA rule; if the EPA rule were to be rolled back, the sector would still need to comply with CA's rules and those states that follow CA standards. **If the rule is rolled back, we see potentially negative implications for CMI and PCAR — both OW.**
- **Other topical EPA rules that are likely to be targeted for rollbacks include** the EPA's Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles, finalized in March 2024, and the EPA's Greenhouse Gas Emissions Standards for Heavy-Duty Vehicles – Phase 3, also finalized in March 2024. That said, as with the methane fee and power plants GHG emissions rules (discussed above), the EPA is mandated by statute to regulate air pollutants (including GHG following amendments in the IRA) from fossil fuel sources. Our Autos team published on this topic here, here, and here. **A repeal would require a replacement (a repeal and replace), which can be done with a less stringent rule but could take more time than a simply repeal.**
- **Changes to the Department of Transportation's CAFE (Corporate Average Fuel Economy) standards,** which are administered by the National Highway Traffic Safety Administration (NHTSA) and aim to regulate how far a passenger cars and light trucks can travel on a gallon of fuel (mpg) — known more broadly as the fuel efficiency standards. This Tuesday, Transportation Secretary, Sean Duffy, signed an order seeking to roll back these standards, in which he instructed the agency to re-evaluate fuel economy rules for new cars and trucks through the end of the decade (NYT). According to the EPA site, the *"NHTSA is required by Federal law to set fuel economy standards at the maximum feasible level for both passenger cars and light trucks, for every model year. If NHTSA determines that standards previously set are no longer maximum feasible, NHTSA can amend them. In determining what levels of CAFE standards would be maximum feasible, the law directs NHTSA to consider four specific factors: technological feasibility; economic practicability; the effect of other motor vehicle standards of the Government on fuel economy; and the Nation's need to conserve energy."* As such, a change in the standard would likely require rulemaking, involving a comment and review period (as opposed to executive order alone). During the first Trump administration, the

standard was weakened (from 5% annual increases in fuel efficiency to 1.5%) but it took the administration until 2020 to finalize the rules.

- **Elimination of the EV consumer tax credit of up to $7,500,** which would require legislative action (it cannot be done via executive order) given it's part of the IRA. Based on multiple conversations with experts, this credit is likely at high risk of rollback.
- **Targeting of waivers the EPA has granted to the state of California (and many other states have adopted) to have more stringent vehicle emission standards than those of the federal government.** As mentioned above, the order calls for the termination *"of state emissions waivers that function to limit sales of gasoline-powered automobiles"* and of *"unfair subsidies and other ill-conceived government-imposed market distortions that favor EVs."* As legal experts have noted, such actions would likely face legal challenges, and while the Trump administration could lose these challenges at the lower courts since majority of these battles are brought to the DC and the Ninth Circuit, which both lean progressive, an appeal to the Supreme Court would be likely, which given the composition of the court could potentially give Trump a win, but this could take months to potentially years.

C) Infrastructure permitting —

"Sec. 5. Unleashing Energy Dominance through Efficient Permitting" revokes Executive Order 11991 of May 24, 1977, relating to protection and enhancement of environmental quality and calls for *"Immediate Review of All Agency Actions that Potentially Burden the Development of Domestic Energy Resources… [] …with particular attention to oil, natural gas, coal, hydropower, biofuels, critical mineral, and nuclear energy resources."*

The directive aims to change federal agency interpretation of the National Environmental Policy Act (NEPA) and other environmental laws (including revoking Council on Environmental Quality (CEQ) regulations), but do not change the statutory obligations of those agencies in permitting decisions/environmental reviews. Those laws are ambiguous (especially on issues such as GHG emissions) and subject to interpretation that could potentially be decided inconsistently across federal appellate courts as these agency decisions are litigated. **We believe congressional action is needed to make such changes.**

As we wrote in *FAQs Post US Elections & Stock Opportunities*, potential changes to be addressed via legislation involve addressing ambiguity in the various foundational environmental laws (National Environmental Policy Act, Clean Water Act, Clean Air Act, Endangered Species Act), aiming to limit the scope of environmental reviews conducted by federal agencies and consideration of climate change in the permit process. Other measures could be to seek limitations on judicial challenges to permits, for instance, limits on injunctions (the courts' ability to stop projects) and limits on states' vetoes on federally approved projects.

In regards to timing for potentially addressing permitting reform, legal experts have noted that this is unlikely to fall under the budget reconciliation process given permitting items normally do not impact the federal debt limit, revenues, or spending. This means that permitting reform would likely need to be achieved through the regular legislative process that requires a super majority in the Senate (60 votes). With Republicans holding

53 seats, compromises to gain support from across the aisle are likely needed.

One area that we believe could have bipartisan support is the easing of the development of new electric transmission infrastructure, very much needed for increasing power supply in the US, green or brown. A few things worth noting:

- President Trump seeks to ensure that the US remain the leading country around AI capabilities; today, a key constraint to achieving this, in addition to equipment bottlenecks, is the lack of access to power. Interconnection queues, the time it takes to connect a new power generation asset (green or brown) to the electric grid have grown from 3 years in 2015 to ~5 years in 2023 according to the Lawrence Berkeley National Laboratory (LBNL), with some regions in the country taking 6+ years — latest LBNL study here.
- Nonetheless, key project developers like NextEra (NEE) have commented that in addition to federal permits, states have significant power to make a project fail. We would note that states across US regions and other groups/stakeholders with decision making power (e.g., Regional Transmission Operators, or RTOs) have been recently expediting and/or have been more supportive of T&D investment. Two recent examples: PPL's (OW-rated) ongoing raises in capex spending (here) and Iberdrola's (also OW-rated) approval in NY to double their capex spending in networks/grid.
- From an investment perspective, while an *acceleration in capex growth* associated with *new* T&D infrastructure could, and may very likely, take months to potentially years to come to fruition, there are important enhancements that industry players could pursue today to increase the capacity to transport power using the current infrastructure. These are called Grid Enhancing Technologies, which we have discussed here and here. For example, recent studies have shown that the US could double its transmission capacity by reconductoring with advanced conductors, which involves reconductoring transmission lines with higher performance wires. There are system-wide challenges in achieving this at large scale that we will discuss in a future report.

Embedded in infrastructure permitting is also increasing the country's production and processing capabilities of critical minerals, where important changes to permitting legislation are needed to address upstream reliance on imports, as social factors as well as environmental impacts are currently an impediment for these resources to be exploited. Stocks that could potentially benefit from increased focus on/demand for domestic materials include OW-rated **X, NUE,** and **XOM** and EW-rated **MP, CLF, STLD,** and **ORBIA.**

Carbon Border Tariffs

While we continue to think that a carbon tariff measure remains a low-probability scenario, we're intrigued by the resurgence of interest and discussions of such a measure across both sides of the aisle. Indeed, we have been monitoring headlines that Senator Bill Cassidy has been resocializing his Foreign Pollution Fee (FPF) bill, first introduced in 2023. Elsewhere in the new administration, at his confirmation hearing, Scott Bessent (US Treasury Secretary) was asked about carbon tariffs and stated, *"It's a very interesting idea that could be part of an entire tariff program…. if confirmed, I look forward to working with them on various strategies, some that could be specifically aimed* *for carbon.."*

While the first draft of the FPF including a wide-range of goods, (aluminium, batteries, biofuels, cement, crude, glass, hydrogen, iron/steel, minerals, natural gas, petrochemicals, plastics, pulp/paper, refined petroleum products, solar cells and wind turbines), recent changes suggest the FPF would seek to cover aluminium, cement, glass, iron, fertilizer and steel — bringing the FPF closer to the EU CBAM's current coverage. Should such a border measure be introduced, we do not see an accompanying domestic carbon price as part of the package (as in Europe). As such, the decarbonization benefits would theoretically arise from an increased production domestically (or from low-carbon manufacturing nations outside of the US) and a decrease in demand for high-carbon goods overall; there would not be any financial incentive to decarbonize further in the US, however.

The Foreign Pollution Fee bill, introduced by Senators Bill Cassidy (R-LA) and Lindsay Graham (R-SC) in November 2023, is one of the more recent examples of how a US CBAM could work. This bill is explicit in that it would not tax any domestic production of carbon; rather, it "ensures the pollution intensity of products imported into the US is no dirtier than similarly produced goods" and "penalizes foreign countries, namely China, who willfully ignore environmental standards and international norms to undercut manufacturing" (from the Cassidy press release, here). Under the proposal, countries with a free-trade agreement with the US would be exempt as long as their pollution intensity of the good is within 50% of the US pollution intensity. Essentially, the programme would be designed to tax any good from an industry for which the carbon intensity of that entire industry is more carbon-intensive than US production, meaning that individual installations that were carbon-efficient in a high-carbon country could not circumvent the rules.

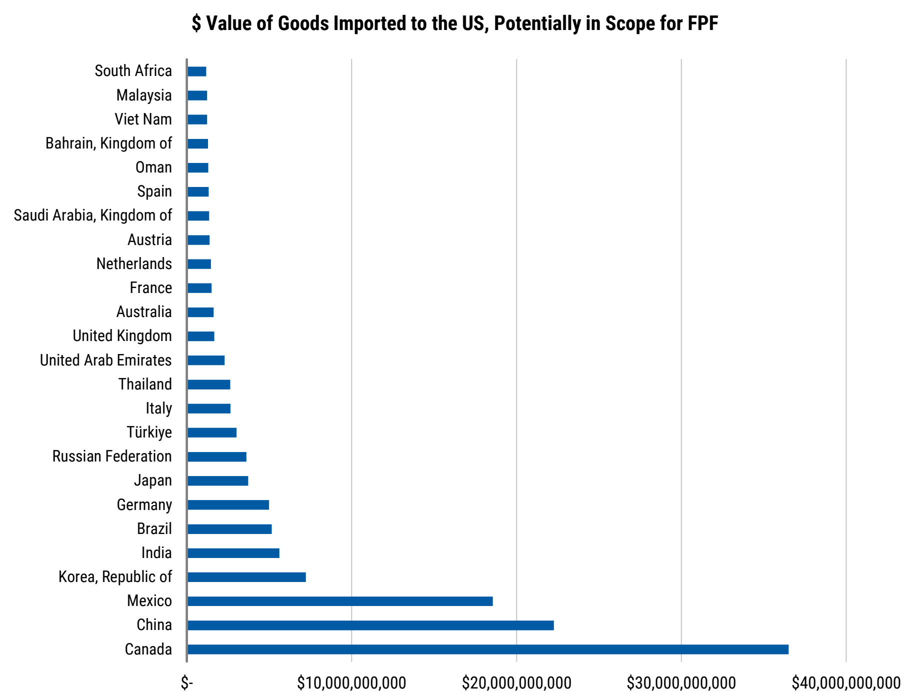
If the FPF bill were to be signed into law, the US steel industry would be well positioned to benefit... given more than 70% of its steel is produced via lower-emission Electric Arc Furnaces (EAFs), compared to ~30% globally. On average, a scrap based EAF emits ~0.6 tonnes of CO_2 per tonne of steel produced, which is significantly lower than the average CO_2 emissions from a BF-BOF of ~2.3 tonnes and the global average of ~1.9 tonnes. Moreover, blast-furnace producers in the US, such as CLF, use natural gas rather than coal in their furnaces and on average emit ~1.6 tonnes of CO_2, well below the global average for BF-BOF.

Given the FPF bill considers penalizing countries whose pollution intensity is more than 50% of the US equivalent, this would add to protections for the domestic steel industry, given its carbon advantaged position. If the FPF bill were to ultimately be signed into law it could come in addition to 1) existing Section 232 tariffs and 2) further 25% tariffs being considered by the Trump administration (here), giving domestically produced steel a considerable advantage over imported material. We would expect all domestic steel names to benefit, including OW-rated **X** and **NUE** as well as EW-rated **STLD, CMC,** and **CLF.**

... but the benefits to the US aluminum industry are less clear. Coal makes up a larger portion of the power mix for US smelters and domestic smelters sit roughly in the middle of the carbon intensity cost curve, thus they don't have the carbon advantage of domestic steel mills. In fact, when looking at the sources of imported aluminum, the majority comes from Canada, where essentially all smelters run on hydropower, making them significantly less polluting than their US equivalents on a carbon basis.

However, a carbon free smelting process — ELYSIS — being developed by Alcoa and Rio Tinto could shift the carbon emissions landscape (here). While the companies are still in testing phase the technology could be a game changer for carbon emissions by replacing carbon anodes with inert anodes, thus producing oxygen rather than carbon dioxide from the smelting process. That said, the venture is currently being tested in Canada, and while the technology could be implemented elsewhere its unclear how quickly Alcoa would introduce the tech to its US smelters to make them more carbon competitive vs. other imported material.

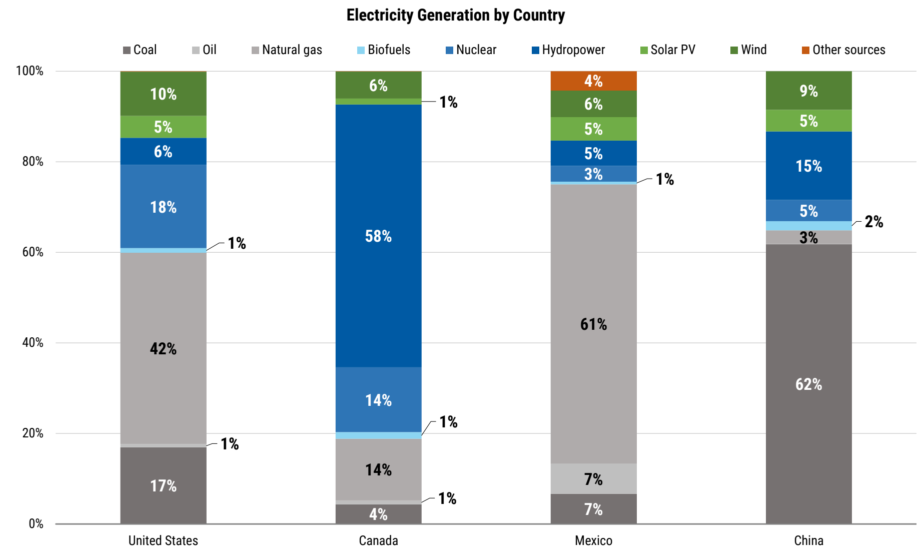
Exhibit 3: Bilateral imports to the US by trade partners (top 25, for 2023) of goods that could potentially be in scope for a CBAM/FPF



Source: Comtrade, Morgan Stanley Research; We've used bilateral import data based of goods, selecting HS codes 25, 31, 70, 72, 73, 76, and 78 as values

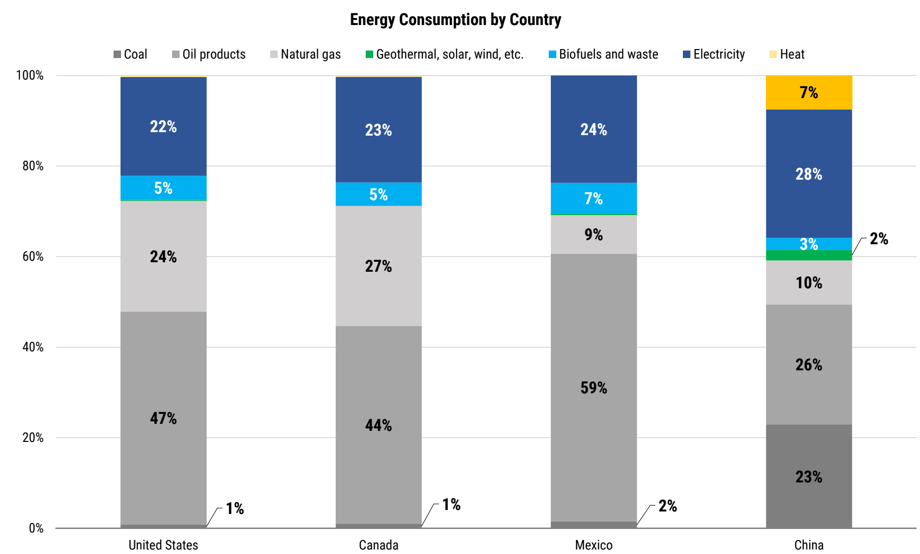
Comparing the US power mix (Exhibit 4) as well as its energy consumption mix (Exhibit 5) with that of its top 3 trade partners when it comes to goods that could potentially be in scope for a CBAM/FPF (Canada, China, and Mexico) suggests **China and Mexico could be most impacted by a FPF.**

Exhibit 4: Electricity Mix of Selected Countries



Note: 2023 data shown for United States, Canada, and Mexico. 2022 data shown for China. Source: IEA, Morgan Stanley Research.

Exhibit 5: Energy Consumption Mix of Selected Countries - 2022 data



Note: 2022 data shown for United States, Canada, Mexico, and China. Source: IEA, Morgan Stanley Research.

Corporate Commitments to Net Zero

Potential litigation risk, among other factors, has driven a number of financial institutions (including the largest US banks) to exit global climate coalitions, adding headline risk to the topic of the energy/climate transition; that said, their climate strategies haven't changed, at least for now. Exhibit 6 lists recent exits of US banks and the largest asset manager from global net zero alliances that came after various investors dropped from the Climate Action 100+ group in 2024 as legal cases in the US mounted with accusations that any move to limit finance to fossil fuel companies could breach antitrust laws.

Commitments to net zero by the companies listed in Exhibit 6 haven't changed

although it remains to be seen regarding corporates' commitment to interim 2030 goals — across sectors and not just within Financials. We do not believe potential upcoming changes to interim goals would be driven by a lack of stewardship at the US federal level, but rather by a combination of: 1) the cost and/or availability of certain technologies needed to reach those goals (e.g., clean hydrogen, CCUS), 2) conflicting areas of focus at the C-suite level with affordability becoming increasingly important in various parts of the world, and 3) the geopolitical turmoil and the rise of protectionism that could have an impact on supply chains. **While any announcement of corporates pushing back their interim goals will likely harm sentiment on sustainable investing as an investment approach, we believe a "cleansing" of the market is ultimately positive for the space — we want to see companies that are pragmatic in their commitments.**

Exhibit 6: Selected Banks and Asset Managers Exiting Net Zero Alliances

Company	Date of Exit	Group They Exited	Climate Goals
BlackRock Inc.	9-Jan-25	Net Zero Asset Managers (NZAM)	Unchanged
JPMorgan Chase & Co	7-Jan-25	Net-Zero Banking Alliance (NZBA)	Unchanged
Morgan Stanley	2-Jan-25	Net-Zero Banking Alliance (NZBA)	Unchanged
Bank of America	31-Dec-24	Net-Zero Banking Alliance (NZBA)	Unchanged
Citigroup Inc.	31-Dec-24	Net-Zero Banking Alliance (NZBA)	Unchanged
Wells Fargo & Co.	20-Dec-24	Net-Zero Banking Alliance (NZBA)	Unchanged
Goldman Sachs Group Inc	6-Dec-24	Net-Zero Banking Alliance (NZBA)	Unchanged

Source: Morgan Stanley Research

Changes to Diversity Equity & Inclusion Programs

The federal government (via executive order on Inauguration Day) and several large US corporates are terminating their DEI programs. For the corporate world, ending, although in many cases rebranding, their DEI efforts is also a way to reduce potential litigation risk following the Supreme Court decision in 2023 that ruled that race-conscious affirmative action in higher education was unconstitutional. This ruling has emboldened conservative activists to make similar arguments about corporations' diversity workplace initiatives. Below we list several key recent examples of large companies ending/changing their DEI programs. While headlines on this topic may suggest companies are taking a step back on the subject, similar to corporates exiting climate coalitions, the **formal communications by some companies (not all) offer important detail: they continue committed to *Inclusion*, but are removing the DEI term from their communications.**

- Last week, **Target** announced via a company email the end of various diversity efforts, including their participation in 3rd party surveys, but reiterated its commitment to "Inclusion" and "Belonging" and rebranded terms such as “supplier diversity” for “supplier engagement" according to the media.
- Earlier this month, Axios reported **Meta Platforms** was terminating its DEI programs for hiring, training/development and procurement, effective immediately, according to a new employee memo obtained by the news outlet. According to BBC, Meta said it would continue to look for diverse staff, but stop using its current hiring procedure.
- **McDonald's** announced also earlier this month in a letter to franchise owners, suppliers, and employees that it was ending its DEI programs and its aspirational

representation goals. Nonetheless, it affirmed its position and commitment to inclusion, and confirmed it will continue to report demographic information with respect to the Board, employees and suppliers. In the letter, the company sets forth four guiding principles: "*(1) Our system thrives when we are shaped by the communities in which we operate, (2) Our early and full adoption of inclusion gives us a competitive advantage, (3) Individuals perform their best when they feel they belong, and (4) Our priority is to be a responsible business, acting lawfully and being responsive to the business environment.*"

- In late November, **Walmart,** the largest private employer in the US, announced it was ending its racial equity training programs for staff and that it was evaluating programs designed to increase supplier diversity (e.g., increase the number of suppliers that are at least 51% owned or managed by a woman, minority, veteran or someone who is LGBTQ), among other changes.
- Other US companies that have made changes to their DEI programs include **Boeing, Ford, Harley-Davidson, Deere & Co., Lowe's**.

Investing with a Social Angle

As published recently in *Question of the Moment: Has the time come for Social Investing to take centre stage?***, in our recent conversations with >100 investors across North America, Europe and APAC, there has been a substantial step-up in focus on Social Investment.** While measurement of social impact is an ongoing challenge, our European team has looked at effective ways to quantify both corporate culture and entities' impacts on societal issues as it relates to preventative healthcare, responsible AI development & deployment, and company culture. Separately, sector teams (in various instances with collaboration from our team) have published deep dives on other Social topics such as Smart Imaging (within Healthcare), Education, and Financial Inclusion. Below we summarize key research notes on these topics and stock ideas in Exhibit 7 .

Preventative Healthcare

Current health systems are typically built to focus on acute conditions and react to complications with clinical care or pharmaceuticals (i.e., treatment of conditions after they arise), rather than to mitigate threats from chronic disease. Increasingly, however, the burden of disease from chronic conditions is becoming by far the greatest health challenge, especially among an ageing population. A focus on health and prevention, on the other hand, would at its most fundamental address underlying causes to prevent problems from arising in the first place. As a strategy, it aims to prevent diseases and promote wellness across the board, whether in terms of mental state, nutrition or areas like sleep or stress. Our team flags within preventative healthcare, innovative BioPharma approaches and therapies (e.g., **CRISPR, smart chemotherapy**) alongside solutions such as **integrated diagnostics,** effective use of **AI,** and sophisticated **telemedicine** advances, which are emerging to support a much more personalized, targeted health system. In *Health is Wealth*, the team included a broad list of "Health Enabler" companies across EMEA, Americas and APAC regions, covering sectors from Life Science to Sanitation to Nutrition.

Looking at **AI / Smart Imaging** (SI) within Diagnostic Imaging (DI) alone, our Healthcare team wrote in the report *Healthcare: Smart Imaging* that at a time when the supply / demand imbalance for radiologists has never been more acute, Medicare enrollment continues to rise, healthcare costs escalate and the need for more accurate disease diagnosis is a constant, one potentially significant solution for this challenge is AI / Smart Imaging.

How to play Smart Imaging? The sector team notes DI globally is dominated by the top 3 players, **Siemens Healthineers** (SHLG.DE — OW), **GE Healthcare** (GEHC.O — OW), and **Philips** (PHG.AS — EW). They provide a longer list of exposed stocks to DI in their report (see US names in Exhibit 7) and note that while SI should be a tailwind for all players, they think the 3 leading names will do best given an ability to leverage their installed base.

Responsible AI

In *Safe AI: Taking Responsibility*, our European colleagues introduced the STEP framework to assess the corporate world's governance of AI (Safety; Transparency (and accountability); Ethics; and Privacy).

How to play Responsible AI? Using MS's AI taxonomy, combined with a number of quantitative datapoints (e.g., hiring trends in AI-related positions, transcript mentions), they generated a list of global AI Adopters (or Enabler/Adopters) that have High or Neutral pricing power which offer exposure to responsible AI. The stocks in the screen with High pricing power (per MS's classification) include **Adobe** (ADBE.O), **Atlassian Corp** (TEAM.O), **Mercadolibre** (MELI.O), **Microsoft** (MSFT.O), **NVIDIA** (NVDA.O), **RELX** (REL.L), **Salesforce** (CRM.N), **SAP** (SAPG.DE), and **Wolters Kluwer** (WLSNc.AS) — all OW.

Financial Inclusion

Connected to the longevity theme, higher life expectancy presents significant opportunities for wealth & asset managers and insurers. Our Global Asset & Wealth Management analysts identified in their report *Longevity Unlocked: Retiring in the Age of Aging* a potential $400 billion in revenue opportunity by 2028 from a shift to a “retirement ecosystem mindset”, and a range of innovative solutions across accumulation, decumulation, longevity protection, and wealth transfer needs. As populations age and the retirement burden increasingly rests on individuals, critical solutions will include multi-asset products, private market capabilities, mass affluent segment advice and retirement solutions, support for women and younger generations, and risk sharing capabilities.

How to play this theme? Within Asset Management, our sector teams identified OW-rated **BlackRock** (BLK.N), **Blackstone** (BX), **Intermediate Capital Group** (ICGIN.L), and **Macquarie Group** (MQG.AX), as well as EW-rated **Amundi** (AMUN.PA), **Apollo** (APO.N), **KKR & Co.** (KKR.N), **Partners Group** (PGHN.S), and **Schroders** (SDR.L). Within Wealth Management, the team sees potential in OW-rated **HSBC Holdings** (0005.HK), **KBC Group** (KBC.BR), **KB Financial Group** (105560.KS), **LPL Financial** (LPLA.O), **Sumitomo Mitsui FG** (8316.T), and **UBS Group** (UBSG.S), as well as EW-rated **Bank of America** (BAC.N) and **Credit Agricole** (CAGR.PA).

Additionally, other two stocks that we like in the region on the topic of Financial Inclusion include OW-rated **NU Holdings** (NU.N) and **Robinhood Markets** (HOOD.O).

Company Culture

When assessing corporate culture and an entity's "internal" social credentials, our European colleagues published in *Social Skills* their proprietary 4 Cs framework (Culture; Cultivate; Conduct; and Collaborate) that evaluates: **a)** how a company's strategy and purpose links to social factors, **b)** how strongly that strategy resonates across the stakeholder base (including quantifiable, standardized metrics to track this over time), **c)** how a company manages its human capital, **d)** how the business allocates its financial capital to develop socially aware and socially positive products/services, evaluated using AIM principles (Additionality, Intentionality, Materiality), **e)** how the company ensures high-quality governance standards and policies throughout its operations, and **f)** how investors can engage to hold management accountable and to drive future potential growth.

In that work, they also identified key Social KPIs, from employee turnover to Glassdoor rating to board gender diversity, HER Score and shareholder voting, that in some regions correlate with stock outperformance — see more in *Social Skills - Culture Club.* **Stocks in the region outliers on these KPIs are listed in Exhibit 7 .**

Education

In *Innovators Drive Opportunity in a Fragmented $8 Trillion Market,* **we wrote about 3 key catalysts driving investments in the education sector: (1)** challenges/problems within education that we think global, innovative, well-managed companies are positioned to address, **(2)** an ~$8 trillion TAM that can enable more rapid technology diffusion as institutions will be pushed to do more with less, and **(3)** valuation support, with many education names trading below their 3- to 5-year NTM EV/Sales and EV/EBITDA averages (as of publication of this report). **Preferred stocks in the region on this theme are also included in Exhibit 7 .**

Exhibit 7: Stocks in the Americas that Offer a Social Investing Angle | Sorted by upside to MS PT

Ticker	Company Name	Country	Industry	MS Analyst Name	MS Rating	Currency	Mkt. Cap (mn)	Closing Price	Price Target	Upside to PT	Bull:Bear Skew	Description
Preventative Healthcare												
HOLX.O	Hologic, Inc.	US	Healthcare/HMO	Savant, Tejas	Equal-Weight	USD	18,836	71.77	82.00	14%	1.3	Medical equipment manufacturer
GEHC.O	GE HealthCare Technologies Inc	US	Pharma	Wood, Patrick	Equal-Weight	USD	40,354	87.78	86.00	-2%	0.2	Medical technology company
Responsible AI												
DELL.N	Dell Technologies Inc.	US	Technology/Hardware	Woodring, Erik	Overweight	USD	72,626	101.29	154.00	52%	5.9	Information technology provider
ADBE.O	Adobe Inc.	US	Technology/Software	Weiss, Keith	Overweight	USD	196,330	442.84	660.00	49%	6.5	Software provider
NVDA.O	NVIDIA Corp.	US	Technology/Semiconductors	Moore, Joseph	Overweight	USD	3,226,990	128.99	166.00	29%	2.1	Manufacturer of graphics processing units
MELI.O	Mercadolibre Inc.	Argentina	Technology/Software	Ruben, Andrew	Overweight	USD	96,685	1,895.53	2,400.00	27%	2.3	Ecommerce and payments company
MSFT.O	Microsoft	US	Technology/Software	Weiss, Keith	Overweight	USD	3,340,584	447.20	540.00	21%	1.6	Software services company
TEAM.O	Atlassian Corporation PLC	US	Technology/Software	Weiss, Keith	Overweight	USD	71,415	274.71	315.00	15%	1.7	Software provider
CRM.N	Salesforce, Inc.	US	Technology/Software	Weiss, Keith	Overweight	USD	350,231	359.95	405.00	13%	2.8	Cloud computing software
GOOGL.O	Alphabet Inc.	US	Media	Nowak, Brian	Overweight	USD	2,420,300	195.30	215.00	10%	1.6	Internet related service provider
META.O	Meta Platforms Inc	US	Technology	Nowak, Brian	Overweight	USD	2,087,012	674.33	660.00	-2%	0.6	Social network provider
ACN.N	Accenture Plc	US	IT Services	Faucette, James	Equal-Weight	USD	240,777	378.39	335.00	-11%	0.6	IT services provider
ASAN.N	Asana Inc	US	Technology/Software	Baer, Josh	Equal-Weight	USD	5,232	21.98	18.00	-18%	0.7	Cloud based project management provider
TRI.N	Thomson Reuters Corp.	US	Business Services	Kaplan, Toni	Equal-Weight	USD	74,963	239.17	176.00	-26%	0.1	Digital content provider
Financial Inclusion												
NU.N	Nu Holdings Ltd.	Brazil	Banking & Financial Services	Kuri, Jorge	Overweight	USD	63,189	12.64	18.00	42%	1.9	Digital banking platform
HOOD.O	Robinhood Markets, Inc.	US	Banking & Financial Services	Cyprys, Michael	Overweight	USD	44,708	49.40	64.00	30%	1.1	Online brokerage platform
BLK.N	BlackRock Inc.	US	Banking & Financial Services	Cyprys, Michael	Overweight	USD	164,540	1,051.20	1,275.00	21%	1.4	Investment manager and technology provider
BX.N	Blackstone Inc.	US	Banking & Financial Services	Cyprys, Michael	Overweight	USD	226,713	185.59	222.00	20%	1.0	Global investment firm
LPLA.O	LPL Financial Holdings Inc.	US	Banking & Financial Services	Cyprys, Michael	Overweight	USD	27,015	358.18	379.00	6%	1.1	Independent broker-dealer
BAC.N	Bank of America	US	Banking & Financial Services	Graseck, Betsy	Equal-Weight	USD	360,071	46.84	56.00	20%	2.7	Global investment firm
APO.N	Apollo Global Management Inc	US	Banking & Financial Services	Cyprys, Michael	Equal-Weight	USD	103,757	169.31	169.00	0%	1.0	Alternative investment manager
KKR.N	KKR & CO. Inc	US	Banking & Financial Services	Cyprys, Michael	Equal-Weight	USD	150,596	167.05	157.00	-6%	1.0	Global investment firm
Company Culture												
AES.N	AES Corp.	US	Utilities	Arcaro, David	Overweight	USD	7,850	11.01	25.00	127%	26.7	Electric generation company
MTB.N	M&T Bank Corp.	US	Banking & Financial Services	Gosalia, Manan	Overweight	USD	33,075	199.82	269.00	35%	2.0	Financial holding company
NUE.N	Nucor Corp	US	Steel	De Alba, Carlos	Overweight	USD	29,754	126.55	166.00	31%	2.2	Steel manufacturer
EQT.N	EQT Corp.	US	Energy	McDermott, Devin	Overweight	USD	8,506	49.90	63.00	26%	7.2	Oil exploration and production
WYNN.O	Wynn Resorts, Limited	US	Leisure & Lodging	Grambling, Stephen	Overweight	USD	9,253	84.33	105.00	25%	2.4	Luxury resort provider
ADSK.O	Autodesk	US	Technology/Software	Porter, Elizabeth	Overweight	USD	67,880	309.93	375.00	21%	2.8	Building software provider
WELL.N	Welltower Inc.	US	Property	Kamdem, Ronald	Overweight	USD	85,786	137.15	145.00	6%	0.8	Health care infrastructure company
HLT.N	Hilton Worldwide Holdings Inc	US	Leisure & Lodging	Grambling, Stephen	Overweight	USD	63,161	253.66	265.00	4%	1.1	Global hospitality company
REG.O	Regency Centers Corp	US	Property	Kamdem, Ronald	Overweight	USD	13,185	72.53	75.00	3%	1.0	Shopping center developer
QCOM.O	Qualcomm Inc.	US	Telecommunications Equipment	Moore, Joseph	Equal-Weight	USD	196,112	171.55	204.00	19%	1.8	Software provider
MRK.N	Merck & Co., Inc.	US	Pharma	Flynn, Terence	Equal-Weight	USD	247,428	97.45	113.00	16%	3.7	Biopharmaceutical company
KMB.N	Kimberly-Clark Corp	US	Household & Personal Care	Mohsenian, Dara	Equal-Weight	USD	43,230	129.44	150.00	16%	2.7	Global household products company
CMA.N	Comerica Inc	US	Banking & Financial Services	Gosalia, Manan	Equal-Weight	USD	8,348	63.53	71.00	12%	2.2	Commercial bank
NXPI.O	NXP Semiconductor NV	US	Technology/Semiconductors	Moore, Joseph	Equal-Weight	USD	55,709	213.43	235.00	10%	2.5	Semi conductor provider
HUM.N	Humana Inc	US	Healthcare/HMO	Wright, Erin	Equal-Weight	USD	38,699	303.11	301.00	-1%	0.7	Health insurance provider
CBSH.O	Commerce Bancshares Inc	US	Banking & Financial Services	Gosalia, Manan	Underweight	USD	8,936	66.61	72.00	8%	0.8	Midcap bank
ED.N	Consolidated Edison Inc	US	Utilities	Arcaro, David	Underweight	USD	32,434	93.39	85.00	-9%	0.3	Electric, gas, and steam provider
Education												
SEER3.SA	Ser Educacional SA	Brazil	Business Services	Cepeda, Mauricio	Overweight	BRL	618	4.80	8.50	77%	22.3	For-profit post-secondary company
CSED3.SA	Cruzeiro do Sul	Brazil	Business Services	Cepeda, Mauricio	Overweight	BRL	1,225	3.36	4.50	34%	3.7	Post-secondary company
COUR.N	Coursera, Inc.	US	Technology/Software	Baer, Josh	Overweight	USD	1,586	9.56	10.00	5%	1.9	Online education platform
DCBO.O	Docebo Inc.	Canada	Technology/Software	Baer, Josh	Overweight	USD	1,323	61.91	61.00	-1%	0.8	Digital learning platform
ANIM3.SA	Anima Educacao	Brazil	Business Services	Cepeda, Mauricio	Equal-Weight	BRL	804	1.99	3.00	51%	6.1	For-profit post-secondary company
YDUQ3.SA	YDUQS PART	Brazil	Business Services	Cepeda, Mauricio	Equal-Weight	BRL	2,875	9.30	13.50	45%	6.3	For-profit, post-secondary education
COGN3.SA	COGNA EDUCACAO	Brazil	Business Services	Cepeda, Mauricio	Equal-Weight	BRL	2,496	1.33	1.70	28%	2.7	Private educational organization
AFYA.O	Afya Ltd	Brazil	Business Services	Cepeda, Mauricio	Equal-Weight	USD	9,078	16.46	19.00 USD	15%	3.1	Health Education provider
LRN.N	Stride Inc	US	Business Services	Parrish, Greg	Equal-Weight	USD	5,726	120.64	117.00	-3%	1.0	Online and blended education provider
LAUR.O	Laureate Education Inc	US	Business Services	Cepeda, Mauricio	Equal-Weight	USD	2,941	18.66	18.00	-4%	0.6	Education provider
VSTA.O	Vasta Platform Ltd	Brazil	Business Services	Cepeda, Mauricio	Underweight	USD	1,352	2.68	2.80 USD	4%	1.6	Education provider
UDMY.O	Udemy Inc	US	Technology/Software	Baer, Josh	Underweight	USD	1,245	7.80	7.50	-4%	1.6	Online education platform
CHGG.N	Chegg Inc	US	Technology/Software	Baer, Josh	Underweight	USD	182	1.61	1.25	-22%	1.5	Education provider

Source: FactSet, Morgan Stanley Research. Pricing as of 1/28/2025.

Other companies mentioned: Amundi (AMUN.PA, €66), Cleveland-Cliffs Inc (CLF.N, US $10), Commercial Metals Company (CMC.N, US$50), Credit Agricole (CAGR.PA, €14), Cummins (CMI.N, US$350), Fluence Energy (FLNC.O, US$13), HSBC Holdings (0005.HK, HK$80), Iberdrola (IBE.MC, €14), Intermediate Capital Group (ICGIN.L, 2,270p), KB Financial Group (105560.KS, W10), KBC Group (KBC,BR, €75), Koninklijke Philips (PHG.AS, €26), Macquarie Group (MQG.AX, A$238), MP Materials (MP.N, US$21), Orbia Advance Corporation, S.A.B. de C.V (ORBIA.MX, M$14), PACCAR (PCAR.O, US$107), Partners Group (PGHN.S, SFr1,361), RELX (REL.L, 3,970p), SAP SE (SAPG.DE, €267), Schroders (SDR.L, 344p), Siemens Healthineers (SHLG.DE, €55), Steel Dynamics (STLD.O, US$127), Sumitomo Mitsui FG (8316.T, ¥3,899), UBS Group (UBSG.S, SFr32), and Wolters Kluwer (WLSNc.AS, €173).

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(as of December 31, 2024)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1463	39%	363	45%	25%	669	39%
Equal-weight/Hold	1703	45%	369	46%	22%	810	48%
Not-Rated/Hold	5	0%	0	0%	0%	2	0%
Underweight/Sell	596	16%	74	9%	12%	222	13%
Total	3,767		806			1703	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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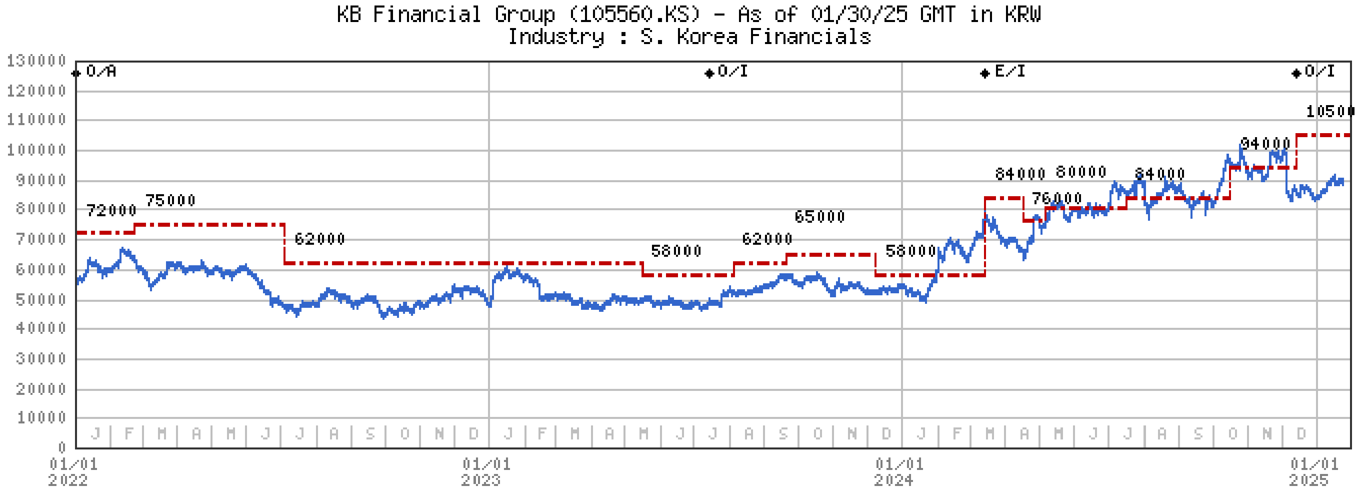
Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 2/1/20 : O/I; 6/12/20 : O/C; 12/11/20 : O/I; 1/18/21 : O/A; 7/14/23 : O/I; 3/14/24 : E/I; 12/13/24 : O/I

Price Target History: 12/11/19 : 58000; 3/6/20 : 52000; 4/7/20 : 43000; 6/12/20 : 45000; 10/15/20 : 48000; 12/11/20 : 56000; 2/15/21 : 62000; 4/16/21 : 67500; 5/26/21 : 72000; 2/22/22 : 75000; 7/4/22 : 62000; 5/16/23 : 58000; 8/4/23 : 62000; 9/20/23 : 65000; 12/8/23 : 58000; 3/14/24 : 84000; 4/16/24 : 76000; 5/6/24 : 80000; 7/16/24 : 84000; 10/16/24 : 94000; 12/13/24 : 105000

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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