



Underwriters Laboratories Inc.

**Reports on Federal Awards in Accordance with the
Uniform Guidance**

For the fiscal year ended December 31, 2024

EIN: 36-1892375

Underwriters Laboratories Inc.

Table of Contents

Page

Part I - Consolidated Financial Statements and Supplemental Information

Report of Independent Auditors	1
Consolidated Balance Sheets	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7
Supplemental Information - Schedule of Expenditures of Federal Awards	51
Supplemental Information - Notes to Schedule of Expenditures of Federal Awards	52

Part II - Reports on Internal Controls and Compliance

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	53
Report of Independent Auditors on Compliance for each Major Program and Internal Control Over Compliance Required by Uniform Guidance	55

Part III - Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs	58
Summary of Status of Prior Year Audit Findings	60
Management's Views and Corrective Action Plan	62

Part I
Consolidated Financial Statements and Supplemental Information



Report of Independent Auditors

To the Board of Trustees of Underwriters Laboratories Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Underwriters Laboratories Inc. and its subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The PricewaterhouseCoopers affiliated firms in Greater China and Japan performed audit procedures for UL - CCIC Company Limited, and UL Japan, Inc., comprising approximately 3% of total assets of the Company for the year ended December 31, 2024. Personnel of these firms, excluding United States personnel, do not participate in a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraphs 4.16-4.18 of *Government Auditing Standards*. However, these firms do participate in continuing education programs applicable to their respective countries.

Further, the PricewaterhouseCoopers affiliated firms referred to above do not have an external quality review by an unaffiliated audit organization as required by Chapter 5, paragraphs 5.60-5.62 of *Government Auditing Standards*, since no such program is offered by professional organizations in the countries. However, these offices participate in the PricewaterhouseCoopers worldwide internal control review program, which requires the office to be periodically subjected to an extensive quality control review by partners and managers from other PricewaterhouseCoopers affiliated firms.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2024 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2025 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2024. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, cursive script.

Chicago, Illinois

May 13, 2025

Underwriters Laboratories Inc.

Consolidated Balance Sheets

(in millions)	As of December 31,	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 360	\$ 977
Accounts receivable, net of allowance of \$9 and \$9	384	363
Contract assets, net of allowance of \$1 and \$1	182	180
Other current assets	67	101
Total current assets	993	1,621
Investments	4,662	1,606
Property, plant and equipment, net of accumulated depreciation of \$783 and \$742	677	589
Goodwill	633	623
Intangible assets, net of accumulated amortization of \$239 and \$232	58	72
Operating lease right-of-use assets	200	166
Deferred income taxes	108	110
Capitalized software, net of accumulated amortization of \$430 and \$384	132	144
Other assets	137	133
Total Assets	\$ 7,600	\$ 5,064
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 50	\$ —
Accounts payable	186	191
Accrued compensation and benefits	273	296
Operating lease liabilities - current	40	40
Contract liabilities	165	164
Other current liabilities	52	61
Total current liabilities	766	752
Long-term debt	692	904
Pension and postretirement benefit plans	196	233
Operating lease liabilities	176	137
Other liabilities	86	94
Total Liabilities	1,916	2,120
Net assets without donor restrictions attributable to:		
Underwriters Laboratories Inc.	5,368	2,920
Non-controlling interests	316	24
Total Net Assets without Donor Restrictions	5,684	2,944
Total Liabilities and Net Assets	\$ 7,600	\$ 5,064

The accompanying notes are an integral part of the Consolidated Financial Statements

Underwriters Laboratories Inc.

Consolidated Statements of Changes in Net Assets

(in millions)	Year Ended December 31,	
	2024	2023
Operating revenues	\$ 2,885	\$ 2,683
Operating expenses	2,562	2,399
Goodwill impairment	—	37
Operating income	323	247
Interest and dividend income, net of fees	61	27
Unrealized gain (loss) on investments, net	323	267
Realized loss on investments, net	39	(1)
Interest expense	(55)	(35)
Other income (expense), net	4	(6)
Income tax expense	(70)	(70)
Non-operating activity	302	182
Foreign currency translation gain (loss)	(39)	5
Pension and postretirement benefit plans, net of tax of \$5 and \$5	18	15
Proceeds from initial public offerings	2,124	—
Stock-based compensation	45	—
Dividend to non-controlling interest	(33)	(15)
Change in net assets without donor restrictions	2,740	434
Less: change in net assets without donor restrictions attributable to non-controlling interests	292	1
Change in net assets without donor restrictions attributable to Underwriters Laboratories Inc.	\$ 2,448	\$ 433
Net assets without donor restrictions		
Beginning of year	2,944	2,510
End of year	<u>\$ 5,684</u>	<u>\$ 2,944</u>

The accompanying notes are an integral part of the Consolidated Financial Statements

Underwriters Laboratories Inc.

Consolidated Statements of Cash Flows

(in millions)	Year Ended December 31,	
	2024	2023
Operating activities		
Change in net assets	\$ 2,740	\$ 434
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Proceeds from initial public offerings	(2,124)	—
Foreign currency translation (gain) loss	39	(5)
Pension and postretirement benefit plans gain, net of tax	(18)	(15)
Unrealized (gain) loss on investments, net	(323)	(267)
Realized (gain) loss on investments, net	(39)	1
Dividend to non-controlling interest	33	15
Depreciation and amortization	180	156
Goodwill impairment	—	37
Loss on foreign exchange transactions	11	4
Gain on divestitures	(24)	(2)
Stock-based compensation	(22)	—
Losses (gains) on equity method investments	6	(6)
Deferred income taxes	(6)	11
Other, net	14	5
Changes in assets and liabilities, excluding the effects of acquisitions		
Accounts receivable	(33)	6
Contract and other assets	5	(33)
Accounts payable	(4)	9
Accrued expenses	11	(21)
Pension and postretirement benefit plans	(9)	4
Contract and other liabilities	(1)	34
Net cash flows provided by operating activities	436	367
Investing activities		
Purchases of investments	(9,788)	(752)
Sales of investments	7,095	871
Capital expenditures	(257)	(240)
Acquisitions, net of cash acquired	(26)	(18)
Proceeds from divestitures	29	4
Other investing activities, net	—	5
Net cash flows used in investing activities	(2,947)	(130)
Financing activities		
Proceeds from initial public offerings	2,124	—
Proceeds from long-term debt	181	440
Repayments of long-term debt	(346)	(30)
Dividends to non-controlling interest	(33)	(14)
Other financing activities, net	(9)	(8)
Net cash flows provided by financing activities	1,917	388
Effect of exchange rate changes on cash and cash equivalents	(23)	(5)
Net increase (decrease) in cash and cash equivalents	(617)	620
Cash and cash equivalents		
Beginning of year	977	357
End of year	\$ 360	\$ 977
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 57	\$ 32
Cash paid during the year for income taxes	66	57
Cash paid during the year for stock-based compensation	19	61
Noncash investing and financing activities		
Capital expenditures funded by liabilities	\$ 43	\$ 54
Conversion of stock-based compensation to equity awards	26	—

The accompanying notes are an integral part of the Consolidated Financial Statements

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Underwriters Laboratories Inc. ("UL Research Institutes" and, together with UL Standards & Engagement and UL Solutions (each, as defined below), the "Company"), is a Delaware charitable nonstock corporation with a mission of, among other things, promoting safe living and working environments throughout the world by conducting safety and environmental sciences and hazard-based safety engineering. UL Research Institutes has a favorable determination letter from the Internal Revenue Service ("IRS") classifying it as a tax-exempt public charity, per Section 501(c)(3) of the tax code.

UL Research Institutes' principal activity relates to conducting and disseminating scientific research on public safety issues. UL Research Institutes is the sole member of ULSE Inc. ("UL Standards & Engagement"), a Delaware nonprofit nonstock corporation that has received a favorable tax determination letter from the IRS to classify it as a tax-exempt social welfare organization per Section 501(c)(4) of the tax code and whose principal activity is the development of internationally recognized safety standards. UL Standards & Engagement owns 69% of the outstanding Class B common stock of UL Solutions Inc. (together with its consolidated subsidiaries, "UL Solutions"), a Delaware corporation, which is a global safety science leader that provides independent third-party testing, inspection and certification services and related software and advisory offerings.

On April 16, 2024, UL Solutions completed its initial public offering of an aggregate of 38,870,000 shares of Class A common stock (the "IPO") by UL Standards & Engagement at a price to the public of \$28.00 per share. On September 9, 2024, UL Solutions completed a follow-on public offering of an aggregate of 23,000,000 shares of Class A common stock by UL Standards & Engagement at a price to the public of \$49.00 per share. UL Standards & Engagement received \$2.1 billion in net proceeds from both offerings.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, its controlling interest in UL Solutions and variable interest entities for which the Company has determined it is the primary beneficiary. All intercompany accounts and transactions have been eliminated. The Company accounts for investments in businesses using the equity method when it has significant influence but not control (generally between 20% and 50% ownership) and is not the primary beneficiary. The significant accounting policies, as summarized below, conform to Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities* ("ASC 958"), and other accounting principles generally accepted in the United States of America ("US GAAP"). The Company has reclassified certain amounts in prior period financial statements to conform to the current period's presentation.

ASC 958 requires classification of net assets and revenues, expenses and gains and losses, based on the existence or absence of donor restrictions. The categories, net assets without donor restrictions and net assets with donor restrictions, are defined as follows:

- Net Assets Without Donor Restrictions – Net assets available for general use and not subject to third-party donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by management or the Board of Trustees.
- Net Assets With Donor Restrictions – Net assets subject to third-party donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

In accordance with ASC 958, the Company does not have material net assets with third-party donor restrictions.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are inherently uncertain and actual results could differ materially from estimated amounts. Estimates are used for, but are not limited to, contractual revenue recognized, future cash flows associated with impairment testing for goodwill, certain assumptions related to pension and postretirement benefits and income taxes. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Cash and Cash Equivalents

Cash and cash equivalents include investments purchased with original maturities of three months or less.

Short-term Investments and Investments

Short-term investments, consisting of certificates of deposit, are recorded at amortized cost, which approximates fair value.

UL Research Institutes and UL Standards & Engagement hold investment portfolios. Short-term investments that are included in these portfolios are classified as investments on the Consolidated Balance Sheets and are measured at fair value. Investments in marketable debt and equity securities, including exchange-traded funds, with readily determinable fair values are measured at fair value. Investments in certain public equity and fixed income commingled fund, diversifying funds, and private investment partnerships are measured using the Net Asset Value ("NAV") as a practical expedient based on the fair value of the underlying investments as provided by the investment managers. Assets measured using the NAV as the practical expedient approximated 49% and 61% of the total fair value of investments in marketable securities and commingled funds for the years ended December 31, 2024 and 2023, respectively.

Accounts Receivable and Contract Assets

Accounts receivable consists of trade receivables billed and currently due from customers as well as amounts currently due from other external parties. Contract assets represent revenues for projects that have been recognized for accounting purposes, but not yet billed to customers. The Company extends credit to customers in the normal course of business and maintains an allowance for credit losses. The allowance is an estimate based on historical collection experience, current and future economic and market conditions and a review of the current status of each customer's trade accounts receivable. Management evaluates the aging of the accounts receivable balances and the financial condition of its customers and all other forward-looking information that is reasonably available to estimate the amount of accounts receivable that may not be collected in the future and records the appropriate provision. Account balances are written off against the allowance when it is determined the accounts receivables will not be recovered.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents, investments, accounts receivable and contract assets. Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed to perform as contracted. The Company believes the likelihood of incurring material losses due to concentration of credit risk is minimal. The Company actively limits its exposure to credit risk by maintaining cash and investment deposits with major financial institutions as counterparties and by maintaining accounts receivable with a large number of customers in diverse industries and geographies in addition to establishing reasonable credit approvals and limits.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Major replacements and improvements are capitalized, while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. Gains and losses resulting from sales and retirements are included within operating income.

Depreciation is computed using the straight-line method over the estimated useful life of the asset as follows:

Land improvements	15 years
Building and building improvements	15 - 50 years
Leasehold improvements	Shorter of expected useful life or lease term
Machinery, equipment and office furniture	3 - 15 years

Goodwill

UL Solutions accounts for business combinations using the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*, which requires an allocation of the purchase consideration transferred to the identifiable assets and liabilities based on the estimated fair values as of the acquisition date. Goodwill represents the excess of the purchase price of an acquired entity over the fair value of net assets acquired. Goodwill is tested for impairment annually in the fourth quarter, or more frequently if an event occurs or conditions change that would indicate it is more likely than not that the fair value of a reporting unit is below its carrying amount. UL Solutions' reporting units have been identified as one level below its operating segments. The goodwill impairment testing is performed by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. To evaluate the recoverability of a reporting unit's goodwill UL Solutions has the option to first perform a qualitative analysis. If the qualitative analysis indicates it is more likely than not that the fair value of a reporting unit is below its carrying amount, UL Solutions performs a quantitative impairment assessment for that reporting unit. The Company did not perform a qualitative analysis for any of its reporting units for the years ended December 31, 2024 or 2023. UL Solutions' quantitative assessment consists of a fair value calculation for each reporting unit that combines an income approach and a market approach, using an equal weighting. The quantitative assessment requires the application of a number of significant assumptions which are further described below, including estimated future cash flows of the reporting unit, discount rates, and market multiples.

The fair value using the income approach is determined based on the present value of estimated future cash flows of the reporting unit, discounted at an appropriate risk-adjusted rate. UL Solutions uses its internally developed long-range plans to estimate future cash flows and include an estimate of long-term future growth rates based on its most recent views of the long-term outlook for each reporting unit. Development of UL Solutions' long-range plans includes consideration of current and projected levels of income for the reporting unit based on management's plans for that business, business trends, market and economic conditions, as well as other relevant factors. The discount rate is based on the weighted average cost of capital for the reporting unit. UL Solutions uses discount rates that are commensurate with the risks and uncertainty inherent in the respective businesses and in UL Solutions' long-range plans.

The fair value using the market approach is derived from market multiples using comparable publicly traded companies for a group of benchmark companies. The selection of comparable businesses is based on the markets in which the reporting units operate given consideration to risk profiles, size, geography and diversity of products and services.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

During the three months ended September 30, 2023, UL Solutions identified a triggering event and performed a quantitative impairment assessment for a reporting unit, which resulted in a pre-tax impairment charge of \$37 million. See Note 8 for further details. UL Solutions did not recognize any impairments of goodwill for the year ended December 31, 2024.

Intangible and Other Long-lived Assets

The Company amortizes finite-lived intangible assets using the straight-line method over their estimated economic useful lives, which range from three to twenty years. The Company reviews long-lived assets, including property, plant and equipment, capitalized software and intangible assets with finite lives for impairment whenever an event occurs or conditions change that indicate the carrying amount of the asset group may not be recoverable. When such events occur, the Company performs a recoverability test by comparing the projected undiscounted cash flows of the asset group to the carrying amount. If this comparison indicates that there is a potential impairment, the asset group's fair value is determined based on the present value of its estimated future cash flows, discounted at an appropriate risk-adjusted rate. An impairment charge is recorded for the amount by which the carrying amount of the asset group exceeds its fair value. The Company did not recognize any impairments of intangible or other long-lived assets for the years ended December 31, 2024 or 2023.

Leases

The Company determines if an arrangement is a lease at inception and reassesses that conclusion if the contract is modified. The Company evaluates whether the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration in order to determine if the contract is or contains a lease. The right to control the use of an identified asset includes the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset.

The Company's classes of leased assets include real estate, vehicles, and equipment. When it is reasonably certain that an option to extend or terminate a lease will be exercised, the Company has included the option in the recognition of right-of-use ("ROU") assets and lease liabilities. The Company does not recognize ROU assets or lease liabilities for leases with a term of twelve months or less. The Company accounts for lease and non-lease components as a single component for all asset classes.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at lease commencement and measured based on the present value of lease payments over the lease term. Variable lease payments are recognized as incurred and are not presented as part of the ROU asset or lease liability. Operating lease cost is recognized on a straight-line basis over the lease term. The Company does not have material finance leases.

The Company uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. The Company's incremental borrowing rate is based on its estimated rate of interest for a collateralized borrowing over a similar term as the lease payments. The same process is followed for any new leases at their commencement dates or modification to existing leases that require remeasurement.

Capitalized Software

Costs related to software acquired, developed, or modified solely to meet the Company's internal requirements, where no substantive plan either exists or is being developed to externally market the software, are capitalized in accordance with ASC Topic 350-40, *Internal-use Software* ("ASC 350-40"). Certain costs incurred after the completion of the preliminary project stage and after management, with the relevant authority, has authorized and committed funds to the software project, and it is probable that the project will be completed and the software will be used to perform the function intended, are capitalized. For development costs capitalized under the requirements of ASC 350-40, amortization begins when each software module is ready for its intended use. Costs are amortized on a straight-line basis over the estimated useful life of the software (generally three to seven

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

years). Costs related to preliminary project activities and post implementation activities are expensed as incurred. Additions to capitalized software are reported within capital expenditures in the Consolidated Statements of Cash Flows.

The Company capitalizes certain implementation costs related to cloud computing service arrangements that are incurred during the application development stage. Subsequently, the costs are amortized on a straight-line basis over the non-cancelable term of the hosting agreement plus any reasonably certain renewal period. Capitalized costs are included as a component of other assets on the Consolidated Balance Sheets and amortization is included as an operating expense in the Consolidated Statements of Changes in Net Assets. Additions to capitalized cloud implementation costs are reported within operating activities in the Consolidated Statement of Cash Flows.

Costs related to software to be sold, leased or otherwise marketed are expensed as incurred until technological feasibility has been established in accordance with ASC Topic 985-20, *Costs of Software to be Sold, Leased, or Marketed*. Certain costs incurred subsequent to establishing technological feasibility are capitalized up until the software is available for general release, and are amortized on a straight-line basis over the estimated useful life of the software (generally three to seven years).

Amortization expense of capitalized software costs totaled \$60 million and \$52 million for the years ended December 31, 2024 and 2023, respectively.

Accounts Payable and Contract Liabilities

Accounts payable consists of trade payables currently due to vendors as well as amounts currently due to other external parties. Contract liabilities include payments received in advance of performance under the contract and are subsequently reduced when the associated revenue is recognized for the respective contract. Amounts initially recorded as contract liabilities are recognized as revenue in accordance with the Company's revenue recognition policy.

Liquidity Considerations

As part of the Company's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Company has \$744 million and \$1,340 million of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$360 million and \$977 million, and accounts receivable, net of allowance of \$384 million and \$363 million for the years ended December 31, 2024 and 2023, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. In addition, the Company can redeem a certain portion of its long-term investments within one year. See Note 5 for additional details.

Fair Value

ASC Topic 820, *Fair Value Measurement* ("ASC 820"), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

- Level 1 observable inputs such as quoted prices in active markets;
- Level 2 inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement. The Company does not have any assets or liabilities measured at fair value on a recurring basis that are Level 3, except for certain pension assets discussed in Note 10. The Company did not have any transfers between fair value levels during the years ended December 31, 2024 and 2023.

The net asset value per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used as a practical expedient to estimate the fair values of certain public equity and fixed income commingled fund, diversifying funds, and private investment partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

ASC Topic 958-325, *Not-for-Profit Entities - Investments*, provides a portfolio-wide fair value option ("PWFVO") that allows not-for-profit entities to measure eligible investments, on a portfolio by portfolio basis, at fair value. The PWFVO facilitates the reporting and administration of investment portfolios held for the objective of earning investment returns. As of December 31, 2024 and 2023, the Company elected the PWFVO for its investment portfolios held by UL Research Institutes and UL Standards & Engagement.

Revenue Recognition

The Company's revenue is primarily generated from its taxable for-profit subsidiary, UL Solutions, which recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), when its customer obtains control of promised goods or services, or as UL Solutions renders services, in an amount that reflects the consideration that UL Solutions expects to receive in exchange for those goods and services. For each arrangement UL Solutions performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligation(s) in the contract, (3) determine the transaction price, (4) if applicable, allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) UL Solutions satisfies a performance obligation.

UL Solutions' standard payment terms are due upon receipt of the invoice, except for certain customers, which may be required to make advance payments. Certain customers may be offered extended payment terms on a case-by-case basis generally not longer than 90 days.

UL Solutions' contracts with customers may include promises to transfer multiple goods and services to a customer. When a contract includes multiple goods and services, judgment is required to determine whether each good or service is considered distinct and accounted for separately, or not distinct and accounted for together with the other goods or services in the contract. Certain contracts contain goods or services that are highly integrated or highly interdependent and are accounted for as a single performance obligation. Other contracts have goods or services that are distinct and accounted for separately. Those goods and services that are determined to be separate performance obligations are treated as separate units of account and each separate performance obligation has its own stand-alone selling price, which is the price at which an entity would sell a promised good or service separately to a similar customer in similar circumstances. The stand-alone selling price is determined using an established list price for the specific service and geographical region, or through a needs-based assessment. If a needs-based assessment approach is used, the stand-alone selling price is estimated by multiplying the expected labor hours by a labor rate. The labor rate is determined by considering the cost of labor, other miscellaneous costs (e.g., overhead) and applying a margin. The labor rate may be adjusted for geographic differences and other items as determined necessary, and is reviewed on a periodic basis for appropriateness.

The transaction price for contracts may include both fixed and variable consideration, which includes customer volume rebates, discounts, and the consideration received if contingent upon the quantity of tasks completed or occurrence or nonoccurrence of a future event. UL Solutions estimates variable consideration using both the most likely amount and expected value methods to determine the total consideration to which UL Solutions expects to be entitled. The method used to estimate variable consideration varies by contract. Estimated amounts are

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of UL Solutions' anticipated performance and all information (historical, current and forecasted) that is reasonably available. As most variable consideration is estimable with a high degree of confidence, generally no such constraint is necessary. UL Solutions typically has contracts in which the period between payment and transfer of the goods is less than one year. As such, the Company has elected the practical expedient to not adjust the amount of consideration for the effects of a significant financing component for all instances in which the period between payment and transfer of the goods will be one year or less. For those instances in which the period is greater than one year, the Company determined that a significant financing component is not present in the transaction as the business purpose of these arrangements is not to provide financing to UL Solutions.

The majority of UL Solutions' revenue from contracts with customers represents revenue from services recognized over time as performance obligations are satisfied. The appropriate measure of progress is an input method, however, the amount of revenue to be recognized requires the Company to make estimates, in particular in relation to measuring progress towards completion.

For UL Solutions' Certification Testing and Non-certification Testing, Inspections and Audit arrangements recognized over time, the Company measures progress towards completion of these contracts based on the relationship between time elapsed of each project phase relative to the expected duration of that phase. The portion of a project's revenue to be recognized is determined based on the time elapsed between the start-date of each project phase relative to its estimated duration. The start-date of each phase is based on the date that work begins on the phase and the estimated duration is determined using an analysis of historical data from similar projects. Management applies judgment in determining the expected duration of each phase. The portion of a project's revenue estimated as earned, but not yet completed, and recognized as revenue, is included in contract assets or as a reduction to contract liabilities.

UL Solutions' cost to obtain a contract is generally commission paid to sales personnel for the sale of services. Management determined that the amortization period of the commission costs would be one year or less and therefore has elected the practical expedient to expense these costs as incurred. As a result, the costs to obtain a contract are expensed as incurred.

UL Solutions typically does not incur costs to fulfill which would meet the capitalization criteria and therefore these costs are typically expensed as incurred.

When UL Solutions performs shipping and handling activities after the transfer of control to the customer (e.g., when control transfers prior to shipment), these are considered fulfillment activities, and accordingly, the costs are accrued when the related revenue is recognized. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

Refer to Note 2 for additional information.

Operating Expenses

Operating expenses include personnel related expenses consisting of salaries, incentives, stock-based compensation and fringe benefits for employees directly attributable to revenue generation across each of the Company's five major service categories, as well as indirect administrative functions such as executive, finance, legal, human resources and information technology. In addition, operating expenses include third party consultancy costs, facility costs, depreciation and amortization, internal research and development costs as well as legal and accounting fees, travel, marketing, bad debt, and materials and supplies.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

Contingencies

The Company provides grant and subaward funding to universities and other institutions to promote the advancement of research into safety and environmental sciences. The Company will record such funding within operating expenses as an unconditional promise to give when either: no barriers must be overcome before a recipient is entitled to receive payment, or the Company cannot be released from its obligation to provide payment to a recipient. When both donor-imposed conditions exist, these amounts are conditional promises to give and are not recorded until all barriers to payment have been overcome and the Company no longer can be released from its obligation. Conditional promises to give are reasonably estimable but not probable of occurring, and as such, are not recorded until they are unconditional. The Company estimates that conditional promises to give were \$14 million as of December 31, 2024 and 2023.

Foreign Currency

The functional currency of certain of the Company's foreign affiliates is the local currency. Assets and liabilities of international subsidiaries have been translated into U.S. dollars at the balance sheet date, and income and expense items have been translated using monthly average exchange rates for the period. The resulting currency translation adjustments have been recorded as a separate component of changes in net assets. The Company revalues assets and liabilities entered in foreign currency at the balance sheet date and the resulting unrealized gain (loss) is recorded as other (expense) income, net in Consolidated Statements of Changes in Net Assets.

Stock-based Compensation

UL Solutions maintains long-term incentive plans under which equity awards are available to be issued to certain employees, officers and directors. Stock-based compensation expense, measured as the fair value of an award on the date of grant, is recognized ratably over the requisite service period, which is generally equal to the vesting period of the respective award, however may be impacted by certain factors including the employee's death, disability or retirement. Compensation expense related to performance share units is adjusted each reporting period based on the probable outcome of the performance conditions applicable to each grant.

The fair value of restricted stock units and performance share units is determined using the closing price of UL Solutions' stock on the date of grant. The fair value of each stock option is measured on the date of grant using a Black-Scholes-Merton option-pricing model that uses various assumptions including expected stock price volatility, expected dividend yield, the risk-free interest rate, and expected term of the award.

Stock-based compensation expense is included as part of operating expenses. Amounts related to non-cash awards are presented as an adjustment below non-operating activity because UL Research Institutes is a not-for-profit entity and does not have stockholders' equity.

Other (Expense) Income, net

Other (expense) income, net consists primarily of non-operating gains and losses, income and expenses related to the revaluation performed on designated balance sheet accounts, gains and losses on foreign currency transactions, equity in earnings of non-consolidated affiliates, non-operating pension and postretirement benefit expenses and gains on divestitures.

Interest Expense

Interest expense consists primarily of interest expense on UL Solutions' debt obligations.

Income Taxes

The Company recognizes income taxes, which primarily represent taxes related to UL Solutions, based on amounts refundable or payable for the current year and records deferred tax assets or liabilities for temporary

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss carryforwards and tax credit carryforwards. Deferred tax assets and liabilities are measured using current enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to reverse. Inherent in determining the annual tax rate are judgments regarding business plans, planning opportunities and expectations about future outcomes. Realization of certain deferred tax assets, primarily net operating loss and other carryforwards, is dependent upon generating sufficient taxable income in the appropriate jurisdiction prior to the expiration of the carryforward periods. The Company has classified all deferred tax assets and liabilities, along with any related valuation allowances, as net non-current on the Consolidated Balance Sheets. Deferred tax expense or benefit is the result of changes in the deferred tax asset or liability.

The Company records valuation allowances to reduce deferred tax assets to reflect the amount that is more-likely-than-not to be realized. When assessing the need for valuation allowances, the Company considers all available evidence, including three years of cumulative operating income/(loss), expected future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizable value of deferred tax assets in future years, UL Solutions would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

For uncertain tax positions related to exposures associated with various tax filing positions, the Company recognizes a tax benefit only if it is more-likely-than-not that the tax position will be sustained upon examination by the relevant taxing authorities, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that is more-likely-than-not to be realized upon settlement. The Company adjusts its liability for unrecognized tax benefits in the period they are settled, the statute of limitations expires, or when new information becomes available. Interest and penalties related to unrecognized tax benefits are recorded in income tax expense.

The Company has generated income in certain foreign jurisdictions that may be subject to additional foreign withholding taxes and U.S. state income taxes, if repatriated. UL Solutions regularly reviews its plans for reinvestment or repatriation of unremitted foreign earnings and has recorded deferred tax liabilities on certain foreign subsidiaries' unremitted earnings that are not considered permanently reinvested. The Company's assertion on indefinite reinvestment of foreign earnings is based upon assumptions of future liquidity needs of the business and cash flow projections of affiliates.

The accounting policy of the Company is to record U.S. tax on Global Intangible Low-Taxed Income in the provision for income taxes in the year it is incurred.

Recently Issued Accounting Standards - Not Adopted

In December 2023, the the Financial Accounting Standards Board issued ASU No. 2023-09, *Income Taxes* (Topic 740): *Improvements to Income Tax Disclosures*, which provides qualitative and quantitative updates to the rate reconciliation and income taxes paid disclosures, among others, in order to enhance the transparency of income tax disclosures, including consistent categories and greater disaggregation of information in the rate reconciliation and disaggregation by jurisdiction of income taxes paid. The amendments in ASU 2023-09 are effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied prospectively; however, retrospective application is also permitted. The ASU will result in additional income tax disclosures within the Company's financial statements but is not expected to impact the Company's financial condition, changes in net assets or cash flows.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

2. Revenue

The table below summarizes the major service categories from which the Company derives its revenues for the years ended December 31:

(in millions)	2024	2023
Certification Testing	\$ 782	\$ 715
Ongoing Certification Services	953	874
Non-certification Testing and Other Services	868	812
Software	273	274
Grants and Royalties	9	8
Total	<u>\$ 2,885</u>	<u>\$ 2,683</u>

Description of Major Service Categories

Certification Testing

UL Solutions evaluates products, components and systems according to global or regional regulatory requirements and other design and performance specifications. Select certification testing services include testing to global or regional standards, engineering evaluation and project review and functional safety testing of embedded software. Certification testing services generally align with the new product development cycle and help customers mitigate risk, demonstrate compliance with regulatory requirements and deliver confidence to businesses and consumers, resulting in demand for ongoing certification services. As a result of the certification process, UL Solutions may authorize its customers to use UL Solutions' certification marks, including the UL Solutions' registered UL in-a-circle certification mark (the "UL Mark"), on their products, packaging and marketing collateral as part of their manufacturing, distribution and marketing processes to demonstrate to the marketplace that their product has met the applicable requirements. Certification testing services often lead to Ongoing Certification Services to support the continued safety, compliance and performance objectives of the customer.

Contracts are generally structured as fixed payments as the total amount to be charged to the customer does not vary. Revenue from Certification Testing is generally recognized over-time. In these cases, the services create an asset with no alternative use as each of the services are specific to the products and specifications provided by the customer, and UL Solutions has an enforceable right to payment. Revenue is generally recognized based on the relationship between time elapsed of each project phase relative to the expected duration of that phase, which is considered the most indicative of the Company's performance to-date under the terms of the contract.

In some instances, revenue from Certification Testing does not meet the over-time criteria and is recognized at a point in time when control is transferred to the customer. Control is transferred to the customer upon the delivery of the test report to the customer. These instances occur when the agreement or the nature of the services causes a lack of right to payment until control transfer.

Ongoing Certification Services

To maintain the right to use UL Solutions' certification marks, including the UL Mark, and meet certain regulatory requirements, UL Solutions' customers must meet certain certification program requirements, including mandatory inspection and monitoring by UL Solutions. These requirements, addressed through standard certification and inspection services, are designed to validate the continued compliance of UL Solutions' customers' previously certified products, components and systems. Services are delivered through periodic inspections, initial and follow-up audits, sample testing and UL Solutions label usage. The frequency and combination of these services can vary based on product, component or system type, production volume and historical risk-based customer compliance. These ongoing certification services are designed and executed to help UL Solutions' customers confirm ongoing compliance and to help protect the integrity of the UL Mark. Select services include factory

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

inspection and testing to confirm products that are being produced match the configuration of products that were tested and certified.

Contracts are generally structured as fixed payments as the total amount to be charged to the customer does not vary. In some cases, the customer is charged a usage price based on its total production volume. Revenue from compliance program contracts is recognized over-time on a straight-line basis because the customer receives and consumes the benefit of continued certification as UL Solutions performs services through the periodic verification of the customers' compliance.

As part of Ongoing Certification Services, customers may order physical labels (recorded in other current assets) that bear the UL Mark to affix to their products to demonstrate to end-customers that the products comply with the certification requirements of UL Solutions. The labels are a separate performance obligation, distinct from the compliance program. Revenue from physical labels is recognized upon shipment, the point in time in which the customer obtains control of the labels.

Non-certification Testing, and Other Services

UL Solutions offers testing services to address performance and other requirements that may not be required by any regulation and may not result in a certification, but are still desired by UL Solutions' customers to help ensure the safety, performance and reliability of their products. Select services include on-site and remote inspections, audits and field engineering specialty services, testing for energy efficiency, wireless and electromagnetic compatibility, quality, chemical and reliability for customers in medical devices, information technologies, appliances, HVAC and lighting. For retail and consumer customers, UL Solutions offers testing such as color-matching, sensory, emissions and flame resistance. Lastly, UL Solutions offers advisory and technical services to support UL Solutions' customers in managing their safety, compliance, regulatory risk and sustainability programs.

Contracts are generally structured as fixed payments as the total amount to be charged to the customer does not vary. For services where the customer does not simultaneously receive and consume the benefit of the performance obligation, revenue is recognized upon the delivery of the final deliverables to the customer. For services that create an asset with no alternative use as each of the services are specific to the products and specifications provided by the customer, and UL Solutions has an enforceable right to payment, revenue is generally recognized based on the relationship between time elapsed of each project phase relative to the expected duration of that phase, which is considered the most indicative of UL Solutions' performance to date under the terms of the contract. Advisory revenue is generally recognized over time.

In some instances, revenue from non-certification testing does not meet the over-time criteria and is recognized at a point in time when control is transferred to the customer. Control is transferred to the customer upon the delivery of the test report to the customer. These instances occur when the agreement or the nature of the services causes a lack of right to payment until control transfer.

Software

UL Solutions provides SaaS and license-based software solutions, including implementation and training services related to software, to enable UL Solutions' customers to manage complex regulatory requirements, deliver supply chain transparency and operationalize sustainability. UL Solutions' SaaS and licensed software solutions provide data-driven product stewardship, chemicals management, supply chain insights, ESG data and reporting, EHS training, management and compliance, and additional regulatory driven software solutions.

Contracts are structured as fixed payments as the total amount to be charged to the customer does not vary. Revenue from SaaS contracts, which are provided on a subscription basis, is generally recognized ratably over the contract period beginning on the date the service is first made available to the customer. Revenue from on-premise software is recognized at a point in time when it is made available to the customer. The revenue from implementation services, post-contract customer support services, and other customer support services is recognized over the service period as the customer benefits from the services as they are performed.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

Grants and Royalties

Grant revenue relates to grants and cooperative agreements awarded from the U.S. Federal government in which UL Research Institutes is the prime recipient or subrecipient.

Royalty revenue relates to agreements between UL Standards & Engagement and third-parties to resell standards in the market. These agreements can either be in the form of license or service agreements.

Remaining Performance Obligations

Remaining consideration from contracts with customers pertains to contracts with multiple performance obligations and multi-year maintenance agreements, which are typically recognized as the performance obligation is satisfied.

3. Acquisitions and Divestitures

Acquisitions

In July 2024, UL Solutions acquired 100% of the outstanding stock of TesTneT Engineering GmbH (together with its subsidiaries, "TesTneT") for approximately \$19 million in cash consideration (subject to customary post-closing adjustments). TesTneT is a Germany-based company that provides testing services for various hydrogen storage systems, refueling stations and their components. Goodwill of \$14 million, subject to finalization of the purchase price allocation, represents anticipated future revenue growth and margin expansion opportunities from new customers. Goodwill related to this acquisition is not deductible for income tax purposes. In May 2024, UL Solutions acquired 100% of the outstanding stock of Batterielngenieure GmbH (together with its subsidiaries, "Batterielngenieure") for approximately \$11 million in cash consideration (subject to customary post-closing adjustments). Batterielngenieure is a Germany-based battery testing company that is in the process of building a laboratory in Aachen, Germany to replace the leased facility it is currently using and to add testing and simulation capacity. The purchase price is primarily related to property, plant and equipment of \$9 million and goodwill of \$7 million, subject to finalization of the purchase price allocation. Goodwill represents anticipated future revenue growth and margin expansion opportunities from new customers. Goodwill related to this acquisition is not deductible for income tax purposes.

In August 2023, UL Solutions acquired 100% of the outstanding stock of Certification Entity for Renewable Energies, S.L. ("CERE") for approximately \$14 million in cash consideration (as adjusted for customary post-closing adjustments). CERE is a Spain-based grid code compliance testing, simulation and certification company, focused on renewable energy and electric vehicle adoption. Goodwill of \$11 million includes expected synergies with UL Solutions' existing business. Goodwill related to this acquisition is not deductible for income tax purposes.

In July 2023, UL Solutions acquired 100% of the outstanding stock of HBI Compliance Limited (together with its subsidiaries, "Healthy Buildings International") for approximately \$6 million in cash consideration (as adjusted for customary post-closing adjustments). Healthy Buildings International is a United Kingdom-based health, safety and compliance company.

Aggregate acquisition-related costs associated with business combinations are not material for the years ended December 31, 2024, and 2023 are included in operating expenses in the Company's Consolidated Statements of Changes in Net Assets as incurred.

Divestiture

In May 2024, UL Solutions completed the sale of its payments testing business to an affiliate of Gallant Capital Partners, a California-based private equity firm, for a base price of \$29 million in cash (as adjusted for customary post-closing adjustments) with the potential for additional cash consideration if certain earn-out provisions are

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

met. The divestiture resulted in a pre-tax gain on sale of \$24 million, which was recorded within other income (expense), net in the Company's Consolidated Statements of Changes in Net Assets.

Held for Sale

In May 2024, UL Solutions signed a non-binding letter of intent with a prospective buyer to purchase one of its facilities and, as a result, the related assets of the facility were classified as held for sale in the second quarter of 2024. The facility is a testing laboratory used by UL Solutions. In October 2024, UL Solutions received a notice of termination from the prospective buyer. Despite no changes to UL Solutions' intention to sell the facility, the held for sale criteria were deemed no longer met as of December 31, 2024. Consequently, the carrying amount of \$11 million of the land, building, and related improvements were reclassified from other assets held for sale to property, plant, and equipment on the Consolidated Balance Sheet.

4. Other (Expense) Income, net

The components of other (expense) income, net for the years ended December 31 were as follows:

(in millions)	2024	2023
Foreign exchange losses	\$ (11)	\$ (2)
Equity in earnings of non-consolidated affiliates	3	1
Non-operating pension and postretirement benefit expense	(8)	(8)
Gains on divestitures, net of adjustments ^{(a)(b)}	24	2
Other ^(a)	(4)	1
Total	\$ 4	\$ (6)

(a) The Company has reclassified the amounts presented for the year ended December 31, 2023.

(b) See Note 3.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

5. Fair Value of Financial Instruments

Investments at Fair Value

The following tables present the Company's fair value hierarchy for long-term investments measured at fair value and is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheets.

	As of December 31, 2024			
(in millions)	Level 1	Level 2	Level 3	Total Fair Value
Long-term investments:				
Equity securities:				
Public equities	18	—	—	18
Exchange traded funds	2,008	—	—	2,008
Fixed Income:				
Short-term investments	67	—	—	67
Corporate bonds	—	124	—	124
US treasury and government obligations	—	164	—	164
Investments reported at NAV ^(a)	—	—	—	2,281
Total investments at fair value	\$ 2,093	\$ 288	\$ —	\$ 4,662

(a) In accordance with ASC 820, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

	As of December 31, 2023			
(in millions)	Level 1	Level 2	Level 3	Total Fair Value
Long-term investments:				
Equity securities:				
Exchange traded funds	\$ 512	\$ —	\$ —	\$ 512
Fixed Income:				—
Short-term investments	23	—	—	23
Corporate bonds	—	44	—	44
US treasury and government obligations	—	48	—	48
Investments reported at NAV ^(a)	—	—	—	979
Total investments at fair value	\$ 535	\$ 92	\$ —	\$ 1,606

(a) Described in previous table

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

The following valuation methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Investments in Marketable Securities, Commingled Funds, and Private Partnerships

The investment portfolio is comprised of a mix of public equities, exchange traded and commingled equities, diversifying assets, private investments and fixed income investments. The investment portfolios are intended to support the Company's long-term nonprofit mission while providing sufficient liquidity to fund short-term operational requirements. As such, the portfolios are subject to various restrictions on redemptions, however, are expected to maintain minimum levels of liquidity such that, at all times, at least 5-10% of investments can be redeemed within one month and at least 40-50% of investments can be redeemed within one year. The balance of the portfolios may be invested in assets with longer redemption periods and increased restrictions on liquidity.

Public Equities

Public equities include, but are not limited to, directly-held publicly traded securities. Equities may be held in both United States (U.S.) and non-U.S. active markets and are classified as Level 1.

Exchange-Traded Funds ("ETFs")

ETFs currently include diversified public U.S. and international index funds, including developed and emerging markets. The funds are exchange traded with daily pricing and liquidity and are classified as Level 1.

Equity Commingled Funds

Equity commingled fund investments include, but are not limited to, commingled funds invested in U.S., non-U.S., and emerging market public equities. These investments are primarily made through offshore corporations and limited partnerships. The investments in equity commingled funds have limited liquidity since the shares or interests are not freely transferable and are subject to various lock up periods, redemption frequencies, notice requirements, and certain gating provisions. In addition, the equity commingled funds may reserve the right to reduce or suspend redemptions and to satisfy redemptions by making distributions in kind, under certain circumstances. These funds are measured at fair value based on a reported NAV provided by fund managers as a practical expedient, and they are therefore excluded from the valuation hierarchy.

Fixed Income

Fixed income is comprised of government obligations, corporate bonds, a fixed income commingled fund and short-term investments. The government obligations and corporate bonds are primarily valued using market prices for the same or similar instruments, as they typically trade in more active markets and are classified as Level 2.

The fixed income commingled fund is limited liability company which invests primarily in bonds and other fixed income securities. This fund has daily liquidity with two business days' notice. The fund manager has reserved the right to suspend redemption rights in certain circumstances. The fixed income commingled fund is measured at fair value based on a reported NAV provided by the fund as a practical expedient, and it is therefore excluded from the valuation hierarchy.

Short-term investments are classified as Level 1.

Diversifying Assets

These assets include, but are not limited to, investments in actively managed commingled funds employing a variety of strategies to provide diversification and attain a desired return, while managing portfolio risk. Primarily made through offshore corporations and limited partnerships, these funds have limited liquidity since shares or

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

interests in the funds are not freely transferable and are subject to various lock up periods, redemption frequencies, notice requirements, and certain gating provisions. In addition, the diversifying funds typically reserve the right to reduce or suspend redemptions and to satisfy redemptions by making distributions in kind, under certain circumstances. Diversifying funds are measured at fair value based on a reported NAV provided by fund managers as a practical expedient, and they are therefore excluded from the valuation hierarchy. These fund investments primarily include but are not limited to the following strategies:

Long/Short Equity

Funds that can invest long and short, often primarily in publicly traded stocks. Fund managers may invest in value, growth, or event-driven equity opportunities and may not be restricted by market capitalization, industry sector, or geography. Leverage and derivatives may be utilized, which can magnify changes in the values of the underlying securities.

Credit Opportunistic

Funds include, but are not limited to, strategies that invest exclusively in credit or opportunistically across the capital structure. Furthermore, these funds may include opportunistic vehicles structures, such as draw down structure. These funds tend to run longer-biased portfolios and place less emphasis on shorting relative to Long/Short Equity managers.

Private Investment Partnerships

These commingled fund investments are privately held and generally considered illiquid. Investors may not withdraw or sell, assign, or transfer interests in the partnerships except in certain very limited circumstances, subject to consent by the general partners of the funds. Private partnerships are structured as “drawdown” limited partnerships, which means investors commit capital to the funds and fund managers make capital calls as they identify investment opportunities over the course of the investment period, which could last from approximately two to six years. Partnership distributions are then received through the remaining life of the partnership as underlying investments are liquidated. The life of most private partnerships is generally expected to be at least ten years; however, certain of the Private Diversifier partnerships, as described below, have expected lives of 5-7 years.

Valuations are determined by the investment managers and consider the funds’ underlying assets using factors that may involve considerable judgment and interpretation such as private and public comparables, third party appraisals, discounted cash flow models, and manager estimates. Private partnerships are recorded at fair value based on a reported NAV provided by fund managers as a practical expedient, and they are therefore excluded from the valuation hierarchy. The private partnership strategies currently include the following:

Private Equity

Private equity investments will invest primarily, but not exclusively, in partnership investments with a wide variety of transactions, such as growth equity financing, leveraged buyouts, direct financing (debt and/or equity), acquisitions, recapitalizations, and restructurings. These investments are primarily in the U.S., but also may be in developed and emerging international markets.

Venture Capital

Venture capital investments include, but are not limited to, investments in privately negotiated equity and equity-related investments, primarily in seed, early and late-stage venture partnerships within industries such as technology and life-sciences.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

Real Estate

Exposure to real estate is achieved through partnership investments that include, but are not limited to, investments in commercial and residential real estate or real estate related securities in the U.S. and internationally. Generally, these partnership investments will focus on value-add activities that employ a variety of strategies including acquisition, development, and redevelopment and repositioning, focusing primarily on asset operation and management.

Private Credit

Private credit includes, but is not limited to, investments in limited partnerships that utilize direct lending, stress and distress-oriented, and other opportunistic investment strategies.

Private Diversifier

Private diversifier includes, but is not limited to, investments in limited partnerships that invest in publicly traded equity, and/or stress and distress-oriented credit investments through a vehicle structure that has a drawdown feature. These strategies may also opportunistically invest in structured investments (e.g., private investment in public equity – “PIPE”) and private investments. These investments are primarily in the U.S. but also may be in developed and emerging international markets.

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows:

	As of December 31, 2024				
	Number of Funds ^(a)	Reported at NAV (in millions)	Unfunded Commitments (in millions)	Redemption Frequency	Redemption Notice Period
Equities:					
Equity commingled funds	37	\$ 1,061	\$ —	Semi-Monthly to Annual	6-365 days
Fixed Income:					
Bond commingled funds	2	210	—	Daily	2 days
Diversifying Assets:					
Diversifying asset commingled funds ^(b)	37	844	—	Monthly to Illiquid	45-120 days
Private Investment Partnerships:					
Private equity	20	70	155	Upon Dissolution	
Venture capital	16	45	67	Upon Dissolution	
Private real estate	6	33	59	Upon Dissolution	
Private credit	2	5	17	Upon Dissolution	
Private diversifier	4	13	\$ 24	Upon Dissolution	
Total	124	\$ 2,281	\$ 322		

(a) The number reported includes distinct investments in funds reported at NAV, and in certain cases, there are investments in the same underlying fund owned by both UL Standards & Engagement and UL Research Institutes, which are not duplicated in the number of distinct investments.

(b) Of the \$844 million, 76% is estimated to be available for redemption within 1 year, with an additional 19% to be available within 3 years, and the remaining 5% requiring more than 3 years for full redemption.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

	As of December 31, 2023				
	Number of Funds ^(a)	Reported at NAV (in millions)	Unfunded Commitments (in millions)	Redemption Frequency	Redemption Notice Period
Equities:					
Equity commingled funds	30	\$ 510	\$ —	Semi-Monthly to Annual	6-365 days
Fixed Income:					
Bond commingled funds	2	75	—	Daily	2 days
Diversifying Assets:					
Diversifying asset commingled funds	32	323	—	Monthly to Rolling 2.5 Years	45-120 days
Private Investment Partnerships:					
Private equity	13	27	96	Upon Dissolution	
Venture capital	10	17	36	Upon Dissolution	
Private real estate	4	25	8	Upon Dissolution	
Private credit	1	2	10	Upon Dissolution	
Total	92	\$ 979	\$ 150		

(a) Described in previous table.

6. Investments in Equity Securities

Equity Investments in Non-consolidated Affiliates

UL Solutions holds investments in equity securities of various companies which are accounted for using the equity method when UL Solutions has the ability to exercise significant influence, but not control, over the investee. The carrying amount of these investments was \$22 million in both years December 31, 2024 and 2023, and includes approximately 28% of the registered share capital of DQS Holding GmbH ("DQS"), a global management system assessment company headquartered in Germany. The carrying amount of UL Solutions investment in DQS was \$21 million in both of the years ended 2024 and 2023. UL Solutions holds investments in equity securities of various companies, certain of which comprise less than 10% of the applicable company's outstanding equity securities and are included within equity investments in non-consolidated affiliates in the Company's Consolidated Balance Sheets. The Company accounts for these investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The carrying amount of these investments was \$36 million and \$42 million at 2024 and 2023, respectively.

Variable Interest Investment

UL Solutions owns 70% of the equity interests of UL-CCIC Company Limited ("UL-CCIC"), an entity formed under the laws of the People's Republic of China ("P.R.C"). The remaining 30% of the equity interests are owned by China Certification & Inspection (Group) Co., Ltd. ("CCIC"), a Chinese state-owned enterprise. UL-CCIC offers product safety testing services enabling its customers to access North American and other international markets, Electromagnetic Compatibility ("EMC") and commercial inspection and testing services. UL-CCIC provides local voluntary certification schemes to help their customers differentiate their products within the China market. UL-CCIC also offers China Compulsory Certification ("CCC") testing services under some product categories, which

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

is approved by the Certification and Accreditation Administration P.R.C. and market access agency services to manufacturers outside of the P.R.C. to help them obtain the CCC mark.

UL-CCIC is governed by an agreement first entered into in June 2002, and has been amended from time to time. UL-CCIC was established with an initial duration of 10 years, starting from the date that it obtained its business license. In October 2022, UL Solutions amended and restated its agreement with CCIC in respect of UL-CCIC. The amended and restated agreement expires in January 2033. The amendment and restatement of this agreement did not have a material financial statement impact to UL Solutions.

The board of directors of UL-CCIC consists of up to seven directors, with four appointed by UL Solutions and three by CCIC. The chair of the UL-CCIC board of directors is appointed by UL Solutions and the vice chair by CCIC. UL-CCIC has a general manager, who is in charge of the day-to-day management of UL-CCIC and reports to the UL-CCIC board of directors. UL Solutions has the exclusive right to nominate the general manager and CCIC has the exclusive right to nominate the deputy general manager.

UL Solutions determined that it is the primary beneficiary of UL-CCIC because UL Solutions has the power to direct many of the activities that most significantly impact the performance of the entity through its right to appoint a majority of the directors on UL-CCIC's board of directors, as well as the exclusive right to nominate the general manager. Pursuant to the governing documents of UL-CCIC, certain decisions and actions of its board of directors require either unanimous approval or the approval of two-thirds of the directors, while certain other matters require either unanimous approval or the approval of a supermajority of the voting rights of the shareholders; however, UL Solutions believes that such decisions and actions are not the most significant to the performance of UL-CCIC. As such, UL Solutions consolidates UL-CCIC as a variable interest entity ("VIE"). The profits and losses of UL-CCIC are shared by the parties in proportion to their respective contributions to its registered capital. Such equity interest represents UL Solutions' variable interest in UL-CCIC and provides for participation in both the risk of loss and future economic gains.

UL-CCIC is a separate legal entity and its assets are legally owned by UL-CCIC and are not available to UL Solutions' creditors. UL-CCIC assets of \$193 million and \$178 million and liabilities of \$87 million and \$82 million, inclusive of intercompany eliminations, were included in the Company's Consolidated Balance Sheets at December 31, 2024 and 2023, respectively.

7. Property, Plant and Equipment

The components of property, plant and equipment, net as of December 31 were as follows:

(in millions)	2024	2023
Land and improvements	\$ 41	\$ 42
Building and building improvements	451	364
Leasehold improvements	209	189
Machinery, equipment and office furniture	759	736
Property, plant and equipment, gross	1,460	1,331
Total accumulated depreciation	(783)	(742)
Property, plant and equipment, net	\$ 677	\$ 589

Depreciation expense for the years ended December 31, 2024 and 2023 was \$107 million and \$89 million, respectively.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

8. Goodwill

Changes in the carrying amount of goodwill for the years ended December 31, 2024 and 2023 were as follows:

(in millions)

Balance at December 31, 2022	\$	647
Acquisitions		13
Measurement period adjustments		(4)
Divestitures		(1)
Effect of changes in foreign exchange rates		5
Impairment		(37)
Balance at December 31, 2023^(a)	\$	623
Acquisitions		21
Effect of changes in foreign exchange rates		(11)
Balance at December 31, 2024^(a)	\$	633

(a) Net of accumulated impairment losses of \$137 million as of December 31, 2024 and \$166 million as of December 31, 2023.

UL Solutions tests goodwill for impairment annually in the fourth quarter, or more frequently if an event occurs or conditions change that would indicate it is more likely than not that the fair value of a reporting unit is below its carrying amount. During the three months ended September 30, 2023, UL Solutions identified a triggering event and performed a quantitative impairment assessment, which resulted in a pre-tax impairment charge of \$37 million. This partial impairment charge was the result of lower than expected demand for Noncertification Testing and Other Services in the mobility industry, which has been impacted by auto industry conditions in 2023, including slowing of the pace of electric vehicle transition, labor uncertainties, and the impact of more moderate growth expectations for the business. At December 31, 2024, the remaining goodwill related to this reporting unit was no longer considered at risk of further impairment.

The impairment assessment for this reporting unit consisted of a fair value calculation that combined an income approach and a market approach, using an equal weighting, and a number of significant assumptions including estimated future revenue growth rates, EBITDA margins, discount rate, and market multiples. The fair value using the income approach was determined based on the present value of the estimated future cash flows of the reporting unit, discounted using the weighted average cost of capital. UL Solutions used its internally developed long-range plans to estimate future cash flows for the business, which included estimated future revenue growth rates and EBITDA margins. Development of the UL Solutions' long-range plans includes consideration of current and projected levels of income for the reporting unit based on management's plans for the business, business trends, market and economic conditions, as well as other relevant factors. The fair value using the market approach was derived from market multiples using comparable publicly traded companies for a group of benchmark companies. The selection of comparable businesses was based on the markets in which the reporting unit operates given consideration to risk profiles, size, geography and diversity of products and services. These estimates and assumptions were considered Level 3 inputs under the fair value hierarchy. UL Solutions believes the assumptions used in the impairment assessment are reasonable and consistent with assumptions that would be used by other market participants. However, such assumptions are inherently uncertain, and a change in assumptions could change the estimated fair value of the reporting unit. Therefore, future impairment charges could be required, which could have an adverse effect on UL Solutions' financial condition and results of operations.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

9. Intangible Assets

The following tables summarize intangible assets as of December 31:

		2024		
(in millions)	Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	5 - 20 years	\$ 261	\$ (211)	\$ 50
Intellectual property and patents	3 - 15 years	15	(11)	4
Trademarks	5 - 13 years	21	(17)	4
Total		\$ 297	\$ (239)	\$ 58

		2023		
(in millions)	Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	5 - 20 years	\$ 261	\$ (204)	\$ 57
Intellectual property and patents	3 - 15 years	18	(11)	7
Trademarks	5 - 13 years	25	(17)	8
Total		\$ 304	\$ (232)	\$ 72

Intangible Asset Amortization Expense

Intangible asset amortization expense, reported within operating expenses within the Consolidated Statements of Changes in Net Assets, was \$13 million and \$15 million for the years ended December 31, 2024 and 2023, respectively.

As of December 31, 2024, estimated future amortization expense for intangible assets is as follows:

(in millions)	
2025	\$ 11
2026	10
2027	8
2028	8
2029	7

10. Pension and Postretirement Benefit Plans

Pension

The Company has various non-contributory defined benefit pension plans covering certain employees and retired employees of the Company and its subsidiaries. The benefits are based on years of service and participant compensation. With the exception of Taiwan, Japan and Switzerland, these plans have been closed to new entrants. No future employees will be eligible to participate in these plans. The Company uses the spot rate approach for calculating service cost and interest cost.

The Company did not recognize settlement losses in 2024 or 2023 related to its U.S. pension plan. The Company's funding policy is to contribute to defined benefit pension plans in the United States and a number of other countries when pension laws and/or economics either require or encourage funding.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

The following table provides a reconciliation of changes in the defined benefit pension obligations and fair value of plan assets for the years ended December 31, and a statement of funded status as of December 31:

(in millions)	U.S.		Non U.S.	
	2024	2023	2024	2023
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	\$ 336	\$ 341	\$ 133	\$ 125
Service cost	2	2	5	4
Interest cost	16	17	3	4
Benefits paid	(16)	(27)	(5)	(3)
Actuarial loss (gain)	(9)	3	8	1
Exchange rate loss (gain)	—	—	(9)	2
Projected benefit obligation at end of year	329	336	135	133
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	208	195	56	49
Actual return on plan assets	21	33	4	6
Employer contribution	19	7	2	3
Benefits paid	(16)	(27)	(5)	(3)
Exchange rate gain (loss)	—	—	(4)	1
Fair value of plan assets at end of year	232	208	53	56
Underfunded status of plans	<u>\$ (97)</u>	<u>\$ (128)</u>	<u>\$ (82)</u>	<u>\$ (77)</u>
Amounts recognized in Consolidated Balance Sheets				
Non-current assets	\$ —	\$ —	\$ 7	\$ 7
Current liabilities	—	—	(1)	(1)
Non-current liabilities	(97)	(128)	(88)	(83)
Net liability at end of year	<u>\$ (97)</u>	<u>\$ (128)</u>	<u>\$ (82)</u>	<u>\$ (77)</u>
Amounts recognized in net assets without donor restrictions				
Net actuarial (loss) gain	\$ (53)	\$ (74)	\$ (7)	\$ 1
Net amount recognized	<u>\$ (53)</u>	<u>\$ (74)</u>	<u>\$ (7)</u>	<u>\$ 1</u>

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

Total benefits cost and amounts recognized in net assets without donor restrictions for the years ended December 31 were as follows:

(in millions)	U.S.		Non U.S.	
	2024	2023	2024	2023
Components of net periodic benefit cost				
Service cost	\$ 2	\$ 2	\$ 5	\$ 4
Interest cost	16	17	3	4
Expected return on plan assets	(13)	(14)	(2)	(2)
Amortization of net actuarial loss	3	3	—	—
Net periodic benefit cost	<u>\$ 8</u>	<u>\$ 8</u>	<u>\$ 6</u>	<u>\$ 6</u>
Amounts recorded in net assets without donor restrictions				
Balance at beginning of the year	\$ 74	\$ 92	\$ (1)	\$ 2
Net actuarial gain	(18)	(15)	7	(3)
Amortization of net actuarial loss	(3)	(3)	—	—
Exchange rate loss	—	—	1	—
Balance at end of the year	<u>\$ 53</u>	<u>\$ 74</u>	<u>\$ 7</u>	<u>\$ (1)</u>

The service cost component of net periodic benefit cost is recorded in operating expenses. The other components of net periodic benefit cost are recorded in other (expense) income, net.

The following benefit payments, which reflect expected future service, are expected to be paid as follows:

(in millions)	U.S.	Non U.S.	Total
2025	\$ 51	\$ 5	\$ 56
2026	31	5	36
2027	30	6	36
2028	29	6	35
2029	29	7	36
Years 2030 through 2034	125	40	165

The Company anticipates contributing approximately \$20 million to its U.S. pension plans and approximately \$3 million to its non U.S. pension plans in 2025.

The weighted average assumptions used in the measurement of the benefit obligations at December 31 were as follows:

	U.S.		Non U.S.	
	2024	2023	2024	2023
Discount rate	5.7 %	5.0 %	0.9 - 4.6%	1.3 - 4.7%
Rate of compensation increase	4% for 2024 and 2025, 3% for 2026+	4.0 % for 2024 3.0 % for 2025+	1.6 -4.0%	2.3 - 4.0 %

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

The weighted average assumptions used in the measurement of the net periodic benefit costs for the years ended December 31 were as follows:

	U.S.		Non U.S.	
	2024	2023	2024	2023
Discount rate	5.0 %	5.2 %	1.3 - 4.7%	1.6 - 5.2 %
Expected return on plan assets	6.9 %	7.8 %	2.4 - 5.6%	1.6 - 5.6 %
Rate of compensation increase	4% for 2024 3% for 2025+	4.25% for 2023 3.0 % for 2024+	0.0 - 4.0%	2.3 - 4.0 %

The expected rate of return on plan assets is determined based on long-term historical performance of plan assets, current asset allocation and expected future long-term asset returns.

The Company determines the discount rate used to measure plan liabilities as of the December 31 measurement date for the pension and postretirement benefit plans, which is also the date used for the related annual measurement assumptions. The Company uses the full Aon AA Above Median Yield Curve rather than a single discount rate.

The accumulated benefit obligation for all U.S. defined benefit pension plans was \$313 million and \$316 million at December 31, 2024 and 2023, respectively. The accumulated benefit obligation for all Non U.S. defined benefit pension plans was \$111 million and \$113 million at December 31, 2024 and 2023, respectively. The table below outlines the projected benefit obligations and the accumulated benefit obligations in excess of plan assets at December 31:

(in millions)	U.S.		Non U.S.	
	2024	2023	2024	2023
Projected benefit obligation	\$ 329	\$ 336	\$ 100	\$ 94
Accumulated benefit obligation	313	316	77	76
Fair value of plan assets	232	208	11	11

Pension Assets

The assets in the investment portfolio for defined benefit pension plans are diversified in a manner that is intended to achieve the return objective and reduce the volatility of returns on the assets. The Company's investment objective is to ensure that funds are available to meet the plans' benefit obligations when they become due. The overall investment strategy is to prudently invest plan assets into diversified equity and debt securities, as well as alternative investments, to achieve long-term return expectations. The plan relies on a total return strategy in which investment returns consist of both capital appreciation (both realized and unrealized), as well as current yield (interest and dividends) over a long-term period.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

The following tables present the Company's fair value hierarchy (as defined in Note 1) for those pension assets measured at fair value at December 31:

	2024			
(in millions)	Level 1	Level 2	Level 3	Total Asset Balance
U.S.				
Cash and cash equivalents	\$ 1	\$ —	\$ —	\$ 1
Fixed-income investments	—	44	—	44
Fixed-income mutual funds	26	—	—	26
Corporate equities	6	—	—	6
Commingled equities	—	48	—	48
Equity mutual funds	58	—	—	58
Real estate mutual funds	10	—	—	10
Private real estate	—	—	5	5
Total U.S. assets in the fair value hierarchy	101	92	5	198
Hedge funds ^(a)				34
Total U.S. investments at fair value				232
Non U.S.				
Commingled funds	—	30	—	30
Other	—	—	23	23
Total non U.S. assets	—	30	23	53
Total pension assets				\$ 285

(a) In accordance with ASC 820, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheets. The terms and conditions of the Company's hedge fund investments vary, however, the majority of the Company's hedge fund investments may be redeemed quarterly with redemption notice periods between 45-90 days. The Company does not intend to sell or otherwise dispose of these investments at prices different than the net asset value per share.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

	2023			
(in millions)	Level 1	Level 2	Level 3	Total Asset Balance
U.S.				
Cash and cash equivalents	\$ 2	\$ —	\$ —	\$ 2
Fixed- income investments	—	28	—	28
Fixed-income mutual funds	21	—	—	21
Corporate equities	—	22	—	22
Commingled equities	—	43	—	43
Equity mutual funds	43	—	—	43
Real estate mutual funds	10	—	—	10
Private real estate	—	—	6	6
Total U.S. assets in the fair value hierarchy	76	93	6	175
Hedge funds ^(a)				33
Total U.S. investments at fair value				208
Non U.S.				
Cash and cash equivalents	1	—	—	1
Commingled funds	—	32	—	32
Guaranteed investment contracts	—	—	23	23
Total non U.S. assets	1	32	23	56
Total pension assets				\$ 264

(a) Described in previous table.

The following table summarizes the changes in fair value of the Company's Level 3 pension assets:

(in millions)	
Balance at December 31, 2022	\$ 27
Purchase, sales and settlements, net	1
Unrealized loss	1
Balance at December 31, 2023	\$ 29
Purchase, sales and settlements, net	(2)
Unrealized gain	1
Balance at December 31, 2024	\$ 28

Valuation Methods

The Company follows ASC Topic 820, *Fair Value Measurement*, in determining the fair value of plan assets within the Company's defined benefit pension plans.

Quoted market prices in active markets for all Level 1 investments were available at December 31, 2024 and 2023.

Fixed-income investments, corporate equities, and master limited partnerships have been categorized as Level 2 as these investments do not have publicly quoted prices in active markets. Commingled funds have been categorized as Level 2 and are maintained by investment companies that hold investments in accordance with a stated set of fund objectives. The values of the commingled funds are not publicly quoted and must trade through

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

a broker. These funds are invested in equity and fixed-income mutual funds. The fund administrator values the fund using the net asset value per fund share, derived from the quoted prices in active markets of the underlying securities.

Level 3 investments include several guaranteed investment contracts, government mandated pooled investments, and a private real estate fund. These investments do not have actively traded quotes as of December 31, 2024 and 2023, and require the use of unobservable inputs, such as indicative quotes from dealers, estimates provided by the fund managers and third-party property appraisals, to value these securities.

For the U.S. plan, the 2024 target investment allocation was 48% for equity strategies, 30% for fixed-income and cash strategies and 22% for alternative strategies. The 2023 target investment allocation was 52% for equity strategies, 25% for fixed-income and cash strategies and 23% for alternative strategies. Actual investment allocations may vary from target investment allocations due to prevailing market conditions. The Company regularly reviews actual investment allocations and periodically rebalances investments to achieve target allocations.

Actual pension plan asset allocations at December 31 were as follows:

	U.S.		Non U.S.	
	2024	2023	2024	2023
Equity securities	48%	52%	9%	37%
Fixed-income securities	30%	24%	49%	21%
Alternatives	21%	23%	—%	—%
Guaranteed investment contracts	—%	—%	42%	40%
Cash and cash equivalents	1%	1%	—%	2%
	100%	100%	100%	100%

Postretirement Benefit Plans

The Company has contributory postretirement medical benefits plans for certain employees and retired employees of the Company and its subsidiaries. The U.S. plan has been closed to new entrants since January 1, 2016. For its U.S. plan, the Company adopted the spot rate approach for calculating service cost and interest cost.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

The following table sets forth the projected benefit obligation of postretirement benefits at December 31:

(in millions)	U.S.		Canada	
	2024	2023	2024	2023
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	\$ 17	\$ 16	\$ 6	\$ 6
Interest cost	1	1	—	—
Plan amendment ^(a)	(8)	—	—	—
Plan participant contributions	1	1	—	—
Benefits paid	(3)	(1)	—	—
Actuarial gain	(1)	—	—	—
Exchange rate loss	—	—	(1)	—
Projected postretirement benefit obligation at end of year	\$ 7	\$ 17	\$ 5	\$ 6
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	\$ —	\$ —	\$ —	\$ —
Employer contribution	2	—	—	—
Plan participant contributions	1	1	—	—
Benefits paid	(3)	(1)	—	—
Fair value of plan assets at end of year	—	—	—	—
Underfunded status of plans	\$ (7)	\$ (17)	\$ (5)	\$ (6)
Amounts recognized in Consolidated Balance Sheets				
Current liabilities	\$ (1)	\$ (1)	\$ —	\$ —
Non-current liabilities	(6)	(16)	(5)	(6)
Total liability at end of year	\$ (7)	\$ (17)	\$ (5)	\$ (6)
Amounts recognized in net assets without donor restrictions				
Prior service credit	\$ 8	\$ —	\$ —	\$ —
Net actuarial gain (loss)	12	12	—	—
Net amount recognized	\$ 20	\$ 12	\$ —	\$ —

- (a) During the fourth quarter of 2024, the Company adopted a negative plan amendment to reduce benefits to certain retired employees of its U.S. postretirement medical plan. The amendment resulted in a reduction of the postretirement benefit plan liability of \$8 million and a corresponding increase in prior service credits recorded in net assets without donor restrictions on the Company's Consolidated Balance Sheet. The prior service credits will be recognized as a component of net periodic benefit costs within other income (expense), net over the average expected remaining service period of the plan participants.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

Total benefits cost and amounts recognized in net assets without donor restrictions for the years ended December 31 were as follows:

(in millions)	U.S.		Canada	
	2024	2023	2024	2023
Component of net periodic benefit cost				
Interest cost	1	1	—	—
Amortization of net actuarial gain	(1)	(1)	—	—
Net periodic benefit cost	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Amounts recorded in net assets without donor restrictions				
Balance at beginning of the year	\$ (12)	\$ (13)	\$ —	\$ (1)
Net actuarial gain	(1)	—	—	—
Prior service credit	(8)	—	—	—
Amortization of net actuarial gain	1	1	—	—
Exchange rate loss (gain)	—	—	—	1
Balance at end of the year	<u>\$ (20)</u>	<u>\$ (12)</u>	<u>\$ —</u>	<u>\$ —</u>

The service cost component of net periodic benefit cost is recorded in the same line items as other compensation costs arising from services rendered, in operating expenses. The other components of net periodic benefit cost are recorded in other (expense) income, net.

The projected future benefit payments, which reflect expected future services are as follows:

(in millions)	U.S.	Canada	Total
2025	\$ 1	\$ —	\$ 1
2026	1	—	1
2027	—	1	1
2028	—	1	1
2029	1	—	1
Years 2030 through 2034	3	1	4

The Company's expected contributions to its U.S. and Canada postretirement benefit plans in 2025 are immaterial.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

The following assumptions were used to determine the benefit obligations under the plans at December 31:

	U.S.		Canada	
	2024	2023	2024	2023
Discount rate	5.6%	5.1%	4.7%	4.7%
Health care cost trend rate (Pre-65)	9.0%	7.9%	5.2%	—%
Ultimate trend rate reached in 2035 for U.S. / 2040 for Canada	4.5%	4.5%	4.1%	4.1%

The following assumptions were used to determine the net periodic benefit costs under the plans for the years ended December 31:

	U.S.		Canada	
	2024	2023	2024	2023
Discount rate	5.1%	5.2%	4.7%	4.7%
Health care cost trend rate	7.9%	6.7%	4.9%	4.9%

Savings Plans

The Company sponsors various defined contribution savings plans in the U.S., as well as certain international locations, that allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan specified guidelines. Under specified conditions, the Company will contribute to certain savings plans based on the employee's eligible pay and/or will match a percentage of the employee contributions up to certain limits. For the years ended December 31, 2024 and 2023, the Company's contributions were \$50 million and \$49 million, respectively.

11. Income Taxes

UL Research Institutes is a nonprofit organization exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Company owns various subsidiaries that are for-profit entities and subject to income tax in their respective jurisdictions.

Components of operating income and non-operating activity before taxes at December 31 were as follows:

(in millions)	2024	2023
Domestic	\$ 260	\$ 152
Foreign	435	347
Operating income and non-operating activity before taxes	<u>\$ 695</u>	<u>\$ 499</u>

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

Components of the provision (benefit) for income taxes at December 31 were as follows:

(in millions)	2024	2023
Current tax provision		
U.S. Federal	\$ (3)	\$ 1
U.S. State	5	1
Foreign	73	54
Deferred tax provision		
U.S. Federal	(6)	9
U.S. State	6	3
Foreign	(5)	2
Total income tax provision	<u>\$ 70</u>	<u>\$ 70</u>

Reconciliation of the U.S. federal statutory rate to the Company's effective tax rate:

	2024	2023
U.S. Federal Statutory Rate	21.0 %	21.0 %
Effect of:		
Foreign income taxed at different rates	(2.5)%	(3.4)%
U.S. tax on foreign activities	0.4 %	1.4 %
State and local income taxes, net of federal benefit	1.2 %	0.6 %
Goodwill impairment	— %	1.2 %
U.S. tax-exempt organization	(8.5)%	(6.4)%
U.S. non deductible compensation	1.1 %	0.0 %
Release of uncertain tax positions for lapse of statutes ^(a)	(2.8)%	-0.1 %
Other reconciling items, net	0.2 %	(0.2)%
Effective tax rate	<u>10.1 %</u>	<u>14.1 %</u>

(a) The Company has reclassified the amounts presented for the year ended December 31, 2023 to conform to the current period's presentation.

Of the 1.1% U.S. nondeductible compensation in 2024, 1.0% is for the reduction to previously established deferred tax assets due to UL Solutions becoming subject to Section 162(m) of the U.S. Internal Revenue Code, which limits U.S. public company compensation expenses of certain executive officers that were previously deductible as a private company. The remainder is related to current year compensation expense limitations.

UL Solutions' other reconciling items consist of non-deductible expenses such as meals and entertainment, transaction costs related to merger and acquisition activities, movement in valuation allowances, and general business credits such as research and development tax credits.

UL Solutions has not recognized deferred tax liabilities in the U.S. with respect to its outside basis differences in most foreign affiliates. As of December 31, 2024 and 2023, approximately \$318 million and \$289 million, respectively, of UL Solutions' accumulated undistributed earnings from these foreign subsidiaries are intended to be indefinitely reinvested. It is not practicable to determine the amount of unrecognized deferred tax liabilities on these earnings. UL Solutions is not indefinitely reinvested with regard to select other foreign affiliates and has recorded a deferred tax liability of \$6 million and \$5 million in its financial statements as of December 31, 2024 and 2023, respectively, for foreign withholding taxes on the unrepatriated earnings of those entities, where applicable.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

Components of the deferred income tax assets and liabilities at December 31 were as follows:

(in millions)	2024	2023
Deferred tax assets		
Accrued pension and postretirement liabilities	\$ 38	\$ 47
Accrued employee benefits	41	42
Other accrued expenses	7	9
Net operating loss carryforward	44	46
Advance payments	39	25
Operating lease liabilities	46	38
Capitalized research and development	18	10
Foreign tax credit	12	8
Other	12	5
Subtotal (before valuation allowances)	257	230
Valuation allowances	(53)	(56)
Total deferred tax assets	204	174
Deferred tax liabilities		
Basis difference for intangible assets	(38)	(32)
Basis difference for fixed assets	(20)	(6)
Operating lease right-of-use assets	(45)	(36)
Tax on unrepatriated earnings	(6)	(5)
Other	(10)	(9)
Total deferred tax liabilities	(119)	(88)
Net deferred income tax assets	\$ 85	\$ 86

As of December 31, 2024, UL Solutions has approximately \$44 million of deferred tax assets related to net operating loss ("NOL") carryforwards primarily attributable to foreign affiliates. If not used, \$8 million of deferred tax assets will be written off to reflect the reduction of the NOL carryforwards that will expire between 2025 and 2043, while the remaining carryforward is indefinite. The use of certain NOL carryforwards is limited due to rules regarding acquired tax attributes, loss sharing between group members, and business continuity. The valuation allowances represent a reduction to deferred tax assets, including certain NOLs, for which the realization is unlikely.

Uncertain Tax Positions

The total unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate were \$6 million and \$30 million as of December 31, 2024 and 2023, respectively. UL Solutions has accrued interest and penalties of \$3 million and \$12 million as of December 31, 2024 and 2023, respectively, which are included within other liabilities in the Company's Consolidated Balance Sheets.

UL Solutions is under audit in multiple state and foreign tax jurisdictions. It is reasonably possible that the amount of unrecognized tax benefits will change during the next 12 months. This could be due to completion of the aforementioned foreign and state income tax audits, the expiration of statutes of limitations and/or new information that causes UL Solutions to reassess the total amount of unrecognized tax benefits recorded. The timing of the resolution of income tax examinations is uncertain as are the amounts and timing of tax payments that are part of any audit settlement process. These events could cause fluctuations in the balance sheet classification of our tax assets and liabilities. UL Solutions believes that within the next 12 months, it is reasonably possible that either certain audits will conclude or statutes of limitations on certain income tax periods will expire,

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

or both. Although the timing of resolution, settlement and closing of audits is not certain, UL Solutions does not expect the balance of unrecognized tax benefits to change by a material amount in the next 12 months.

In the United States, UL Solutions has open years ranging from 2016 to 2024 and significant foreign jurisdictions still open for audit between 2009 and 2024. UL Solutions believes sufficient provision has been made for potential adjustments for all years that are not closed by the statute in all major tax jurisdictions and that any such adjustments would not have a material adverse effect on the Company's financial position, liquidity, or results of operations.

12. Long-term Debt

The Company's outstanding long-term debt consisted of the following:

(in millions)	Currency	Maturity Date	As of December 31, 2024	As of December 31, 2023
Term loans	USD	January 2027	\$ 444	\$ 500
Revolving credit facility	USD	January 2027	—	110
Senior notes	USD	October 2028	300	300
Other	USD	August 2033	3	—
Total debt			747	910
Less: unamortized debt issuance costs			(5)	(6)
Total debt, net of unamortized debt issuance costs			742	904
Less: current portion of long-term debt			(50)	—
Long-term debt			\$ 692	\$ 904

The interest rate on UL Solutions' term loan was 5.58% as of December 31, 2024 and 6.46% as of December 31, 2023. The interest rate on UL Solutions' revolving credit facility was 6.45% as of December 31, 2023. Borrowings under the senior notes bear a fixed interest rate of 6.500% per annum. *Credit Facility*

In January 2022, UL Solutions entered into a credit agreement with Bank of America, N.A. and certain other lenders, which provides for senior unsecured credit facilities in an aggregate principal amount of \$1,250 million (collectively, the "Credit Facility"), consisting of term loans in an initial aggregate principal amount of \$500 million and revolving loan commitments in an initial aggregate commitment amount of \$750 million (including a \$25 million sub-facility for letters of credit). The Credit Facility includes an accordion feature permitting an increase in the Credit Facility by an aggregate amount of up to \$625 million (of which up to \$400 million may consist of term loans), subject to the consent of any lenders providing such increase, the absence of any default or event of default and entry into customary documentation with respect to such increase. UL Solutions' wholly owned subsidiary, UL LLC, a Delaware limited liability company, provides a guaranty of its obligations thereunder. Proceeds from the Credit Facility in January 2022, which included \$500 million in term loans and \$200 million in draws from the revolving loan commitments, were used to replace UL Solutions' previous revolving credit facilities and partially fund payment of a \$1,600 million special cash dividend that was declared and paid to UL Standards & Engagement in January 2022, as well as for general corporate purposes. The Credit Facility matures in January 2027 and may be prepaid without fees or penalties. UL Solutions made repayments of \$56 million in 2024 related to the term loan, repayments of \$110 million, net of proceeds, in 2024 related to the revolving credit facility, and received proceeds of \$110 million, net of repayments, in 2023 related to the revolving credit facility. UL Solutions had \$6 million and \$7 million outstanding in letters of credit, surety bonds, and performance and other guarantees with financial institutions as of December 31, 2024 and 2023, respectively.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

In June 2024, UL Solutions entered into an amendment (the “First Credit Facility Amendment”) to the Credit Facility with Bank of America, N.A. and certain other lenders. The First Credit Facility Amendment provided, among other things, for (i) the replacement of the Bloomberg Short-term Bank Yield (“BSBY”) with Term SOFR plus a SOFR adjustment as a benchmark rate for interest periods commencing subsequent to June 28, 2024; (ii) UL Solutions Inc., which was previously the guarantor of the facility, became the named borrower, and UL LLC, which was previously the named borrower, became the guarantor. The foregoing summary of certain provisions of the First Credit Facility Amendment is qualified in its entirety.

Effective from the date of the First Credit Facility Amendment, borrowings under the Credit Facility bear interest at a rate per annum equal to, at UL Solutions' option, (a) in the case of U.S. dollar loans, the Term SOFR plus a SOFR adjustment of 0.1% plus a margin, and for all other currencies, a specified benchmark rate for the applicable currency plus, in certain instances, a specified spread adjustment plus a margin (loans with a rate based on this clause (a), “benchmark rate loans”) or (b) for U.S. dollar loans only, the base rate plus a margin (loans with a rate based on this clause (b), “base rate loans”). Prior to the First Credit Facility Amendment, borrowings bore interest on the same terms with the exception that the BSBY Index rate plus a margin was used as the base rate in place of Term SOFR. As of December 31, 2024, the margin was 1.125% for benchmark rate loans and 0.125% for base rate loans but may be adjusted based on UL Solutions' most recently tested consolidated net leverage ratio and may vary from 1.0% to 1.5% for benchmark rate loans and 0% to 0.5% for base rate loans. The unused commitment fee varies from 0.1% to 0.2% based on UL Solutions' most recently tested consolidated net leverage ratio.

The Credit Facility also includes a financial covenant tested quarterly which requires UL Solutions to maintain a consolidated net leverage ratio of not greater than 3.5 to 1.0, calculated on a consolidated basis for each consecutive four fiscal quarter period, with an increase in the maintenance level to 4.0 to 1.0 for each of the four test periods immediately following any permitted acquisition that involves the payment of aggregate consideration in excess of \$100 million, subject to a two fiscal quarter rest period between increases for separate acquisitions. The calculation of the consolidated net leverage ratio permits the netting of up to \$250 million of unrestricted cash from funded debt. As of December 31, 2024, UL Solutions was in compliance with all covenants under this facility.

The Credit Facility includes customary representations and warranties, covenants and events of default, subject to certain customary exceptions, materiality thresholds and grace periods. The covenants include, among other things, financial reporting, maintenance of line of business, notices of default and other material changes, as well as limitations on investments and acquisitions, mergers and transfers of all or substantially all assets, dividends and distributions, burdensome contracts with affiliates, liens and indebtedness. Future borrowings under the Credit Facility are subject to the satisfaction of customary conditions, including the absence of any default or event of default and the accuracy of representations and warranties.

Senior Notes

In October 2023, UL Solutions issued \$300 million in aggregate principal amount of 6.500% senior notes due 2028 (the “notes”). The notes were sold to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. The notes are senior unsecured obligations of UL Solutions Inc. and are unconditionally guaranteed by UL LLC, UL Solutions' wholly owned subsidiary. UL Solutions used the net proceeds from the offering of the notes, together with borrowings under the Credit Facility and cash on hand, to fund a \$600 million special cash dividend, which was paid to UL Standards & Engagement in December 2023.

UL Solutions pays interest on the notes semi-annually in arrears on April 20 and October 20 of each year, which began on April 20, 2024.

Pursuant to the indenture that governs the notes (the “indenture”), there are certain limitations on the ability of UL Solutions and its restricted subsidiaries to create or incur liens and to enter into sale and leaseback transactions. The indenture also imposes certain limitations on the ability of UL Solutions to merge, consolidate or amalgamate with or into any other person (other than a merger of a wholly owned subsidiary into UL Solutions) or sell, transfer,

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

assign, lease, convey or otherwise dispose of all or substantially all of the property of UL Solutions in any one transaction or series of related transactions. These limitations are subject to significant exceptions.

If a change of control triggering event occurs, as defined in the indenture, UL Solutions will be required to offer to purchase the notes at a price equal to 101% of their principal amount, together with accrued and unpaid interest, if any. UL Solutions may also redeem some or all of the notes at any time prior to their maturity pursuant to the indenture's provisions and limitations.

In connection with the notes offering, UL Solutions also entered into a registration rights agreement for the benefit of the holders of the notes, under which UL Solutions is required to conduct an offer to exchange the notes pursuant to a registration statement filed with the SEC within 730 days after the original issue date of the notes or otherwise pay additional interest on the notes.

As of December 31, 2024, the remaining aggregate scheduled principal repayments of UL Solutions' long-term debt are as follows:

(in millions)		
2025	\$	50
2026		50
2027		344
2028		300
2029		1
Thereafter		2
Total	\$	<u>747</u>

13. Leases

The Company has operating leases for real estate, vehicles and equipment. Operating leases are included in operating lease right-of-use assets, operating lease liabilities - current, and operating lease liabilities in the Consolidated Balance Sheets. Amounts recognized for finance leases as of and for the years ended December 31, 2024 and 2023 were immaterial.

Lease costs incurred by lease type, and/or type of payment for the annual periods ending December 31 were as follows:

(in millions)	2024	2023
Short-term lease cost	2	1
Operating lease cost	53	57
Variable lease cost	28	23
Total lease cost	<u>\$ 83</u>	<u>\$ 81</u>

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

Other supplemental quantitative disclosures for the years ended December 31 are as follows:

(in millions)	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 52	\$ 55
Right-of-use assets obtained in exchange for operating lease liabilities	85	57
Weighted-average remaining lease term (in years) - operating leases	7.01	6.54
Weighted-average discount rate - operating leases	4.11 %	3.44 %

Estimated undiscounted future lease payments under non-cancellable operating leases as of December 31, 2024, are as follows:

(in millions)	Operating Lease Liabilities
2025	\$ 47
2026	45
2027	33
2028	28
2029	21
Thereafter	77
Total undiscounted future cash flows	251
Less: imputed interest	35
Present value of future cash flows	<u>\$ 216</u>

14. Net Assets

The following table summarizes the changes in net assets attributable to UL Research Institutes and non-controlling interests.

(in millions)	UL Research Institutes	Non-controlling Interests	Total
Net assets without donor restrictions			
Balance at December 31, 2022	\$ 2,487	\$ 23	\$ 2,510
Operating income and non-operating activity	413	16	429
Foreign currency translation loss	5	—	5
Pension and postretirement benefit plans, net of tax of \$5	15	—	15
Dividend to non-controlling interest	—	(15)	(15)
Balance at December 31, 2023	\$ 2,920	\$ 24	\$ 2,944
Operating income and non-operating activity	541	84	625
Foreign currency translation gain	(31)	(8)	(39)
Pension and postretirement benefit plans, net of tax of \$5	13	5	18
Proceeds from initial public offerings	1,893	231	2,124
Stock-based compensation	35	10	45
Dividend to non-controlling interest	—	(33)	(33)
Other	(3)	3	—
Balance at December 31, 2024	<u>\$ 5,368</u>	<u>\$ 316</u>	<u>\$ 5,684</u>

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

15. Stock-based and Other Incentive Compensation

In April 2024, the UL Solutions Inc. 2024 Long-Term Incentive Plan (the “2024 LTIP”) became effective and UL Solutions reserved for issuance 20,000,000 shares of Class A common stock in connection with the 2024 LTIP and the UL Solutions Inc. Long-Term Incentive Plan (the “Pre-IPO LTIP”), as well as 5,000,000 additional shares of Class A common stock reserved for issuance under the UL Solutions Inc. 2024 Employee Stock Purchase Plan (the “2024 ESPP”). Upon settlement of stock-based compensation awards, shares of Class A common stock are issued in respect of such awards. Equity awards that are granted and subsequently expire, are cancelled, forfeited, or are used to satisfy required withholding taxes are recycled back into the total number of shares available for issuance under the 2024 LTIP and the Pre-IPO LTIP. As of December 31, 2024, 19,825,507 shares remain available for issuance under the 2024 LTIP and the Pre-IPO LTIP and 5,000,000 shares remain available for issuance under the 2024 ESPP.

Annual equity awards are issued to certain employees and officers, including named executive officers, in order to attract, motivate and retain talent and to maximize their contribution to the long-term success of UL Solutions. Equity awards are also used as part of the compensation provided to the board of directors in the form of restricted stock units. Directors may elect to defer receipt of some or all of their annual cash retainer amounts, which are converted into restricted stock units when and as such cash retainer amounts would have otherwise been paid, for either five years, 10 years or until termination of service from the board.

In May 2024, UL Solutions granted annual equity awards, comprised of restricted stock units and performance share units, to eligible employees, officers and directors. In addition, in connection with the IPO, the Company granted nonqualified stock options and restricted stock units to UL Solutions' executive team, including named executive officers, and other key employees under the 2024 LTIP.

UL Solutions has outstanding awards under the Pre-IPO LTIP, the majority of which will be settled in shares of Class A common stock.

Stock-based compensation expense (benefit) for the years ended December 31 was recorded in operating expenses as follows:

(in millions)	2024	2023
Stock-based compensation expense	\$ 33	\$ 15
Income tax (benefit)	(4)	(3)
Stock-based compensation expense, net	\$ 29	\$ 12

Stock-based compensation expense by type of award		
Restricted stock units	10	—
Performance share units	7	—
Stock options	4	—
Stock-settled stock appreciation rights	2	—
Cash-settled awards	10	15
Stock-based compensation expense	\$ 33	\$ 15

Restricted Stock Units

Restricted stock units (“RSUs”) represent the right to receive shares of Class A common stock and are generally subject to continued employment through a three-year ratable vesting period.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

The following table summarizes the activity related to UL Solutions' RSUs during the year ended December 31, 2024:

	Weighted Average	
	Number of RSUs	Grant Date Fair Value
Outstanding as of December 31, 2023	—	—
Granted	847,223	35.65
Forfeited	(45,012)	34.85
Outstanding as of December 31, 2024	802,211	35.70

As of December 31, 2024, total unrecognized compensation expense related to RSUs was \$18 million and is expected to be recognized over the remaining weighted-average vesting period of 2.2 years.

Performance Share Units

Performance share units ("PSUs") represent the right to receive shares of Class A common stock based on the achievement of certain performance conditions and are generally subject to continued employment through a three-year cliff vesting period. The performance conditions are based on company-wide non-GAAP revenue and operating income metrics and the number of Class A common shares issued may range from 0% to a maximum potential value of 200% of the award's target value based on the satisfaction of the applicable metrics over a three-year cumulative performance period.

The following table summarizes the activity related to UL Solutions' PSUs during the year ended December 31, 2024:

	Weighted Average	
	Number of PSUs	Grant Date Fair Value
Outstanding as of December 31, 2023	—	—
Granted	385,332	34.85
Forfeited	(14,566)	34.85
Outstanding as of December 31, 2024	370,766	34.85

As of December 31, 2024, total unrecognized compensation expense related to PSUs was \$13 million and is expected to be recognized over the remaining weighted-average vesting period of 2.0 years.

Stock Options

Stock options represent the right to purchase shares of Class A common stock and are generally subject to continued employment through a three-year cliff vesting period. Stock options expire ten years from the grant date.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

The following table summarizes the activity related to UL Solutions' stock options during the year ended December 31, 2024:

	Number of	Weighted Average	Weighted Average	Aggregate Intrinsic
	Stock Options	Exercise Price	Remaining Term	Value
				(in millions)
Outstanding as of December 31, 2023	—	—		
Granted	2,074,299	28.00		
Forfeited	(79,719)	28.00		
Outstanding as of December 31, 2024	1,994,580	28.00	9.3 years	\$ 44
Exercisable as of December 31, 2024	—			

The weighted average grant date fair value per share of stock options granted was \$7.84 for the year ended December 31, 2024.

The following table summarizes the assumptions used in the Black-Scholes-Merton option-pricing model that was used to estimate the fair value of the stock options at the grant date:

	April 12, 2024
Expected dividend yield	1.79%
Risk-free interest rate	4.48%
Weighted average volatility	24.50%
Expected life (in years)	6.50

As of December 31, 2024, total unrecognized compensation expense related to stock options was \$12 million and is expected to be recognized over the remaining weighted-average vesting period of 2.3 years.

Stock Appreciation Rights

UL Solutions has stock appreciation rights outstanding from its Pre-IPO LTIP, which represent the right to receive an amount based on the appreciation in the fair value of UL Solutions' Class A common stock from the grant date up to a specified date or dates. Prior to the IPO, all stock appreciation rights were Cash-settled Stock Appreciation Rights ("CSARs"). Upon completion of the IPO, the majority of outstanding CSARs were converted to the same number of Stock-settled Stock Appreciation Rights ("SSARs"), which will be settled in shares of Class A common stock under the Pre-IPO LTIP. As equity-settled awards, the fair value of the SSARs was determined on the conversion date of April 16, 2024 and, generally, will not be remeasured unless the awards are modified.

The conversion of CSARs to SSARs at the completion of the IPO resulted in a reclassification of \$26 million from accrued compensation and benefits and other liabilities to net assets on the Company's Consolidated Balance Sheet. The CSARs were remeasured to fair value at the conversion date, which resulted in additional pre-tax compensation expense of \$9 million in the second quarter of 2024, primarily within operating expenses. The pre-tax compensation expense reduced operating income by \$9 million. This reclassification is included within the Stock-based compensation line item on the Company's Consolidated Statements of Changes in Net Assets.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

The following table summarizes the activity related to UL Solutions' CSARs during the year ended December 31, 2024:

	Number of CSAR Awards	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2023	3,452,120	\$ 18.77	1.72 years	\$ 37
CSARs converted to SSARs	(1,978,761)	21.12		
Exercised	(891,866)	7.69		
Cancelled	(470,992)	30.06		
Forfeited	(19,815)	29.10		
Outstanding as of December 31, 2024	<u>90,686</u>	15.65	1.05 years	\$ 3
Exercisable as of December 31, 2024	76,400	13.15	0.71 years	\$ 3

As of December 31, 2024, total unrecognized compensation expense related to CSARs was immaterial. The weighted average grant date fair value per share of CSARs granted was \$5.28 and \$4.83 for the years ended December 31, 2024, and 2023, respectively.

The following table summarizes the assumptions used in the Black-Scholes-Merton option-pricing models that were used to estimate the fair value of CSARs at the conversion date and as of December 31, 2023:

	April 16, 2024	December 31, 2023
Expected dividend yield	1.44%	1.70%
Risk-free interest rate	4.78% - 5.41%	3.99% - 5.60%
Weighted average volatility	22.50%	22.24%
Expected life (in years)	0.11 - 2.96	0.06 - 3.25

UL Solutions had a short-term liability related to its CSARs of \$3 million and \$37 million recorded within accrued compensation and benefits in the Consolidated Balance Sheets at December 31, 2024 and 2023, respectively. UL Solutions had a long-term liability of \$0 and \$2 million recorded within other liabilities in the Consolidated Balance Sheets at December 31, 2024 and 2023, respectively. The fair value of UL Solutions' vested CSAR awards was \$3 million and \$29 million at December 31, 2024 and 2023, respectively.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

The following table summarizes the activity related to UL Solutions' SSARs during the year ended December 31, 2024:

	Number of SSAR Awards	Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value (in millions)
Outstanding as of December 31, 2023	—	\$ —		
CSARs converted to SSARs	1,978,761	21.12		
Exercised	(328,476)	12.84		
Forfeited	(52,146)	29.13		
Outstanding as of December 31, 2024	<u>1,598,139</u>	22.55	1.96 years	\$ 44
Exercisable as of December 31, 2024	660,165	13.26	0.75 years	\$ 24

As of December 31, 2024, total unrecognized compensation expense related to SSARs was \$3 million and is expected to be recognized over the remaining weighted-average vesting period of 1.2 years. The weighted average grant date fair value per share of SSARs granted was \$6.15 for the year ended December 31, 2024.

Performance Cash

The Company has Performance Cash awards outstanding from its Pre-IPO LTIP, which represent the right to receive an amount based on the achievement of certain performance conditions and are generally subject to continued employment through a three-year cliff vesting period. The amount may range from 0% to a maximum potential value of 200% of the award's target value based on the satisfaction of the performance conditions over a three-year cumulative performance period. Prior to the IPO, all Performance Cash awards were settled in cash. Following the IPO, the majority of the outstanding Performance Cash awards will be settled in shares of Class A common stock under the Pre-IPO LTIP.

Compensation expense related to Performance Cash awards for the years ended December 31 was recorded in operating expenses as follows:

(in millions)	2024	2023
Performance Cash compensation expense	\$ 21	\$ 17
Income tax benefit	(4)	(4)
Performance Cash compensation expense, net	<u>\$ 17</u>	<u>\$ 13</u>

The Company had a short-term liability of \$17 million recorded in the Consolidated Balance Sheets to accrued compensation and benefits for both years ended December 31, 2024 and 2023. The Company had a long-term liability of \$19 million and \$14 million recorded in the Consolidated Balance Sheets to other liabilities at December 31, 2024 and 2023, respectively.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

16. Commitments and Contingencies

Future minimum payments for noncancelable purchase obligations with a remaining term of over one year as of December 31, 2024, are payable as follows:

<u>(in millions)</u>	<u>Purchase Obligations</u>
2025	\$ 53
2026	50
2027	13
2028	9
2029 and thereafter	14
Total	<u>\$ 139</u>

Purchase obligations exclude liabilities that are included on the Company's Consolidated Balance Sheet as of December 31, 2024 and include commitments for outsourced services, facilities, capital expenditures, cloud service arrangements and various other types of noncancelable contracts.

The Company's uncalled capital commitments relating to its private investment partnerships as of December 31, 2024 are as follows:

<u>(in millions)</u>	<u>Capital Commitment</u>	<u>Contributions to Date</u>	<u>Uncalled Commitment</u>
Private equity	\$ 227	\$ (72)	\$ 155
Venture capital	112	(45)	67
Private real estate	92	(33)	59
Private credit	22	(5)	17
Private diversifier	36	(12)	24
Total	<u>\$ 489</u>	<u>\$ (167)</u>	<u>\$ 322</u>

The Company is party in the ordinary course of business to certain claims, litigation, audits and investigations. The Company will record an accrual for a loss contingency when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company believes it has established adequate accruals for liabilities that are probable and reasonably estimable and that may be incurred in connection with any such currently pending or threatened matter, none of which are material. In the Company's opinion, the settlement of any such currently pending or threatened matter is not expected to have a material impact on the Company's financial position, changes in net assets, or cash flow.

17. Functional Expenses

The Company's nonprofit activities are composed of two functional programs: Research and Education & Outreach. The Research program is focused on the exploration of threats to human safety, and includes fire, battery, chemical, health safety research, and international safety. The Education & Outreach program performs communication of research insights through public education and outreach, such as youth safety awareness initiatives. In addition, UL Standards & Engagement translates research insights into practical innovations to advance human safety through the development of safety standards and proactive communication, advocacy and policy initiatives. The Company's commercial activities are performed by UL Solutions, which provides independent third-party testing, inspection and certification services and related software and advisory offerings to its customers.

Underwriters Laboratories Inc.

Notes to Consolidated Financial Statements

Expenses that comprise the consolidated organization have been broken out for the years ended December 31 below:

	2024					
			Functional Programs Administration			
<i>(in millions)</i>	Research	Education & Outreach		ULSE	UL Solutions	Total
Salaries and related benefits	\$ 29	\$ 2	\$ 20	\$ 39	\$ 1,526	\$ 1,616
General & other	31	2	19	26	689	767
Depreciation and amortization	4	—	—	4	172	180
Income taxes	—	—	—	—	70	70
Interest expense	—	—	—	—	55	55
Non-operating pension and postretirement benefits	—	—	—	—	7	7
Total	\$ 64	\$ 4	\$ 39	\$ 69	\$ 2,519	\$ 2,695

	2023					
			Functional Programs Administration			
<i>(in millions)</i>	Research	Education & Outreach		ULSE	UL Solutions	Total
Salaries and related benefits	\$ 20	\$ 2	\$ 17	\$ 30	\$ 1,440	\$ 1,509
General & other	24	2	23	27	657	733
Depreciation and amortization	1	—	—	1	154	156
Income taxes	—	—	—	—	70	70
Interest expense	—	—	—	—	35	35
Non-operating pension and postretirement benefits	—	—	—	—	8	8
Total	\$ 45	\$ 4	\$ 40	\$ 58	\$ 2,364	\$ 2,511

18. Subsequent Events

The Company has evaluated transactions through May 13, 2025, the date the consolidated financial statements were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements, except additional private partnership commitments of \$54 million made by the Company after December 31, 2024.

Supplemental Information

Underwriters Laboratories Inc.
Supplemental Information - Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor / Program Title	Assistance Listing Number	Award/Pass Through Number	Pass-Through Grantor	Federal Expenditures			Passed Through to Subrecipients
				Direct	Pass-through	Total Federal Expenditures	
Research and Development Cluster							
Department of Health and Human Services							
National Institutes of Health							
National Institute of Dental & Craniofacial Research							
Early Periodontal Health Impacts of Electronic Nicotine Delivery System (ENDS) Usage	93.121	1R56DE031814-01	N/A	248,136		248,136	100,215
Subtotal AL# 93.121				248,136	—	248,136	100,215
Department of Energy							
Advanced Research Projects Agency - Energy							
Framework for Safety Evaluation of EV's \$ALL Batteries	81.135	DE-AR0001722	N/A	750,433	—	750,433	432,699
Subtotal AL#81.35				750,433	—	750,433	432,699
Total Research and Development Cluster				998,569	—	998,569	532,914
Total Federal Expenditures				\$ 998,569	\$ —	\$ 998,569	\$ 532,914

The accompanying notes are an integral part of this schedule.

Underwriters Laboratories Inc.
Supplemental Information - Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Company and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

The Company utilizes the predetermined facilities and administrative rate as agreed upon in their Nonprofit Rate Agreement with the Federal Government when charging indirect costs, rather than the 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance.

2. UL LLC Federal Expenditures

UL LLC, a majority-owned for-profit subsidiary of the Company, is the only subsidiary that had federal expenditures in 2024. UL LLC evaluates its federal expenditures independently of the federal expenditures incurred by other entities within the Company. A review of fiscal year 2024 federal award expenditures revealed that UL LLC has not met the requirement for an audit in accordance with the Department of Energy guidance for for-profit entities. The accompanying Schedule includes only the awards granted to Underwriters Laboratories Inc., not to UL LLC. However, the accompanying financial statements are prepared on a consolidated basis and they include federal expenditures of both the Company and UL LLC.

Part II
Reports on Internal Controls and on Compliance



Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of Underwriters Laboratories Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Underwriters Laboratories Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2024 and the related consolidated statements of changes in net assets and of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements"), and have issued our report thereon dated May 13, 2025.

The PricewaterhouseCoopers affiliated firms in Greater China and Japan performed audit procedures for UL - CCIC Company Limited, and UL Japan, Inc., comprising approximately 3% of total assets of the Company for the year ended December 31, 2024. Personnel of these firms, excluding United States personnel, do not participate in a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraphs 4.16-4.18 of *Government Auditing Standards*. However, these firms do participate in continuing education programs applicable to their respective countries.

Further, the PricewaterhouseCoopers affiliated firms referred to above do not have an external quality review by an unaffiliated audit organization as required by Chapter 5, paragraphs 5.60-5.62 of *Government Auditing Standards*, since no such program is offered by professional organizations in the countries. However, these offices participate in the PricewaterhouseCoopers worldwide internal control review program, which requires the office to be periodically subjected to an extensive quality control review by partners and managers from other PricewaterhouseCoopers affiliated firms.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Company's Response to Findings

Government Auditing Standards requires us to perform limited procedures on the Company's response to the findings identified in our audit and described in the accompanying, Schedule of Findings and Questioned Costs. The Company's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, cursive script.

Chicago, Illinois

May 13, 2025



Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

To the Board of Trustees of Underwriters Laboratories Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Underwriters Laboratories Inc.'s (the "Company") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Company's major federal programs for the year ended December 31, 2024. The Company's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Company's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Chicago, Illinois

May 13, 2025

Part III
Schedule of Findings and Questioned Costs

Underwriters Laboratories Inc.
Schedule of Findings and Questioned Costs
December 31, 2024

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency identified that are not considered to be material weakness(es)? X Yes _____ None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 (a) of the OMB Uniform Guidance?

_____ Yes X None Reported

Identification of major programs

Federal Assistance Listing Number(s)

93.121, 81.135

Name of Federal Program or Cluster

Research & Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II. Financial Statement Findings

2024-001: User access review (Significant Deficiency)

Criteria

As part of our audit, we are required to obtain an understanding of internal controls relevant to the audit, which includes the end-to-end process around key financial reporting cycles and evidence the implementation of relevant controls and the related IT dependencies (AU-C section 315).

Condition

As part of the year-end aggregation of individual IT control deficiencies, management identified that the multiple user access review control deficiencies aggregate to a significant deficiency. While effective controls existed that monitored access provisioning and termination for certain relevant systems, management did not effectively perform the periodic access reviews for several of the financially significant systems due to a variety of reasons, including not retaining associated evidence, incomplete reviews, and insufficient segregation of duties within the review process. This is a repeat of finding 2023-001.

Cause

The control performers did not either understand or consistently perform the required attributes of the access reviews for multiple financial applications.

Effect

The aggregation of control deficiencies in user access review results in increased risk of potential inappropriate access that could allow the users to circumvent established controls or pose segregation of duties conflicts.

Recommendation

Management should review the internal policy and procedures for performing access reviews for financially significant systems to confirm that it clearly communicates the requirements, including the need to validate and evidence a complete population of associated users, timeliness of the review, and segregation of duties considerations for the reviewer. Further, these requirements should be formally reinforced with all user access review performers to ensure they fully understand expectations and the policy.

Management's Views and Corrective Action Plan

Management's views and corrective action plan are included at the end of this report after the summary of status of prior audit findings.

Section III. Federal Award Findings and Questioned Costs

None noted.

Underwriters Laboratories Inc.

Summary of Status of Prior Audit Findings

December 31, 2024

2023-001: User access review (Significant Deficiency)

Criteria

As part of the audit, PwC is required to obtain an understanding of internal controls relevant to the audit, which includes the end-to-end process around key financial reporting cycles and evidence the implementation of relevant controls and the related IT dependencies (AU-C section 315).

Condition

As part of the year-end aggregation of individual IT control deficiencies, management identified that the multiple user access review control deficiencies aggregate to a significant deficiency. While effective controls existed that monitored access provisioning and termination for certain relevant systems, management did not effectively perform the periodic access reviews for several of the financially significant systems due to a variety of reasons, including not retaining associated evidence, incomplete reviews, and insufficient segregation of duties within the review process.

Recommendation

PwC recommended that management review the internal policy and procedures for performing access reviews for financially significant systems to confirm that it clearly communicates the requirements, including the need to validate and evidence a complete population of associated users, timeliness of the review, and segregation of duties considerations for the reviewer. Further, they recommend these requirements be formally reinforced with all user access review performers to ensure they fully understand expectations and the policy.

Status Update

Additional actions are being implemented such as:

- Identifying systems in scope earlier in the process
- Retraining existing and new control owners (COMPLETE)
- Implementing a 2025 Performance Management goal (COMPLETE)
- Conducting pre-emptive internal reviews
- Implementing improved metrics and monitoring

Management has already undertaken actions to review the internal policies and procedures for user access reviews. Standardized templates and monitoring procedures will be put in place along with the requisite training.

As noted, two of the five identified additional actions have been completed with remaining actions expected to be completed by September 2025. In addition, please see Management's Views and Corrective Action Plan as this was a repeat finding in 2024.

2023-002: Delegation of journal entries (Significant Deficiency)

Criteria

As part of the audit, PwC is required to obtain an understanding of internal controls relevant to the audit, which includes the end-to-end process around key financial reporting cycles and evidence the implementation of relevant controls and the related IT dependencies (AU-C section 315).

Recommendation

PwC recommended the Company remove the systematic ability to delegate journal entry approvals to ensure the design of the Company's journal entry processes maintains effective segregation of duties.

Status Update

This was completed in 2024 consistent with the corrective action plan outlined in 2023. This finding is closed.

Underwriters Laboratories Inc.
Summary of Status of Prior Audit Findings
December 31, 2024

2023-003: Allowable costs/cost principles – Compensation

Cluster Name: Research and development

Sponsoring Agency: U.S. Department of Justice, Department of Health and Human Services, and U.S. Department of Homeland Security

Award Names: 2021 Department of Justice National Institute of Justice Heat Flux Through Walls, 2021 National Institute of Health Award, 2022 National Institute of Health Award, 2019 Department of Homeland Security Fire Prevention and Safety (FP&S), and 2018 Department of Homeland Security Assistance to Firefighters Grant (Subaward)

Award Numbers: 15PNIJ-21-GG-04167-RESS, 7R56DE029950-02, 1R56DE031814-01, EMW-2019-FP-00770, and EMW-2018-FP-00482

Assistance Listing Titles: National Institute of Justice Research, Evaluation, and Development Project Grants, Oral Diseases and Disorders Research, Assistance to Firefighters Grant

Assistance Listing Numbers: 16.560, 93.121, and 97.044

Pass-through entity: The Board of Trustees of the University of Illinois (for grant # EMW-2018-FP-00482)

Condition

The Company charges compensation costs to federal awards based on actual hours incurred, however, for certain awards, the hourly rate used to charge the federal award was based on the midpoint of the labor rate range by employee type (versus the actual compensation rate for a given employee). No formal review was performed over the budgeted labor rates used to determine if any adjustments to actual cost were needed for each award. Through PwC's testing of 13 compensation selections totaling \$47,724, they identified eight selections totaling \$33,240 where the compensation rate used was based on budgeted labor rate. When assessing these further with us, the impact to the awards was that we could have charged an additional \$4,287 to the awards.

Recommendation

PwC recommended we formalize the review required for the budget labor rates used in calculating charges to federal awards.

Status Update

An analysis of labor charged to awards active in the first quarter of 2024 was performed to ensure that active awards are being charged according to employee's actual pay.

As of April 1, 2024, the Underwriters Laboratories Inc. transitioned to a new accounting system. This system is configured to require employees working on sponsored projects to utilize percentage of effort and effort certification functionality for tracking actual time and actual labor costs to awards. Budgeted labor rates are no longer being used to charge expenditures to awards as of April 1, 2024.

All actions were completed in 2024 consistent with the corrective action plan outlined in 2023. This finding is closed.



Discoveries in Safety™

Finding Number: 2024-001 – User Access review

Anticipated Completion Date: September 2025

Responsible Contact Person: Tolulope Osisanya (IT Senior Manager)

Planned Corrective Action:

Management agrees with the recommendation. Management has already undertaken actions to review the internal policies and procedures for user access reviews. Additional actions are being implemented such as:

- Identify systems in scope earlier in the process
- Retrain existing and new control owners (COMPLETE)
- Implement a 2025 Performance Management goal (COMPLETE)
- Conduct pre-emptive internal reviews
- Implement improved metrics and monitoring

As noted, two of the five identified additional actions have been completed with remaining actions expected to be completed by September 2025.

Ron Blaustein

Ron Blaustein,
Senior Vice President & Chief Financial Officer
(224) 714-0461