

## **DELIVERING A**

# **Brighter Future**

ANNUAL REPORT 2018/19



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Vision, Mission, Mandate & Values

## **VISION**

An Ontario where people can live, work and play safe from electrical harm.

## MISSION

To improve electrical safety for the well-being of the people of Ontario.

## **MANDATE**

To promote and undertake activities which enhance public electrical safety including training, inspection, authorization, investigation, registration, enforcement, audit, and other regulatory and non-regulatory public electric safety quality assurance services.

- ESA Objects of Corporation, 1999

## **VALUES**



#### **SAFETY**

We can and will make Ontario a safer place for all citizens.



#### **ACCOUNTABILITY**

We hold ourselves to the highest standards of responsibility and ethical behaviour.



#### **LEADERSHIP**

We will always strive to do better, challenge assumptions, and welcome new ideas.



#### **COLLABORATION**

We work best when we work together.





# BY THE NUMBERS

470.991

conducted by ESA Inspectors across the province.



\$10,183

raised by ESA employees in support of Camp Bucko, supporting children recovering from burn injuries.

**TOTAL NUMBER OF PERMITS** SUBMITTED ONLINE:

99.333



153 INVESTIGATIONS **36 CHARGES. 36 CONVICTIONS** 

involving electrical work offered or performed without an electrical contractors licence, and more than \$287,000 in fines.

8,692 LECs as compared to 8,393 last year and

14,259 Master Electricians (MEs) as compared to 13,718 last year in Ontario.

On this page: ESA Inspector Matthew Munroe; Rebecca Crellin from the Customer Service Centre; RBO town hall attendees

2018/2019



03,899

received at the Customer Service Centre: 3.540 in French.



16 RISK-BASED **OVERSIGHT (RBO)** 

town hall workshops held throughout Ontario had 685 Licensed Electrical Contractors participating.

Product

conducted, 4 published recall notices, 6 Safety Alerts issued.





of Local Distribution Companies (LDCs) found to be substantially compliant with Regulation 22/04 on the 2018 LDC scorecard.

were provided with areas to address to achieve full compliance.





INDIVIDUALS passed the Master

## **JOURNEYPERSONS**

completed the Inspector Training Program which involved rigorous training and assessments of Code knowledge





## **U** STAKEHOLDERS AND SAFETY PARTNERS

attended the 2018 Ontario Electrical Safety Awards.

1.733.366 PAGE VIEWS on ESA's esasafe.com. Survey results for "Hire an LEC" campaign in March 2019 indicate that

#### OF ONTARIO HOMEOWNERS ARE AWARE OF LICENSING REQUIREMENTS FOR AN LEC.

up from the March 2015 baseline of 44 per cent, however, down from a high of 53 per cent in March 2018.

#### OF ONTARIANS WILL HIRE A LICENSED **ELECTRICAL** CONTRACTOR (LEC)

for future electrical work, up from 15 per cent in March 2015.



exam sessions held for 963 individuals who wrote the exam.

## **NVFR**

at the 2018 Licence Holder Meetings for electrical contractors.

#### **ESA UNAIDED AWARENESS** is unchanged from 2017 and 2018 at

ESA remains the most mentioned organization by homeowners as being responsible for electrical safety in Ontario.



on ESA's Facebook account and more than 20,000 followers on Facebook, Twitter in 2018/2019.

On this page: Halton Hills Hydro worker; 2018 Ontario Electrical Safety Award recipients

Message from the Chair

## PROGRESS IN A TIME OF RENEWAL



At ESA, we strive to modernize, challenge assumptions and welcome innovation. Encouraging these values has played an integral role in helping to achieve our goals this year, during a period of rapid change and renewal. As always, ESA emphasized public awareness, safety and education, while striving to meet the priorities of our strategic plan for the year.

The government has placed an emphasis on collaboration and service, and we have embraced this commitment. ESA has always worked with and valued our partners who help us to keep Ontarians safe from electrical harm. Our dedicated and passionate staff and stakeholders have helped ESA continue to spread the message of electrical safety, streamlined our processes and provided better service for our customers. Key to these achievements is our unyielding determination to implement Risk-based Oversight (RBO) in early 2020, improve compliance with regulation and prevent electrical safety incidents.

The Board is pleased to report that ESA continued to move forward on all of its five-year goals. We are in the fourth year of the Harm Reduction Strategy 2.0, and have met key milestones set out in the 2018/2019 Business Plan.

These accomplishments have allowed the Board to focus on strategic planning for ESA's next five-year strategy. In preparation for the next plan, the Board considered the long-term environmental effects of emerging technologies in the electrical sector, aging infrastructure across the province, prudent financial management as well as the need to reduce regulatory burden on businesses. The Board has also embraced continuous learning and looked to improve and implement governance best practices. The Board continues to carefully consider succession planning to attract a diverse cross-section of members to inform and guide ESA's strategic direction.

This is my last year as Chair, and it has been a great pleasure to lead such a committed group of people. After nine years on the Board, including three years as Chair, I am confident that ESA is on firm footing under the guidance of the incoming Chair, Peter Gregg. The Board greatly appreciates the contributions of outgoing members Pamela Nowina and John Rossiter and welcomes new members Arjan Arenja and Walter Pamic. As we enter the final year of Harm Reduction 2.0 with our new strategic plan under way, I believe that ESA is prepared to meet the challenges and opportunities that lay ahead.

Brian Bentz, Chair, Electrical Safety Authority

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Message from the President and CEO

## **DELIVERING A BRIGHTER FUTURE**

As ESA moves into the final year of our <u>Harm</u> <u>Reduction Strategy 2.0</u>, we have been reflecting on our accomplishments in 2018/2019 with an eye on the road ahead, as an effective and modern regulator, operating in an increasingly dynamic electrical safety world.

Year over year, ESA staff's expertise, dedication and passion for electrical safety for all Ontarians continues to grow. In this fourth year of the Harm Reduction strategy 2.0, ESA advanced toward reaching our five-year target of reducing critical injuries and fatalities by 20 per cent. ESA Inspectors conducted more than 400,000 site visits while dealing with storms, floods and other crises. ESA's Customer Service Centre managed more than half a million queries, accurately and on time. ESA's Regulatory group successfully drove needed amendments to the Ontario Electrical Safety Code in order to modernize it. At the same time, our Communications team broadened our "Hire an LEC" campaign to target the underground economy.

The agile character of ESA staff is particularly evident during times of crises. This year tornadoes devastated parts of Ottawa. ESA immediately mobilized and worked alongside first responders, ensuring a safe path for power restoration for the affected community. Aging infrastructure in older apartment buildings developed into emergencies for many Toronto residents. ESA collaborated with provincial and municipal stakeholders to address the consequences of electrical outages for displaced tenants. As aging infrastructure becomes a greater part of the safety landscape, ESA has proven to be a strategic partner in preventing and mitigating similar situations in the future.

These examples demonstrate ESA's unique ability to transform into an agile team of problem solvers. As we move into our next five-year strategy, this agility will allow us to be nimble as we proactively address the electrical harms that confront Ontarians as technology changes. As a modern regulator, ESA will increasingly view how we do our work and what we focus on from a harm lifecycle perspective. This means ESA will regularly assess the landscape for new and emerging harms; pilot new ways of tackling them and proactively address the need and benefit of continuing forward with a set of harm reducing actions, or determine if a reallocation of resources is more effective and efficient.

At the core of this effort is ESA's initiative to reduce the burden on business through Risk-based Oversight (RBO). ESA will shift resources to areas of higher electrical risk and the underground economy, and LECs will spend less time waiting for ESA site visits and more time



running their business. During this second year of a three-year RBO plan, ESA achieved several important operational milestones. In tandem, LECs took part in town halls in 16 cities to share insights that will help shape a successful transition to RBO in early 2020.

ESA demonstrated the discipline to achieve long-term financial sustainability on multiple fronts; advocating for the reduction of red tape for business, holding wiring fees to the same level for four years and fiscal responsibility in our operations and investments. I'm pleased to report that strong commercial wiring permit and Continuous Safety Services volumes, combined with prudent expense management, led to a positive financial result this year for ESA.

Finally, I would like to recognize the outgoing ESA Board Chair, Brian Bentz, for his outstanding leadership and welcome Peter Gregg as incoming Chair. I am thankful for the astute guidance of our Board of Directors, support of our customers, as well as the skills and dedication of our employees. On behalf of ESA, I eagerly look forward to working with our partners and stakeholders in helping to reduce electrical-related harms and to continue improving electrical safety for all Ontarians.

Ma Má

**David Collie**, President and Chief Executive Officer (CEO), Electrical Safety Authority

## **SAFETY**



to improve the state of electrical safety in Ontario by accelerating the reduction in the combined rate of electrical fatalities and critical injuries over five years.



to achieve a 20 per cent decrease (87 to 70) in the combined rate of electrical fatalities and critical injuries (based on the five-year rolling average) between 2015 and 2020.

## PROGRESS IN 2018/2019

ESA focused its efforts on people and those placed most at-risk, as identified using an evidence-based approach through insights from the Ontario Electrical Safety Report (OESR), incidents tracking and testing. The average rate of critical injuries and fatalities per million population in 2018/2019 was 74, representing a 15 per cent decline in the five-year average rate compared to the baseline measure.

## Powerline Safety through Education Remains a High Priority

As part of our Harm Reduction Strategy 2.0, ESA continues to seek to improve the state of electrical safety in Ontario by accelerating the reduction in the combined rate of electrical fatalities and critical injuries. In the past decade across Ontario, 19 people have lost their lives from overhead powerline contact according to the 2017 Ontario Electrical Safety Report (OESR). Though the numbers have been trending down, even one injury is too many.

In the last fiscal year, three fatalities were related to contact with powerline. These tragic but POWERLINE CONTACT
KILLED 19 PEOPLE\*
DON'T BE 20

STAY BACK
AT LEAST
3 M FROM
OVERHEAD
WIRES

This message is brought to you by 44,000 volts.

Bectrical
Safety
Authority

#RespectThePower

In the past decade across Ontario, 19 people have lost their lives from overhead powerline contact according to the 2017 Ontario Electrical Safety Report (OESR).

and outreach programs in collaboration with key partners.

The 2018/2019 powerline safety campaign was once again divided into two categories. An occupational campaign targeting baulage

preventable incidents underscore the need for ESA's continued efforts to raise awareness of powerline hazards through targeted campaigns

into two categories. An occupational campaign targeting haulage and equipment operators, in addition to dump truck drivers, who are the number one cause of powerline contacts, and a public campaign targeting potential new partners at municipalities across Ontario.

As with last year's campaign, ESA distributed safety packages to construction and dump truck companies across the province. We expanded our distribution to include 433 municipal governments across the province. In addition to direct material distribution we posted posters in 241 porta potties situated on construction sites in the Kawartha Lakes and Durham regions. We also offered Ontario's local electricity distribution companies (LDCs) the opportunity to order materials upon request.

ESA's Powerline Safety Specialist delivered presentations at LDC's Annual Safety Day events, which are typically attended by local contractors such as roofers, arborists and construction companies. The safety sessions had 80 to 200 attendees, and covered topics such as ground gradient, the safe approach distance for high reach equipment, and on the job safety tips.

## Strengthening Relationships and Advancing Workplace Electrical Safety



ESA staff Rob Mitchell and Patrick Falzon support ESA's strategic safety initiatives related to workplace electrical safety and powerline safety by working with industry partners.

ESA seeks to reduce the number of electrical fatalities, injuries and fires in workplaces with the ultimate vision of an Ontario safe from electrical harm. ESA looks to achieve this through workplace safety awareness activities that range from attending industry meetings, presenting at conferences, contributing to industry working groups and committees, and providing expertise on potential regulatory improvements.

ESA continues to invest in building and strengthening relationships with industry partners such as the Ministry of Labour (MOL), Infrastructure Health and Safety Association (IHSA), Workplace Safety and Prevention Services (WSPS), Colleges and Municipalities.

In May 2018, ESA initiated the development of a sector-wide initiative alongside these industry partners focused on risk assessment and work planning. In January 2019,

ESA contributed electrical safety content for permanent inclusion in the Ministry of Labour inspector training curriculum, and has been invited to provide training to newly hired inspectors.

Recent activities related to ESA's occupational safety initiatives include:

- Participating in MOL's Safe at Work Ontario:
- Presenting to electrical apprentices at George Brown and Centennial Colleges;
- Participating in the Heating, Refrigeration and Air Conditioning Institute of Canada Loyalist Chapter meetings in Kingston;
- Presenting to Workplace Safety and Prevention Services; and
- Contributing to the electrical safety maintenance national standard.

ESA is committed to have continued dialogue with the industry about the importance of electrically safe work practices. Developing a common knowledge through ongoing communications will serve to reduce electrically related workplace incidents and strengthen our relationship with our regulatory partners.

#### Working to Reduce Cooking-related Fires in Homes



Peter Marcucci (second from right) accepting the 2018 Chief Public Safety Officer's Special Recognition Award on behalf of the Ontario Fire Marshal's Office's Public Fire Safety Council Working Group for Stove Top Fires

The Ontario Electrical Safety
Awards were established in 2010 to recognize groups or individuals who have made significant contributions to improving safety in Ontario.

During the 2018 Ontario Electrical Safety Awards the Ontario Fire Marshal's Office's Public Fire Safety Council Working Group for Stove Top Fires was recognized for their substantial contribution to electrical safety in Ontario.

Fire remains a significant threat to life and property in urban and rural areas. The most common type of fire where electricity is the fuel of the ignition source is cooking-related fires. With an annual average of six fatalities, cooking equipment is the second leading ignition source associated with preventable residential fire fatalities, according to the Ontario Fire Marshal's Office.

The Working Group researched, advocated, partnered and worked with stove manufacturers, regulators, standards bodies and fire prevention experts in a decade long effort to change the technological standard on how hot electric-coils can get. Older models of electric-coil-top stoves can heat oils past their flashpoint.

This new standard will affect over 30 million consumers in Canada. It will effectively reduce and possibly eliminate the occurrence of stove top oil fires. The Working Group consists of representatives from the fire service, Electrical Safety Authority (ESA), Canadian Standards Association (CSA), Underwriters Laboratories Canada (ULC), Health Canada, Canadian Appliance Manufacturers Association (CAMA), along with the Office of the Fire Marshal (OFM). They are now working on Phase Two of their plan in exploring ways to retrofit existing coil-top stoves, especially in at-risk communities.

#### Increasing Awareness of Home Electrical Safety Among Ontarians

Exploring surroundings through touch and taste are part of a child's development, but invisible hazards such as electricity can pose a serious threat to children. In fact, on average, more than 110 kids under the age of 15 end up in the emergency room each year in Ontario because of an electrical injury; unfortunately, more than half are under the age of five.

Research demonstrates that low-voltage shocks can have long-term effects that can be just as devastating, if not worse, than high-voltage shocks. These effects don't show up right away, but include memory loss, pins and needles, anxiety, and numbness. No shock is a safe shock.

To reduce electrical injuries and fatalities in children, ESA developed a multi-faceted strategy to address this vulnerable group through public awareness campaigns, partnerships with community organizations and updates to the Ontario Electrical Safety Code.

ESA partnered with Parachute, a leading child-safety organization, to host webinars that included public health units, Ontario safe Communities, township councillors and grant communities. ESA and Parachute worked with the participants to share safety messages in local communities. For example, in Sault Ste. Marie, in-depth home assessments were conducted where volunteers went into low-income homes to assess. electrical safety risks and provide complimentary electrical outlet covers where needed

Strategic alliances with Fire
Organizations such as the Office
of the Fire Marshal and Emergency
Management (OFMEM), the Ontario
Association of Fire Chiefs (OAFC),
the Ontario Municipal Fire
Prevention Officer Associations
(OMFPOA), and Fire Departments,
also provided ESA with the ability
to participate in various safety
events to build public awareness
on the importance on home
electrical safety.

The 2018 edition of the Ontario Electrical Safety Code include changes designed to enhance electrical safety and protect

workers and the public. One such change, specifically made to protect children, was expanding the use of tamper-resistant receptacles in educational facilities, daycares and hotels/motels.

Finally, through ESA's public awareness media campaign, digital, broadcast, social media and print advertising were leveraged to educate caregivers on the dangers of low-voltage electrical shocks and equip them with three simple home fixes. The campaign creative leveraged feedback from ESA Inspectors who shared pictures of hazards seen within residences.



More than 110 kids under the age of 15 end up in the emergency room each year in Ontario because of an electrical injury; unfortunately, more than half are under the age of five.

## **COMPLIANCE**



## STRATEGIC GOAL

to improve the rate of compliance with electrical safety regulations over the next five years, where required.



#### **TARGET**

to increase the amount of renovation wiring work being captured by ESA's compliance processes by 7.5 per cent (0.52 to 0.56 million work items) over five years.



## PROGRESS IN 2018/2019

0.558 million work items were logged, representing a 7.3 per cent increase in the amount of wiring work being captured compared to the baseline of 0.52 million work items. In addition, all milestones in Phase Two of Risk-based Oversight (RBO) were achieved.

# Second Phase of the Development and Implementation of the Risk-Based Oversight Model



In the fall of 2018, ESA held 16 Town Hall sessions across the province to provide opportunities for licensed electrical contractors to learn more about RBO and to provide feedback on how it will work.

ESA is moving to a <u>Risk-based</u>
<u>Oversight (RBO)</u> model for inspecting electrical wiring installations in early 2020. The RBO Project team successfully implemented an RBO trial with inspection teams, launched IT systems to run RBO data, hosted Town Hall and webinar sessions for stakeholders in preparation for the early 2020 implementation.

Five inspections teams from across the province have tested how RBO works in the field. The teams reviewed data from the RBO engine, and recommended which low-risk sites to visit or pass without a visit. While the pilot looked at low-risk work only, plans are in the works to expand this to include medium-risk notifications. In addition to preparing inspectors for the day-to-day impact of RBO, the learnings from this pilot will guide implementation plans for external stakeholders.

ESA achieved a major milestone in February 2019 when the RBO project team converted three years of data to support the RBO engine. ESA's IT systems are now able to sort notifications as low, medium and high risk and calculate defect ratios, including warning defects. This achievement marks years of hard work by the whole RBO team, especially from the IT department and a team of testers.

In the fall of 2018, ESA held 16 Town Hall sessions around the province to provide opportunities for contractors to learn more about RBO and to provide feedback on how it will work. Inspectors were engaged to get the word out to the contractor community. The result was an increase in attendance across the province from sessions held the previous year.

The feedback indicated that majority of attendees anticipated a positive impact as result of RBO, along with questions around how scheduling site visits and defect ratios will work. In March 2019, ESA sent contractors their individual defect ratios so that those with higher defect ratios have a chance to reduce them before RBO goes live. ESA also hosted RBO webinars for municipalities and LDCs respectively to inform them on the changes and how RBO may affect them.

The RBO Project is on track and progressing at a good pace, through the combined efforts of the ESA staff across the organization and the RBO Project Team.



ESA will spend more effort on high-risk electrical wiring work, and less effort on low-risk work. Notifications will have a risk level assigned to them based on criteria such as who does the installation work, what the installation is and where the installation is located.

## Targeting the Underground Economy through the Renovation Inspection Program

The Renovation Inspection Program, formerly known as the Commercial Renovation Investigation Program, was launched in October of 2017 and is aimed at reducing electrical work performed in the underground economy as it puts public safety at risk.

From April 2018 to March 2019, ESA conducted 587 inspections in Sault Ste. Marie, London, Kingston, Belleville and Vaughan areas. Out of these inspections, 226 sites were found to have no permits.

Based on the program findings, 15 investigations were initiated and charges were filed against two contractors who were operating without a valid Electrical Contractor's licence. To assist in the goal of reducing electrical work in the underground economy, in February 2019, ESA also hosted an innovation workshop comprised of ESA staff along with a panel of Licensed Electrical Contractors, insurance representatives, a General Contractor and a homeowner participant. The workshop consisted of an interactive brainstorming session to address approaches to finding unlicensed contractors working within the underground economy.

The goal of the workshop was to map out a clear understanding of the underground economy from a broad perspective and to provide insight on potential innovative solutions that could inform the future approaches taken by ESA to address this issue, particularly focused within the residential renovation market.

The outcome of the innovation workshop was a series of recommendations that ultimately will result in three new approaches ESA will implement in FY2020 to increase the number of leads it will respond to for electrical work conducted in the residential renovation sector by unlicensed contractors.

Based on the success of the Renovation Inspection Program and the continued positive results and support received by internal and external stakeholders, the program will continue in FY2020 and be expanded to now include both commercial and residential renovations.

#### Leveraging Convictions as Deterrents via the Media

As part of ESA's focus on targeting the underground economy, Communications, in partnership with the Legal and Licensing Departments, strategically publicized cases of people and corporations convicted in the courts for operating without a license or for failing to take out inspection permits.

The <u>media releases</u> and proactive communication served as a reminder that there are serious consequences for putting public electrical safety at risk.

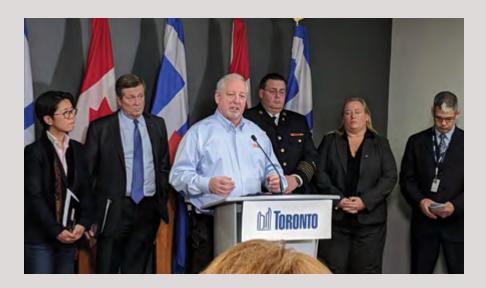
Publicizing convictions like these help raise public awareness on how to identify and avoid hiring unlicensed electrical contractors and also provided a deterrent to those who might consider operating outside the law.

From April 1, 2018 through to end of March 2019, ESA conducted 153 investigations and laid 36 charges with a total of 36 convictions received, and fines over \$287,000.

#### Aging Infrastructure in Ontario High-Rise Buildings

Aging infrastructure is a prevalent issue across Ontario. While this is not a new issue, incidents where the cause is found to be electrical often highlight a lack of maintenance on the part of property owners and managers as an associated risk factor. In Toronto, the municipal government and the ESA are currently reviewing City of Toronto building stock and utilizing a risk-based inspection process to prioritize the buildings in which they will be proactively inspected as part of a larger safety initiative.

However, it is important to highlight that aging infrastructure is not specific to the City of Toronto. All property owners across the province are required to regularly maintain and repair electrical systems to



ensure they are in safe working order. ESA is committed to increasing compliance in collaboration with other municipalities across the province to ensure the public are safe within their homes.

The Electrical Safety Authority is working together with the City of Toronto and Toronto Fire Services in a thorough review of multi-residential properties to ensure that the electrical systems are in safe and good working order, as set out in the Ontario Electrical Safety Code.

## **PUBLIC ACCOUNTABILITY**



## STRATEGIC GOAL

to ensure stakeholders recognize ESA as an effective, publicly accountable organization.

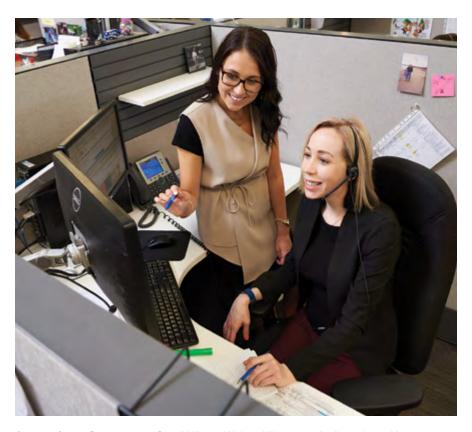


#### **TARGET**

to maintain positive stakeholder perceptions of ESA's accountability performance consistent with the baseline state of 2015 as ESA executes its five-year strategy.

## PROGRESS IN 2018/2019

Satisfaction with the permit creation process continued to increase since tracking began with a score of 8.6 out of 10. Inspection process satisfaction scored 8.0 out of 10 and when asked about ESA as a whole, contractors scored ESA 8.4 out of 10.



Customer Service Representatives Brandi Miles and Melanie Hill reviewing feedback obtained from customer service centre surveys, which demonstrate increased satisfaction with the permit creation process.

As part of our customer experience strategy, ESA began surveying licensed electrical contractor's ongoing satisfaction with ESA's wiring permit-taking and inspection processes. ESA commissioned a third party research firm to conduct randomized surveys of contractors who completed the "permitting process" in order to collect feedback on the process of obtaining a permit, completing an inspection and general perceptions towards ESA.

The feedback system continues to be a valuable tool allowing ESA to collect customer feedback on an ongoing basis, enabling ESA to proactively identify and address service-related issues.

# MANAGING COMPLIANCE AND ENFORCEMENT

ONTARIO ELECTRICAL SAFETY CODE, O. REG. 164/99 Ontario Electrical Safety Code, O. Reg. 164/99 establishes requirements and standards for electrical wiring installations, the safe use of electrical equipment in Ontario, and the appointment of electrical inspectors. To advance electrical safety, ESA also reviews plans for electrical installations, conducts general inspections of existing electrical installations and investigates electrical safety incidents. ESA works to ensure compliance with Ontario's safety requirements and the timely resolution of defects. Where required, ESA will escalate enforcement to the courts.

| Ontario Electrical Safety Code       | 2018/2019                         | 2017/2018                         |
|--------------------------------------|-----------------------------------|-----------------------------------|
| Customer service calls answered      | 603,899                           | 585,749                           |
| Inspections conducted                | 470,991                           | 468,498                           |
| Continuous Safety Services customers | 4,846 customers with 28,961 sites | 4,238 customers with 27,601 sites |
| Investigations conducted             | 872                               | 824                               |
| Charges laid                         | 36                                | 32                                |
| Court convictions secured            | 34                                | 62                                |
| Appeals                              | 5                                 | 14                                |
| Complaints                           | 26                                | 45                                |

<sup>\*</sup>Investigations include multiple activities.

ELECTRICAL
DISTRIBUTION
SAFETY REGULATION.
O. REG. 22/04

Electrical Distribution Safety Regulation, O. Reg. 22/04 requires objective-based electrical safety requirements for the design, construction and maintenance of electrical distribution systems owned by licensed distributors. The regulation requires the approval of equipment, plans, specifications and inspection of construction before systems are put into service, but provides LDCs with a number of options to obtain these approvals. ESA conducts audits to ensure compliance to safety standards. In addition, ESA undertakes due diligence inspections to confirm compliance with the regulation.

| Electrical Distribution Safety Regulation                 | 2018/2019 | 2017/2018 |
|---|-----------|-----------|
| Electrical distribution-related safety incidents reported | 164       | 238       |
| Electrical distribution-related fatalities                | 2         | 1         |
| Due diligence inspections                                 | 392       | 481       |
| Public safety concerns received                           | 124       | 154       |

#### LICENSING OF ELECTRICAL CONTRACTORS AND MASTER ELECTRICIANS. O. REG. 570/05

Licensing of Electrical Contractors and Master Electricians, O. Reg. 570/05 defines provincial licensing and administration requirements for Electrical Contractors and Master Electricians and is intended to protect the public from unqualified contractors offering electrical services. ESA activities include managing and enforcing licensing requirements.

| <b>PRODUCT SAFETY</b> | ١, |
|-----------------------|----|
| 0. REG. 438/07        |    |

Product Safety, O. Reg. 438/07 provides protection to the public from unsafe electrical products and equipment sold and used in Ontario. ESA is responsible to seek oversight of this regulation that includes requirements for pre-market approvals for all electrical equipment and products, including consumer electrical products advertised, displayed, used, sold or offered for sale in the Ontario marketplace. ESA is also accountable for post-market safety oversight of commercial/ industrial electrical products. While Health Canada is accountable for post-market safety oversight of consumer electrical products, ESA continues to support the national product safety system by publicizing electrical product safety notices (including recalls and flash notices) and through its ongoing engagement in national committees, including the Canadian Advisory Council for Electrical Safety and National Public Safety Advisory Committee (NPSAC).

| Licensing   | 2018/2019 | 2017/2018 |
|---|-----------|-----------|
| Electrical Contractor licences issued             | 712       | 697       |
| Master Electrician licences issued                | 803       | 751       |
| Licenses renewed                                  | 22,898    | 21,952    |
| Individuals who wrote the Master Electrician exam | 963       | 847       |
| Master Electrician exam pass rate                 | 85.2%     | 89.8%     |
| Discipline notifications issued                   | 1,057     | 1,072     |
| Licenses suspended                                | 92        | 75        |
| Licenses revoked                                  | 0         | 0         |
| Complaints handled*                               | 2,013     | 2,057     |
| Notices of violations issued                      | 659       | 769       |
| Licensing investigations conducted                | 153       | 107       |
| Charges laid                                      | 36        | 54        |
| Court convictions secured                         | 36        | 30        |
| Appeals   | 3         | 11        |

\*NOTE: These complaints are reports regarding individuals and companies offering electrical services, not complaints under the Complaints Policy.

| Product Safety  | 2018/2019 | 2017/2018 |
|---|-----------|-----------|
| Total product safety incident reports received by ESA | 520       | 399       |
| Reports deemed high risk                              | 2         | 4         |
| Reports deemed medium risk                            | 438       | 324       |
| Reports deemed low risk                               | 52        | 38        |
| Non-reportable  | 28        | 33        |
| Safety alerts issued                                  | 6         | 13        |
| Investigations conducted                              | 1         | 0         |
| Recalled product notifications                        | 4         | 0         |
| Charges laid  | 0         | 0         |
| Convictions   | 0         | 0         |
| Appeals   | 3         | 0         |



## ROLE OF THE BOARD >>>

ESA's <u>Board of Directors</u> is responsible for corporate governance, regulatory oversight, and guiding the development and achievement of the organizational strategy. The Board and management focus on progressive corporate governance and regulatory oversight practices at ESA.

Among its key responsibilities, the Board:

- approves ESA's strategic plan, business plan, and budget, and ensures the integrity of the organization's reporting of financial performance;
- oversees the appointment, development, monitoring, succession planning and compensation of senior management;
- monitors the strategic environment and ensures appropriate enterprise risk management;
- monitors external communications and stakeholder relationships; and
- monitors the integrity of the organization's internal control and management information systems.

Board Directors are selected based on an election/ appointment process according to a set of established qualifications available at esasafe.com. The Board comprises of 12 members reflecting: the public, electricity distribution, electrical contractors, engineering, manufacturing and others. Board members may serve a maximum of three consecutive terms of three years each. Each member of the Board has signed and agrees to abide by a <u>Directors' Code of Conduct</u>.

The Board has a robust training and development plan that includes an orientation to directors' duties, as well as ongoing training and education throughout the year on topics relevant to the Board, the electricity sector and good governance. As well, each Board Director serves on two committees in order to strengthen oversight and succession planning.

In March 2019, ESA welcomed Arjan Arenja and Walter Pamic to the Board.

## **BOARD COMMITTEES** >>>

#### **Audit Committee**

The Audit Committee supports oversight responsibilities regarding audit, finance, information technology and financial and enterprise risk management.

The committee manages the relationship with external auditors on behalf of ESA and also reviews discussion and analysis of ESA's annual corporate and pension audited financial statements. This committee also oversees ESA's internal financial structure, reporting and financial risk management systems and cyber security.

Chair: P. Gregg

**Members:** B. Bentz (to March 2019); C. Hopper; P. Nowina (to February 2019); A. Bergeron; G. Oosterhof; A. Malo; J. Rossiter (to February 2019)

## Human Resources and Investment Committee

The Human Resources and Investment Committee provides oversight responsibilities and risk management regarding investment, pension administration and policy, human resources and compensation. The committee oversees the human resources strategy, a prudent investment management approach for corporate assets, and the pension plan on behalf of ESA. Its role is to ensure the adequacy and effectiveness of systems implemented to ensure compliance with, among other things, established corporate governance, the Pension Benefits Act, Income Tax Act, and human resources legislation, policies and procedures. Members review succession planning, performance assessment, development requirements and compensation philosophy and structure.

Chair: D. Péloquin

**Members:** B. Bentz (to March 2019); P. Gregg; D. MacDonald; R. Mace, A. Malo; C. Hopper

## Regulatory Affairs and Governance Committee

The Regulatory Affairs and Governance Committee supports oversight responsibilities and risk management regarding all four of ESA's regulations including a particular focus on public safety, external relations and corporate governance.

The committee ensures ESA is effectively meeting its regulatory obligations, responsibilities and public safety mandate. This includes ensuring alignment with ESA's regulatory governance principles, harm reduction objectives and external relations. To enhance the oversight role of the Board, this committee is also responsible for monitoring and making recommendations regarding corporate governance, succession planning and Board evaluation.

Chair: A. Bergeron (from March 2018)

**Members:** B. Bentz (to March 2019); R. Mace; G. Oosterhof; D. Péloquin; D. MacDonald; J.Rossiter (to February 2019); Pam Nowina (to February 2019)

#### **MEETINGS**

April 2018 to March 2019

| '   |            |
|---|------------|
| Audit Committee                                   | 5 meetings |
| Human Resources<br>and Investment Committee       | 4 meetings |
| Regulatory Affairs and Governance Committee       | 4 meetings |
| Board Meetings<br>and Strategic Planning Sessions | 5 meetings |

## BOARD MEMBERS >>> AS OF MARCH 31, 2019

#### **BRIAN BENTZ, MBA, CA, CET** (YEAR 3 OF TERM 3)

Chair, Electrical Safety Authority; President and CEO, Alectra Inc.; Chair, Independent Electricity System Operator (IESO) Stakeholder Advisory Committee; Director, Canadian Electricity Association; Director, Ontario Energy Association; Director, Collus PowerStream Corporation; Member of the Affordability Fund Advisory Committee

Previously: President and CEO, Alectra Energy Solutions Inc.; Chair, Ontario Energy Association; Chair, Electricity Distributors Association; Chair, The MEARIE Group

#### ARJAN ARENJA, P.ENG., MBA (YEAR 1 OF TERM 1)

President, Spectrum Business Development Inc.; Vice Chair, Government Liaison Committee, Professional Engineers Ontario

Previously: Senior Manager, Bruce Power; Sr. Manager, Royal Group Technologies Inc.; Manager, Trow Consulting Engineers (in 2011 renamed to EXP)

#### ANNETTE BERGERON, MBA, P.ENG., FEC (YEAR 2 OF TERM 2)

Principal, Bergeron Consulting; President-elect, Engineers Canada; Director, South East Local Health Integration Network

Previously: President, Professional Engineers Ontario; Director, Kingston General Hospital

#### DAVID COLLIE, FCPA, FCMA, MBA, C.DIR.

President and CEO, Electrical Safety Authority; Ex-Officio of the Board; Chair, Plug'n Drive Ontario; Vice Chair, Energy Council of Canada; Board Member, Hamilton Health Sciences

Previously: President and CEO. Burlington Hydro; Chair, Electricity Distributors Association

#### PETER GREGG, MBA, ICD.D (YEAR 3 OF TERM 2)

President, & CEO, Independent Electricity Systems Operator

Previously: President, Alectra Energy Solutions Inc., President & CEO, Enersource Corporation; Chief Operating Officer, Hydro One Networks

#### CHRISTOPHER HOPPER, BA, MBA (YEAR 1 OF TERM 2)

President & CEO, Complete Electrical Services Inc.; Governor, CI Investments Inc.; Director, VentureLink Fund; Vice Chair, Holland Bloorview Kids Rehabilitation Hospital Foundation; Chair, Post 21 Foundation

Previously: President & CEO, Northern Home Services Ltd.

#### DALE MACDONALD, RSE, ME (YEAR 3 OF TERM 1)

General Manager, Honey Electric Ltd.; Chair, Ontario Electrical League (OEL); Trade Board Member for Construction and Maintenance Electricians, Ontario College of Trades; Member, Advisory Committee for Electrical Techniques Program, St. Clair College; Member and Personal Advisory Group Participant, Member of the Ontario Chapter of the IMSA(International Municipal Signal Association)

Family Business Xchange, formerly the Canadian Association of Family

Previously: President, OEL Kent Chapter

#### ROBERT MACE, B. ADMIN, MBA (YEAR 3 OF TERM 2)

President & CEO, Thunder Bay Hydro; Director and Past Chair, Electricity Distributors Association; Chair, The MEARIE Group

#### ADÈLE MALO, BA, LL.B., LL.M, ICD.D (YEAR 2 OF TERM 2)

Consultant; Director, Member of Audit Committee, Chair of the Governance and Compensation Committee, Capstone Infrastructure Corporation; Director, Plug'n Drive

Previously: EVP Regulatory and Government Affairs and General Counsel, Direct Energy; General Counsel and VP Sustainable Development, Ontario Power Generation

#### GARY OOSTERHOF, ME (YEAR 2 OF TERM 2)

Owner, President and CEO, Oosterhof Electrical Services Ltd.; Councillor, City of Kingston; Chapter President, Kingston Electrical Association

Previously: Electrical Contractor Registration Agency (ECRA) Advisory Council; Director, Past Member of Contractor Committee, OEL

#### WALTER PAMIC, GSC (YEAR 1 OF TERM 1)

Co-owner of Power-Tek Electrical Services Inc.

Previously: Ontario College of Trades Board of Governors, Merit Ontario Board of Directors. Merit Canada Board of Directors, Past Board member Ontario Electrical League

#### DANIEL PÉLOQUIN, B.ENG. (YEAR 1 OF TERM 2)

Founder and Managing Partner, Daniel Péloguin Consultant; Board Director, Spark Power; Board Director, Vizimax; Board Director; Systemex Energies

Previously: President, Schneider Electric Canada: CEO. Global Coil Business Segment, Trench Canada / Siemens; Director, Electro Federation Canada (EFC); Director, Finance & Audit Committee member, Canadian Manufacturers and Exporters

Board Directors are selected based on an election/appointment process according to a set of established qualifications available at esasafe.com.

# ORGANIZATIONAL STRUCTURE AS OF MARCH 31, 2019

## **OFFICERS** >>>

#### DAVID COLLIE, FCPA, FCMA, MBA, C.DIR.

President and CEO, Electrical Safety Authority; Ex-Officio of the Board;

Chair, Plug'n Drive Ontario, Vice-Chair, Energy Council of Canada, Board Member, Hamilton Health Sciences

**Previously:** President and Chief Executive Officer, Burlington Hydro; Chair, Electricity Distributors Association

### LESLEY GALLINGER, BA, MBA, CPA, CMA, CPA (ILLINOIS) C.DIR., A.C.C.

VP, Corporate Services and CFO, Electrical Safety Authority; Director, Plexxus; Director, Municipal Property Assessment Corporation (MPAC); Director, Nuclear Waste Management Organization (NWMO); Director, Hamilton Utilities Corporation (HUC)

**Previously:** Vice-President, Corporate Services and Chief Financial Officer, Oakville Hydro; Director, Dillon Consulting

#### JOSIE ERZETIC, B.J. (HONS), LL.B, ICD.D

Chief Regulatory Officer, General Counsel and Corporate Secretary, Electrical Safety Authority

Previously: Vice-President, Corporate Business Development, Ontario Power Generation Inc.; Board Director, Nanticoke Solar; Board Director, Peter Sutherland Sr. Generating Station (a Joint Venture of OPG and Taykwa Tagamou First Nation); Energy Advisor, Ontario Centres of Excellence

#### SCOTT SAINT, P.ENG., MBA, C.DIR.

Vice-President, Regulatory and Safety Programs and Chief Public Safety Officer, Electrical Safety Authority; Board Director, Lansdowne Children's Centre; Board Chair, Brantford Energy; Board Director, Fire Marshall's Public Fire Safety Council

**Previously:** Chief Operating Officer, Electrical Safety Authority

## EXECUTIVE TEAM >>>

David Collie, President and Chief Executive Officer

Carol Calvert, VP, People & Culture

Earl Davison, VP, Operations

Josie Erzetic, VP, Chief Regulatory Officer, General Counsel and Corporate Secretary

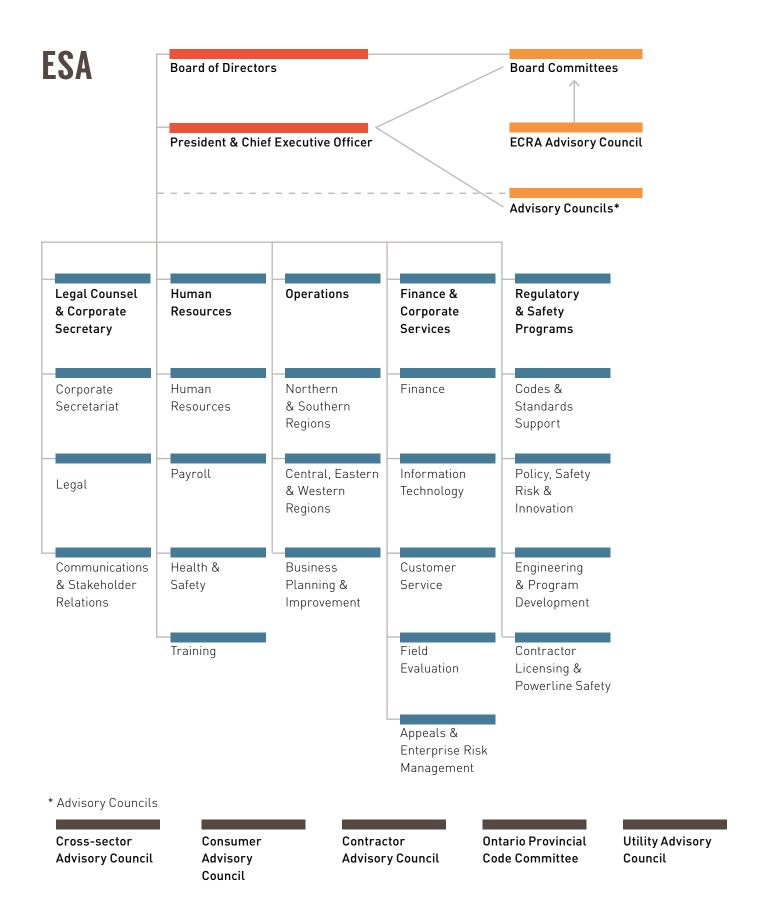
Lesley Gallinger, VP, Chief Strategy and Financial Officer

Paul Hammond, Vice-President, Human Resources

Dave Kirkconnell, VP, Organizational Development and ESA Training Solutions

Scott Saint, VP, Regulatory and Safety Programs and Chief Public Safety Officer

## ORGANIZATIONAL STRUCTURE >>>





## INTRODUCTION >>>

The Electrical Safety Authority is a not-for-profit corporation established as an administrative authority of the Government of Ontario. ESA executes a variety of compliance, operational, enforcement, research, education, training, and other programs throughout the year. At the same time, ESA must ensure its long-term sustainability so it can continue to meet its mandate in years to come. This balancing of near-term and long-term needs is reflected in the approach to financial management.

ESA's revenues come from a variety of sources including fees assigned to regulatory processes such as permits for doing electrical work, licences for LECs and MEs, and safety oversight fees charged to LDCs. There is also revenue from programs including electrical plan review and CSS contracts.

ESA is also permitted to operate non-regulatory services but only within the conditions of its Administrative Agreement with government and consistent with the objects of the corporation. There are limitations in the agreement as to how ESA can pursue non-regulatory activities and it must report non-regulatory revenues and expenses separately.

ESA receives no revenue from government.

ESA expenses are primarily people-related costs – salaries, wages, benefits and pensions. The company employs Inspectors, technical advisors, call centre representatives, along with finance, information technology, communications, human resource, administrative and other staff. The majority of ESA's salary and wage expenses are defined by collective agreements with labour unions.

ESA's major non-labour expenses include travel costs for Inspectors, IT operations, safety awareness programs, legal expenses, and oversight fees paid to government, among others.

In managing its annual financial performance ESA seeks to achieve operational break-even-revenues to cover expenses. ESA has established a restricted net asset target (see page 40) to ensure that it maintains adequate net asset reserves and financial liquid assets in the event of unforeseen adverse financial events, or to fund specific strategic initiatives as recommended by ESA management.

In order to ensure long-term sustainability, ESA has a multi-year financial framework that includes improving its net asset position (see page 30) ensuring the company can meet its future obligations for pensions and other post-employment benefits (OPEB) both of which accumulate over time. Any cash generated by an annual surplus is invested in long-term investments held in a restricted reserve (see page 38) to address the future OPEB liability.

## FY2019 PERFORMANCE >>>

#### FY2019 Performance

The year (April 1, 2018 to March 31, 2019) saw strong growth in commercial wiring activity, in particular both new and renovation commercial work, which has an impact on both revenue and expenses because ESA must respond to the incremental work. ESA added more inspection resources during the year to address the higher volumes. Feed-in-Tariff (FIT) installation permits continued to decline as the government winds down the program. There was healthy corporate investment asset performance driven by U.S. and International equity markets. ESA did not increase wiring fees for calendar year 2019.

For the year, expenses exceeded revenues by \$1.0 million before investment income. Investment income was \$3.7 million, compared to \$3.4 million in the prior year.

The organization posted an operating deficit of \$1.0 million compared to an operating surplus of \$1.5 million in the prior year, and a bottom line surplus of \$2.65 million after the contribution of investment income of \$3.7 million.

ESA experienced a reduction in its net asset position by \$12.0 million to \$3.2 million as of March 31, 2019 primarily as a result of a negative re-measurement of \$14.7 million due to pension and other Post-Employment benefits (OPEB).

#### Revenues

Total operating revenues were \$112.8 million, an increase of 2.2 per cent from the prior year. This included: residential wiring revenue of \$37.0 million, an increase of 0.8 per cent; industrial/commercial/institutional wiring revenue of \$26.7 million up by 3.7 per cent; FIT and MicroFIT revenue of \$1.5 million, down 15.1 per cent; and CSS revenue of \$23.7 million, up 4.1 per cent.

Non-regulatory revenue was \$19.4 million, an increase of 2 per cent from the prior year. These services include field evaluation services, training programs, and safety oversight services provided to sectors not covered under provincial regulation such as airports, First Nations reserves and the mining sector.

#### **Expenses**

Operational expenses were \$113.8 million including amortization, an increase of 4.6 per cent from the prior year.

Total labour-related costs – salaries, wages and benefits, pension and OPEB – were \$87.7 million or 77.1 per cent of total expenses, an increase of 5.2 per cent over the prior year. During the year, ESA added more Inspectors to address the higher service volumes and there was also additional resources related to RBO. Included in this is the OPEB interest expense for the year of \$4.0 million.

ESA worked to restrain increases in its other expense categories which include: purchased services of \$5.5 million; inspection travel and related costs of \$7.3 million; office administration of \$1.3 million; facilities costs of \$1.8 million; computer support of \$2.1 million; other costs of \$5.2 million. \$685,000 was paid to the Ministry of Government and Consumer Services in oversight fees.

Capital spending was \$3.3 million and primarily focused on IT infrastructure.

#### **Pension**

ESA's registered pension plan is a defined benefit plan. As part of its financial framework for sustainability, ESA has been seeking to improve the funded status of the pension. However due to the negative pension remeasurement at year-end, driven by Provisions for Adverse Deviations (PfAD), the pension surplus on a going concern basis as of March 31, 2019 has been reduced to \$5.1 million. The Ontario Pension Benefits Act now requires that this PfAD be recorded on the Statement of Financial Position. (see page 29).

## Compensation for Executive and Senior Management

As an organization entrusted with enhancing public electrical safety, ESA requires people with significant experience and expertise in areas including safety strategy, electrical systems and engineering, among others. An appropriate compensation package is required to attract and retain this talent. At the same time, in order to ensure delivery of goals and objectives, compensation needs to be tied to defined short- and long-term deliverables.

ESA's approach to management compensation is based on the following principles:

- Ensuring efficient use of resources and delivery of public value;
- 2 Supporting ESA's values and culture;
- 3 Pay-at-risk linking compensation to individual and corporate delivery on publicly stated corporate targets and goals over set periods of time;
- 4 Alignment with sound risk management; and
- The Board of Directors undertaking regular reviews of compensation governance through the Human Resources and Investment Committee.

With the aid of an independent compensation consultant, ESA benchmarks its compensation levels against a comparator group for public and private sector organizations of similar scope, size and complexity.

In FY2019 senior management compensation (including all salaries, incentives and severance) totaled \$6.3 million for 30 individuals compared to \$5.9 million for 29 people the previous year.

| REVENUE BY SOURCE* (in thousands of dollars) | FY2019     | FY2018     |
|--|------------|------------|
| Regulated services                           | \$ 92,958  | \$ 90,929  |
| Non-regulated services                       | 19,399     | 19,017     |
| Sub-total**                                  | 112,357    | 109,946    |
| Investments and other                        | 4,556      | 4,310      |
| TOTAL REVENUE                                | \$ 116,913 | \$ 114,256 |

| FULLY ALLOCATED EXPENSES* (in thousands of dollars) | FY2019     | FY2018     |
|---|------------|------------|
| Regulated services                                  | \$ 94,613  | \$ 89,995  |
| Non-regulated services                              | 18,319     | 18,042     |
| Sub-total**   | 112,932    | 108,037    |
| Investments and other                               | 1,328      | 1,270      |
| TOTAL EXPENSES                                      | \$ 114,260 | \$ 109,307 |

| REVENUES BY LINE OF BUSINESS* (in thousands of dollars) | FY2019     | FY2018     |
|---|------------|------------|
| Wiring - Residential                                    | \$ 37,590  | \$ 38,017  |
| Wiring – Industrial/Commercial/Institutional            | 27,590     | 26,189     |
| Continuous Safety Services (CSS)                        | 23,653     | 22,725     |
| Field Evaluation  | 12,159     | 11,876     |
| Utility Regulation                                      | 2,680      | 2,727      |
| Contractor Licensing                                    | 4,584      | 4,433      |
| Plan Approvals  | 1,848      | 1,942      |
| Other revenues***                                       | 2,657      | 2,432      |
| TOTAL REVENUE BEFORE INVESTMENT INCOME                  | \$ 112,761 | \$ 110,341 |

<sup>\*</sup> Any differences due to rounding; prior year classifications restated for consistency

<sup>\*\*</sup> Does not include allocation of investment income as an offset to OPEB interest expense

 $<sup>***</sup> Includes \ revenue \ from \ training \ services, \ On tario \ Electrical \ Safety \ Code \ book \ sales, \ and \ real \ estate \ rental \ income$ 

## INDEPENDENT AUDITORS' REPORT >>>

To the Directors of Electrical Safety Authority;

#### **Opinion**

We have audited the financial statements of Electrical Safety Authority (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

#### Auditors' Responsibilities for the Audit of the 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 a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

#### We also:

 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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.

 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 5, 2019

## **STATEMENT OF FINANCIAL POSITION** >>>

| March 31, 2019 with comparative information for 2018 (in thousands of dollars) | 2019          | 2018          |
|--|---------------|---------------|
| ASSETS   |               |               |
| Current Assets   |               |               |
| Cash and cash equivalents  | \$<br>3,258   | \$<br>3,075   |
| Accounts Receivable  | 11,061        | 11,667        |
| Other assets   | 1,178         | 1,025         |
|  | 15,497        | 15,767        |
| Investments (note 3 and 7)   | 95,518        | 87,873        |
| Property, plant and equipment (note 4)   | 12,787        | 11,287        |
| Intangible assets (note 5)   | 1,960         | 3,101         |
| Deferred pension asset (note 6)  | -             | 8,680         |
| Other non-current assets   | 71            | 74            |
|  | \$<br>125,833 | \$<br>126,782 |
| LIABILITIES AND NET ASSETS  Current liabilities:                               |               |               |
| Accounts payable and accrued liabilities (note 13)                             | \$<br>16,230  | \$<br>15,777  |
| Deferred revenue   | 20,616        | 19,866        |
|  | 36,846        | 35,643        |
| Employee future benefit obligation (note 6)                                    | 85,037        | 75,881        |
| Pension liability (note 6)   | 722           | -             |
|  | 122,605       | 111,524       |
| Net assets:  |               |               |
| Invested in capital assets and intangible assets                               | 14,747        | 14,388        |
| Unrestricted reserve   | (11,519)      | 870           |
| Total net assets (note 14)   | 3,228         | 15,258        |
| Contingencies and Commitments (notes 10 and 11)                                |               |               |
|  | \$<br>125,833 | \$<br>126,782 |

See accompanying notes to financial statements.

On behalf of the Board:

Brian Bentz

David Collie

#### **STATEMENT OF OPERATIONS**

| Year ended March 31, 2019, with comparative information for 2018 (in thousands of dollars) | 2019          | 2018          |
|--|---------------|---------------|
| Revenues (note 8)  | \$<br>112,761 | \$<br>110,341 |
| Expenses   |               |               |
| Salaries and benefits  | 83,691        | 79,340        |
| OPEB – interest expense (note 7)   | 4,011         | 4,024         |
| Operating  | 23,108        | 22,687        |
| Amortization   | 2,977         | 2,747         |
|  | 113,787       | 108,798       |
| (Deficiency)Excess of revenues over expenses before the undernoted                         | (1,026)       | 1,543         |
| Change in fair value of investments  | 801           | 18            |
| Other investment income  | 2,878         | 3,388         |
| Investment income (note 7)   | 3,679         | 3,406         |
| Excess of revenue over expenses for the year   | \$<br>2,653   | \$<br>4,949   |

See accompanying notes to financial statements.

#### STATEMENT OF CHANGES IN NET ASSETS

| Year ended March 31, 2019, with comparative information for 2018 (in thousands of dollars)   | capita | ested in<br>l assets<br>angible<br>assets |      | cicted<br>serve | al 2019<br>note 14) | al 2018<br>note 14) |
|--|--------|---|------|-----------------|---------------------|---------------------|
| Net assets (deficit), beginning of year  | \$     | 14,388                                    | \$   | 870             | \$<br>15,258        | \$<br>7,089         |
| Excess or revenues over expenses   |        | -   |      | 2,653           | 2,653               | 4,949               |
| Investment in capital assets   |        | 359                                       |      | (359)           | -                   | _                   |
| Re-measurements due to pension benefit and OPEE actuarial gains (losses) and plan amendments | 1      | -   | (    | 14,683)         | (14,683)            | 3,220               |
| Net assets, end of year  | \$     | 14,747                                    | \$ ( | 11,519)         | \$<br>3,228         | \$<br>15,258        |

See accompanying notes to financial statements.

#### STATEMENT OF CASH FLOWS

| (in thousands of dollars)                                |    | 2019     |    | 2018     |
|--|----|----------|----|----------|
| CASH PROVIDED BY (USED IN):                              |    |          |    |          |
| Operation activities:                                    |    |          |    |          |
| Excess of revenues over expenses                         | \$ | 2,653    | \$ | 4,949    |
| Items not involving cash:                                |    |          |    |          |
| Amortization   |    | 2,977    |    | 2,747    |
| Change in other non-current assets                       |    | 3        |    | 11       |
| OPEB obligation expense                                  |    | 6,739    |    | 6,419    |
| Pension benefit plan expense                             |    | 7,258    |    | 7.305    |
| Change in fair value of investments                      |    | (801)    |    | (18)     |
|  | \$ | 18,829   | \$ | 21,413   |
| Net change in non-cash working capital balances          |    | 1,656    |    | (1,945)  |
| related to operations (note 9)                           |    | 1,000    |    | (1,743)  |
| OPEB obligation contributions                            |    | (1,711)  |    | (1,688)  |
| Pension benefit plan contributions                       |    | (8,410)  |    | (7,816)  |
|  | \$ | 10,364   | \$ | 9,964    |
| Investing activities:                                    |    |          |    |          |
| Net purchase of investments                              |    | (6,845)  |    | (7,402)  |
| Purchase of property, plant and equipment                |    | (3,336)  |    | (3,001)  |
| and intangible assets                                    |    |          |    |          |
|  | \$ | (10,181) | \$ | (10,403) |
| Net (decrease) increase in cash and cash equivalents     |    | 183      |    | (439)    |
| Cash and cash equivalents, beginning of year             |    | 3,075    |    | 3,514    |
| Cash and cash equivalents, end of year                   | \$ | 3,258    | \$ | 3,075    |
| Cash and cash equivalents is comprised of the following: |    |          |    |          |
| Cash   | \$ | 3,258    | \$ | 3,075    |
| Cash equivalents   | Ψ  | -        | *  | -        |
|  | \$ | 3,258    | \$ | 3,075    |

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS >>>

Year ended March 31, 2019 (in thousands of dollars)

#### • Basis of presentation:

Electrical Safety Authority (the "Company" or "ESA") is a corporation without share capital incorporated under the Corporations Act (Ontario) and operates as an Administrative Authority under an Administrative Agreement with the Ministry of Government and Consumer Services ("MGCS"). ESA is not taxable under Section 149 of the Income Tax Act (Canada).

## 2 Summary of significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations in Part III of the CPA Canada Handbook.

#### (a) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term deposits with original term to maturities of 90 days or less.

#### (b) Investments and investment income:

Publicly traded securities are valued based on the latest bid prices. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Investment income consists of interest and dividends and are recognized when earned or declared.

#### (c) Property, plant and equipment:

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is calculated on the straight-line basis in amounts sufficient to amortize the cost of the assets over their useful lives as follows:

| Asset                                     | Rate               |
|---|--------------------|
| Buildings                                 | 25 years           |
| Building improvements                     | 5 to 10 years      |
| Electronic equipment                      | 3 years            |
| Telephone and projection system equipment | 5 years            |
| Office furniture and equipment            | 10 years           |
| Inspection equipment                      | 10 years           |
| Leasehold improvements                    | over term of lease |

Capital work in process is not amortized until the project is complete and in service.

#### (d) Intangible assets:

Internally generated intangible assets in the development phase are recognized as an asset provided they meet the capitalization criteria, which include ESA's ability to demonstrate: technical feasibility of completing the intangible asset so that it will be available for use; ESA's intention to complete the asset for use; ESA's ability to use the asset; the adequacy of ESA's resources to complete the development; ESA's ability to measure reliably the expenditures during the development and ESA's ability to demonstrate that the asset will generate future economic benefits. The assets are amortized on a straight-line basis over their useful lives of 5 years unless the life is determined to be indefinite. Research activities are expensed as incurred.

| Asset                          | Rate    |
|--------------------------------|---------|
| Computer software and licenses | 5 years |

#### (e) Asset retirement obligations:

On an annual basis, ESA reviews its assets and lease commitments to determine if there are any asset retirement costs to accrue. Management has determined that no such accruals are required.

#### (f) Impairment of long-lived assets:

An impairment charge is recognized for long-lived assets, including intangible assets with definite lives, when an event or change in circumstances causes the assets' carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the estimated fair value of the assets and its carrying value. Management has determined that there are no impairment losses.

#### (g) Employee future benefits:

The costs of pensions and other post-employment and post-retirement benefits earned by employees are determined based on an actuarial valuation prepared for funding purposes in accordance with pension legislation and regulations.

The costs of termination benefits and compensated absences are recognized when the event that obligates ESA occurs; costs include projected future compensation payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

ESA accrues its obligations under pension and other post-employment benefits ("OPEB") plans and the related costs, net of plan assets.

#### (h) Revenue recognition:

Revenue recognition is based on the attributes of the service line. Revenue is recognized monthly on a pro-rata basis for long-term contracts, which generally span 12 months. Short-term contract revenue is recognized when the initial inspection service is completed. Licensing and registration fees are recognized evenly over the period covered by the fee. Revenue billed but not earned is carried forward as deferred revenue.

#### (i) Financial instruments:

Financial instruments are financial assets or liabilities of ESA which, in general, provide ESA the right to receive cash or another financial asset from another party or require ESA to pay another party cash or other financial assets.

The fair value of ESA's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these financial instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and significant matters of judgment. Changes in assumptions could significantly affect the estimates.

Cash and cash equivalents are measured at fair value at the year-end date, accounts receivable and accounts payable and accrued liabilities are recorded at amortized cost.

#### (j) Measurement uncertainty:

The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the assets and obligations related to employee future benefits. Actual results may vary from the current estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the periods in which they become known in accordance with the accounting standards.

#### 3 Investments:

Investments consist of the following:

|                                 | 2019      | 2018      |
|---------------------------------|-----------|-----------|
| Fixed Income Canadian:          |           |           |
| Federal bonds                   | \$ 334    | \$ 1,292  |
| Provincial bonds                | -         | 3,351     |
| Corporate bonds/GIC's           | 56,820    | 42,443    |
| Fixed Income U.S.               | 1,741     | 4,660     |
| Fixed Income Foreign (non-U.S.) | 1,071     | 1,307     |
| Total fixed income              | 59,966    | 53,053    |
| Equities:                       |           |           |
| Canadian                        | 8,605     | 9,117     |
| U.S.                            | 12,781    | 12,341    |
| Foreign (non-U.S.)              | 14,166    | 13,362    |
| Total equities                  | 35,552    | 34,820    |
| Total investments               | \$ 95,518 | \$ 87,873 |

Investments are internally restricted for future expenditures for post-employment benefits (note 7). The bonds have a weighted average term to maturity of 60.4 months, a weighted average interest rate of 2.70% and a weighted average yield to maturity of 2.40%.

#### 4 Property, plant and equipment:

|   | Cost |        | Accumulated amortization |        | Net bo | 2019<br>ok value | 2018<br>Net book value |        |
|---|------|--------|--------------------------|--------|--------|------------------|------------------------|--------|
| Land                                      | \$   | 2,314  | \$                       | -      | \$     | 2,314            | \$                     | 2,314  |
| Buildings                                 |      | 8,341  |                          | 3,629  |        | 4,712            |                        | 5,046  |
| Building improvements                     |      | 1,685  |                          | 469    |        | 1,216            |                        | 1,082  |
| Electronic equipment                      |      | 7,146  |                          | 4,400  |        | 2,746            |                        | 1,572  |
| Telephone and projection system equipment |      | 2,573  |                          | 2,465  |        | 108              |                        | 195    |
| Office furniture and equipment            |      | 2,334  |                          | 1,794  |        | 540              |                        | 626    |
| Inspection equipment                      |      | 19     |                          | 19     |        | -                |                        | -      |
| Leasehold improvements                    |      | 1,791  |                          | 1,791  |        | -                |                        | -      |
| Capital work in process                   |      | 1,151  |                          | -      |        | 1,151            |                        | 452    |
|   | \$   | 27,354 | \$                       | 14,567 | \$     | 12,787           | \$                     | 11,287 |

#### **6** Intangible assets:

|                                | Cost         | <br>mulated<br>tization | Net boo | 2019<br>k value | Net boo | 2018<br>k value |
|--------------------------------|--------------|-------------------------|---------|-----------------|---------|-----------------|
| Computer software and licenses | \$<br>20,191 | \$<br>18,231            | \$      | 1,960           | \$      | 3,101           |

#### **3** Employee future benefit plans:

ESA's employee benefit plans include defined benefit plans that provide pension and OPEB such as medical, dental and life insurance benefits to most of its employees. The registered pension plan, contributions to which are governed by the Pension Benefits Act of Ontario, is a contributory defined benefit plan covering all regular employees of ESA. Defined benefit plan assets, obligations and related expenses are impacted by factors including interest rates, adjustments arising from plan amendments and changes in assumptions.

The accrued benefit obligations for the pension plan and supplemental employee retirement plan are measured as at March 31, 2019 based on projections from the January 1, 2017 actuarial funding report. The obligations for OPEB and long-term disability are measured as at March 31, 2019 based on projections from data as at January 1, 2017 and March 31, 2019 respectively. The fair value of assets for all plans is determined using the March 31, 2019 asset values.

The actuarial present value of the accrued pension benefits for funding purposes is estimated as at March 31, 2019 based on a projection of the actuarial valuation as of January 1, 2017. The effective date of the next required actuarial valuation report for funding purposes for the pension plans is January 1, 2020.

Information about ESA's defined pension benefit plans and OPEB plans for the year ended March 31, 2019 is as follows:

|  | 2019<br>Pension benefit plans |           | 2019<br>OPEB plans |          |    |           | 0  | 2018<br>PEB plans |
|--|-------------------------------|-----------|--------------------|----------|----|-----------|----|-------------------|
| Accrued benefit obligation, end of year                          | \$                            | (382,746) | \$                 | (84,298) | \$ | (358,192) | \$ | (75,414)          |
| Fair value of plan assets, end of year                           |                               | 382,024   |                    | -        |    | 366,872   |    | -                 |
| Funded status, plan asset (deficit)                              |                               | (722)     |                    | (84,298) |    | 8,680     |    | (75,414)          |
| Add: Workplace Safety<br>Insurance Board of Ontario<br>liability |                               | -         |                    | (739)    |    | -         |    | (467)             |
| Total employee future benefit asset (obligation)                 | \$                            | (722)     | \$                 | (85,037) | \$ | 8,680     | \$ | (75,881)          |

The amount of \$722 (2018 - \$8,680 deferred pension asset) reported on the statement of financial position as pension benefit funded status represents the excess of the actuarial value of accrued pension benefits obligation over pension assets and consists of a balance of \$5,110 (2018 - \$14,033) in the pension plan and a liability of \$5,832 (2018 - \$5,353) in the Supplementary Retirement Plan.

#### **6** Employee future benefit plans (continued):

The breakdown of the total benefit cost is as follows:

|                               | Pension be | 2019<br>nefit plans | 0P | 2019<br>EB plans | Pension be | 2018<br>nefit plans | 0P | 2018<br>EB plans |
|-------------------------------|------------|---------------------|----|------------------|------------|---------------------|----|------------------|
| Employer current service cost | \$         | (8,154)             | \$ | (2,730)          | \$         | (7,893)             | \$ | (2,395)          |
| Finance cost                  |            | 896                 |    | (4,009)          |            | 588                 |    | (4,024)          |
| Total defined benefit cost    | \$         | (7,258)             | \$ | (6,739)          | \$         | (7,305)             | \$ | (6,419)          |

The significant actuarial assumptions adopted in measuring ESA's accrued pension benefits and OPEB obligations for the year ended March 31, 2019 are as follows:

|  | Pension b | enefit plans | OPEB plans     |                |  |
|--|-----------|--------------|----------------|----------------|--|
|  | 2019      | 2018         | 2019           | 2018           |  |
| Discount rate                                | 5.70%     | 5.40%        | 5.70%          | 5.40%          |  |
| Rate of compensation increase (before merit) | 2.50%     | 2.50%        | 2.50% Ultimate | 2.50% Ultimate |  |
| Increase in Consumer Price Index             | 2.00%     | 2.00%        | -              | _              |  |

The significant actuarial assumptions adopted in measuring ESA's expenses for pension benefits and OPEB obligations for the year ended March 31, 2019 are as follows:

|  | Pension b | enefit plans | OPEB plans |       |  |
|--|-----------|--------------|------------|-------|--|
|  | 2019      | 2018         | 2019       | 2018  |  |
| Discount rate                                    | 5.40%     | 5.75%        | 5.40%      | 5.75% |  |
| Rate of compensation increase (before merit)     | 2.50%     | 3.00%        | 2.50%      | 2.50% |  |
| Increase in Consumer Price Index                 | 2.00%     | 2.25%        | -          | -     |  |
| Expected long-term rate of Return on plan assets | 5.40%     | 5.75%        | -          | -     |  |

ESA's rate of growth for health care costs in 2019 is estimated as follows:

Drugs – 7.00% in 2019 grading down to 4.25% per year in 2029 Other medical costs – 4.25% per year Dental – 3.75% per year

The pension plan assets principally include equities and corporate and government debt securities, which are selected by professional investment managers. Pension plan assets are valued using current market values.

### 6 Employee future benefit plans (continued):

The pension plan assets are invested as follows:

|                             | 2019 | 2018 |
|-----------------------------|------|------|
| Cash                        | 3%   | 5%   |
| Short-term investments      | 1%   | 0%   |
| Fixed income securities     | 30%  | 30%  |
| Canadian equities           | 31%  | 29%  |
| U.S. equities               | 18%  | 18%  |
| Non-North American equities | 17%  | 18%  |
|                             | 100% | 100% |

Other information about ESA's defined benefit pension plan is as follows:

|   | 2019     | 2018     |
|---|----------|----------|
| Employer's contributions  | \$ 8,118 | \$ 7,438 |
| Employer's contributions in respect of gain sharing plan                            | -        | -        |
| Employee's contributions  | 5,472    | 5,303    |
| Benefits paid   | 13,830   | 15,833   |
| Re-measurements due to pension benefit actuarial gains (losses) and plan amendments | (5,814)  | (976)    |

Provision for Adverse Deviations (PfAD) – effective for funding valuations filed in or after 2018, the Ontario Pension Benefits Act and Regulation 909 thereunder require a Provision for Adverse Deviations (PfAD) be applied to pension obligations. The Accounting Standards Board have indicated they expect plan sponsors to apply that PfAD to accounting obligations for all post retirement programs sponsored by entities that have elected to use the pension funding valuation for accounting purposes, with a pension plan registered in Ontario, starting at December 31, 2018.

### 6 Employee future benefit plans (continued):

The effect of implementing the PfAD has increased the liabilities as at March 31, 2019 as follows:

|  | Pension       | OPEB         |
|--|---------------|--------------|
| Reconciliation of the Defined Benefit Obligation (DBO) |               |              |
| Defined benefit obligations – opening                  | \$<br>358,192 | \$<br>75,414 |
| Employer current service cost                          | 8,154         | 2,729        |
| Employee contributions                                 | 5,472         | -            |
| Net transfers  | 64            | -            |
| Benefits paid  | (14,122)      | (1,984)      |
| Interest on defined benefit obligation                 | 18,944        | 4,009        |
| Actuarial (gains)/losses                               | (16,288)      | (1,955)      |
| Actuarial (gaines)/losses – PfAD                       | 22,331        | 6,085        |
|  | \$<br>382,747 | \$<br>84,298 |

### Internally restricted long-term investments:

Long-term investments in the amount of \$95,518 (2018 - \$87,873) are internally restricted for specific purposes relating to liquidity of future expenditures for post-employment benefits. Furthermore, investment income earned through long-term investments is also used to offset OPEB interest expense. Investment income for the year totals \$3,679 (2018 - \$3,406) with an OPEB interest expense of \$4,011 (2018 - \$4,024).

### **8** Revenue:

Major categories of revenue recognized during the year are as follows:

|                            | 2019       | 2018       |
|----------------------------|------------|------------|
| Wiring                     | \$ 65,180  | \$ 64,206  |
| Continuous safety services | 23,653     | 22,725     |
| Other                      | 23,928     | 23,410     |
|                            | \$ 112,761 | \$ 110,341 |

### Statement of cash flows:

The net change to non-cash working capital balances related to operations consists of the following:

|  | 2019     | 2018       |
|--|----------|------------|
| Accounts receivable                      | \$ 606   | \$ (2,093) |
| Other assets                             | (153)    | 282        |
| Accounts payable and accrued liabilities | 453      | 500        |
| Deferred revenue                         | 750      | [634]      |
|  | \$ 1,656 | \$ (1,945) |

### **O** Contingencies:

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and employees. Specific claims have been brought against the Company, the outcome of which is indeterminable at this time. Management believes that adequate provisions have been recorded in the accounts where required and that there are no excess determinable liabilities that have not been recorded at March 31, 2019.

Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such claims would not have a material adverse effect on the financial position of the Company. Should any losses occur, they would be charged to operations in the year the amounts become determinable.

### **O** Commitments:

a) The Company is committed to premises and equipment leases with terms expiring at various dates during the next five years and thereafter. Future minimum annual payments under non-cancellable operating leases are as follows:

|            | \$<br>18,132 |
|------------|--------------|
| Thereafter | 2,945        |
| 2024       | 2,945        |
| 2023       | 2,950        |
| 2022       | 3,034        |
| 2021       | 3,092        |
| 2020       | \$<br>3,166  |

**b)** As at March 31, 2019, a letter of credit in the amount of \$351 has been issued to the Workplace Safety Insurance Board of Ontario to guarantee funding of future liabilities.

### @ Financial risks and concentration of credit risk:

ESA is exposed to a variety of financial risks including market risk and credit risk. ESA's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effect on ESA's financial performance. ESA is exposed to interest rate risk with regards to its short and long-term investments, which are regularly monitored.

#### (a) Credit risk and customer concentration:

Credit risk arises from cash and cash equivalents held with financial institutions, and credit exposures to customers on outstanding accounts receivable balances. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses in financial assets. Cash is held at a major financial institution that has a high credit rating assigned to it by international credit-rating agencies minimizing any potential exposure to credit risk. ESA assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Management also monitors payment performance and the utilization of credit limits of customers.

Concentration of credit risk arises when a group of customers has similar characteristics, such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. Management has assessed the risk of concentration of credit risk and has concluded that this is not a significant risk based on the make up of the accounts receivable balance. ESA has policies in place to ensure that sales are made to customers with an appropriate credit history.

#### (b) Liquidity risk:

Liquidity risk results from the ESA's potential inability to meet its obligations associated with the financial liabilities as they become due. ESA monitors its operations and cash flows to ensure that current and future obligations will be met. ESA believes that its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

### ® Government remittances outstanding:

Government remittances consist of amounts (such as property taxes, sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when amounts become due. In respect of government remittances \$2,133 (2018 - \$2,679) is included within accounts payable and accrued liabilities.

### Restricted Reserve

ESA has an approved restricted reserve to ensure sufficient capital is available to maintain long-term sustainability in the event of unforeseen adverse financial events, or to fund specific strategic initiatives as recommended by ESA management. This policy, approved by the Board of Directors, sets a target restricted reserve level based on budgeted operating expenses.

### Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

# **ADVISORY COUNCILS**

ESA currently has six stakeholder advisory councils: five provide advice and counsel to ESA management and one, the Electrical Contractor Registration Agency Advisory Council, provides advice and counsel to ESA's Regulatory Affairs and Governance Committee.

Advisory councils are guided by terms of reference and chaired by individuals voted to the role by their respective council members, with the exception of the Ontario Provincial Code Committee and the Cross-Sector Advisory Council, which are chaired by ESA management. Specific projects and issues are addressed by working groups or ad hoc committees when appropriate, and consultations are used to gather broad stakeholder feedback on key safety initiatives.

Advisory council terms of reference, meeting minutes and information on working groups and consultations are posted on <u>esasafe.com</u>.

Advisory councils play a valuable role in helping to shape electrical safety initiatives. Their input and advice helps inform ESA's strategy and advance its safety goals and objectives. ESA thanks all Advisory Council members for their time, effort and dedication.

### CONSUMER ADVISORY COUNCIL

Rod Skinkle (Chair)

Sandy Manners (Vice-Chair)

Larry Allison

Andre Bachand (to September 2018)

Julia Budahazy

Tim Krause (to September 2018)

Sunaina Menezes

Tammie Orifa

Joan A. Pajunen (to June 2018)

# ELECTRICAL CONTRACTOR REGISTRATION AGENCY (ECRA) ADVISORY COUNCIL

Joe Kurpe (Chair effective October 2018)

Sean Bell (Vice-Chair effective October 2018)

Larry Allison

Steve Del Guidice

Leo Grellette

Cameron Hann

Debra Mattina

Larry Shaver

**Brian Smith** 

Catherine A. Taylor

#### UTILITY ADVISORY COUNCIL

Festival Hydro Inc. – Ysni Semsedini (Chair to June 2018)

London Hydro Inc. – Greg Sheil (Vice-Chair to June 2018; Chair effective June 2018)

Hydro One Networks Inc. (Distribution)

- Darren Desrosiers (Vice-Chair effective
June 2018)

Orillia Power Distribution Corporation – Chris Burrell

Alectra Utilities – Jim Butler

Ontario Energy Board - Stephen Cain

Kitchener-Wilmot Hydro Inc.

- Greig Cameron

Hydro Ottawa Limited - Ed Donkersteeg

Infrastructure Health and Safety Association – Dean Dunn

Ontario Association of Certified Engineering Technicians and Technologists (OACETT) – John Flagello

Hydro One Networks Inc. (Transmission)

– Ajay Garg

Ontario Electrical League (OEL)
– Paul Krupicz

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Power Workers Union – Serge Laflamme

Ontario Regional Common Ground Alliance (ORCGA) – Douglas Lapp

Consumer Representative

- Sandy Manners

Ontario Sewer & Watermain Construction Association - Patrick McManus

Consumer Representative – Joan A. Pajunen (to June 2018)

Bell Canada – Tony Pereira

Veridian Connections Inc. - Peter Petriw

Burlington Hydro – Joe Saunders

Toronto Hydro-Electric Systems Limited – Hani Taki

Canadian Standards Association
– Michael Wilson

Guelph Hydro Electric Systems Inc.

– Michael Wittemund

Newmarket-Tay Power Distribution Limited – Gaye-Donna Young

Ministry of Energy - Ryan Zade

## CONTRACTOR ADVISORY COUNCIL

Joe Kurpe (Chair)

Scott Kelly (Vice-Chair)

Dave Ackison

Clint Attard

Shawn Blacklock

Luke Bogdanovic (to June 2018)

Mark Hopkins

Tony Minna

Larry Shaver

Robert Smith

Rob Sloan

Dan Williams

## ONTARIO PROVINCIAL CODE COMMITTEE

Ted Olechna, ESA (Chair)

Tony Poirier (Vice Chair)

Malcolm Brown, ESA

Barry Buchanan

George Chelvanayagam

Kathi Farmer

Mel Fruitman

Vladimir Gagachev

Phil Lasek

Chris Magnusson

Pierre McDonald

Peter Olders

Shawn Paulsen

Tim Pope

Eerik Randsalu

Dave Sinclair

Rob Smith

# CROSS-SECTOR ADVISORY COUNCIL

Sean Bell (to October 2018)

Joe Kurpe

Ted Olechna, ESA

Ysni Semsedini (to June 2018)

Rod Skinkle

Greg Sheil



ESA continually reviews and renews its internal corporate policies to comply with all legislative requirements. Some policies are publicly available.

This year, extensive organization-wide training was provided on the Whistleblower and Harassment policies. This initiative included the retention of an independent third party to whom employees can anonymously lodge complaints, and the creation of a workplace conduct portal on our intranet.

# Workplace Harassment, Violence and Discrimination

The Harassment, Discrimination and Violence in the Workplace Policy is a key part of the renewal of ESA's program to prevent and address harassment, discrimination and violence in the workplace. This Policy was reviewed and renewed in 2018 to reflect relevant legislative change as well as the important and ongoing social dialogue on these issues. As noted above, the associated training was undertaken over the last year. The enhanced Harassment, Discrimination and Violence in the Workplace Policy and related program provides for:

- Zero tolerance of harassment, discrimination and violence in the workplace, with updated definitions of those terms;
- Providing multiple avenues for the reporting of harassment, discrimination and violence;
- Mandatory investigation of all such reports;
- Organization-wide training; and
- Regular review of the program.

#### Whistleblower

ESA considers the standards prescribed in the Code of Conduct to be paramount to the integrity and credibility of the organization and its staff. The Whistleblower Policy establishes a comprehensive framework for the making and handling of internal reports of a whistleblowing nature.

The Whistleblower Policy establishes a responsibility for ESA employees, officers and Board members to report acts or omissions that are (or are suspected to be) illegal, unethical or contrary to ESA policies, including the Code of Conduct. Individuals reporting concerns in good faith will not suffer retaliation or reprisal. Any external reports of this nature about ESA continue to be handled pursuant to the Complaints Policy.

The Chief Ethics Officer is responsible for ensuring that reports of concerns are appropriately handled and investigated in accordance with the procedures and that the Audit Committee is provided quarterly updates.

#### **ESA's Code of Conduct**

ESA's <u>Code of Conduct (Code)</u> provides a framework within which all day-to-day activity takes place and in alignment with ESA's mandate and values. The Code also provides ESA's Board of Directors and stakeholder with a concrete statement of standards of conduct against which ESA actions can be measured. ESA's Code of Conduct can be found at esasafe.com.

### **Complaints**

ESA responds to complaints received from customers, stakeholders and the public. Complaints are viewed as valuable opportunities to strengthen customer relationships. ESA provides information and encourages two-way communication at all levels to ensure it is continually improving service quality. Where possible, complaints are dealt with at the source. If a complainant is not satisfied at the initial stage, their complaint can be formalized and processed through two additional stages of resolution, ultimately resulting in a review and final response from the Chief Ethics Officer. Information on ESA's Complaints Policy can be found at esasafe.com.

In 2018/2019 ESA received and resolved 26 formal complaints pursuant to the <u>Complaints Policy</u> compared to 45 in the previous year. ESA continues to work to resolve outstanding complaints.

### **Appeals Process**

ESA is committed to providing individuals with the opportunity to request a review of orders or licensing decisions as they arise. In this regard, ESA established a fair and transparent appeals process to facilitate the right to appeal any orders or Director's decisions. The appeals process, which can be reviewed at <a href="mailto:esasafe.com">esasafe.com</a>, defines specific steps and timelines to respond to an appeal pertaining to the Ontario Electrical Safety Code, licensing matters, electrical utility distribution and product safety.

In 2018/2019, ESA received five appeals associated with the Ontario Electrical Safety Code (Regulations 164/99) compared to fourteen the previous year. ESA received three appeals associated with Contractor Licensing (Regulation 570/05), compared to eleven in the previous year. ESA received three appeals associated with the Product Safety (Regulation 438/07).

### French Language Service

ESA responds to requests for French services as they arise throughout the year. In 2018/2019, ESA's Customer Service Centre received 3,540 calls in French, compared to 3,346 the previous year.

### **Privacy**

ESA is committed to maintaining the accuracy, security and privacy of personal information in accordance with the terms of its Access and Privacy Code under the Administrative Agreement with the Government of Ontario and applicable privacy laws. ESA maintains a Customer Privacy Policy and has a Chief Privacy Officer who oversees policy and activity in this area. ESA collects personal information to support the delivery of services, understand individual needs, manage corporate operations, develop and enhance services, and meet legal and regulatory requirements.

Due to the importance of information exchange in maintaining public electrical safety, ESA discloses and disseminates records in accordance with the request for information process set out in its Access and Privacy Code. The Access and Privacy Code provides a right of access to records in ESA's custody and control unless one of the specific exemptions identified in the Code applies. In 2018/2019, ESA received 2,864 Requests for Information and conducted 3,073 Record Searches.

The Access and Privacy Code and the Customer Privacy Policy can be found at <u>esasafe.com</u>.

### **Accessibility Policy**

ESA is committed to fulfilling its obligations to meet the accessibility needs of persons with disabilities in a timely manner in accordance with the Accessibility for Ontarians with Disabilities Act, 2005 (AODA), and the related Standards, namely, the Integrated Accessibility Standards Regulation (Regulation 191/11)(IASR) and the Accessibility Standards for Customer Service (Regulation 429/07) (ASCS).

As part of ESA's commitment to meeting its obligations under the AODA, ESA has developed a Multi-Year Accessibility Plan that outlines ESA's strategy to prevent and remove barriers to accessibility. ESA has also established policies and processes to assist persons with disabilities, including the Accessible Customer Service Policy and the Integrated Accessibility Standards Policy. ESA's Multi-Year Accessibility Plan will be reviewed and updated at least once every five years.

The Accessibility Policy and Multi-Year Accessibility Plan can be found at esasafe.com.

### **Procurement Policy**

ESA follows a <u>Procurement Policy</u> to ensure receipt of the best value for the goods and services required for its operations and that these goods and services are purchased through open, fair, transparent, accessible, clear, and consistent procurement practices. This Policy and its associated policies and procedures are mandatory and apply in their entirety to all ESA employees, and anyone with the authority to act on behalf of ESA.

It is important that ESA employees involved in procurement activities act with integrity and professionalism in accordance with the requirements set out in ESA's Code of Conduct. Where conflicts of interest, both real and perceived, exist during the procurement process and the ensuing contract, ESA employees are to refer to the Procurement Policy and associated procedures, the business expense procedures, the Code of Conduct and other related policies for guidance.

All ESA employees involved in a procurement evaluation are required to safeguard confidential information, and be aware of, and abide by, any restrictions related to confidential information shared through this process. The Procurement Policy can be found at esasafe.com.

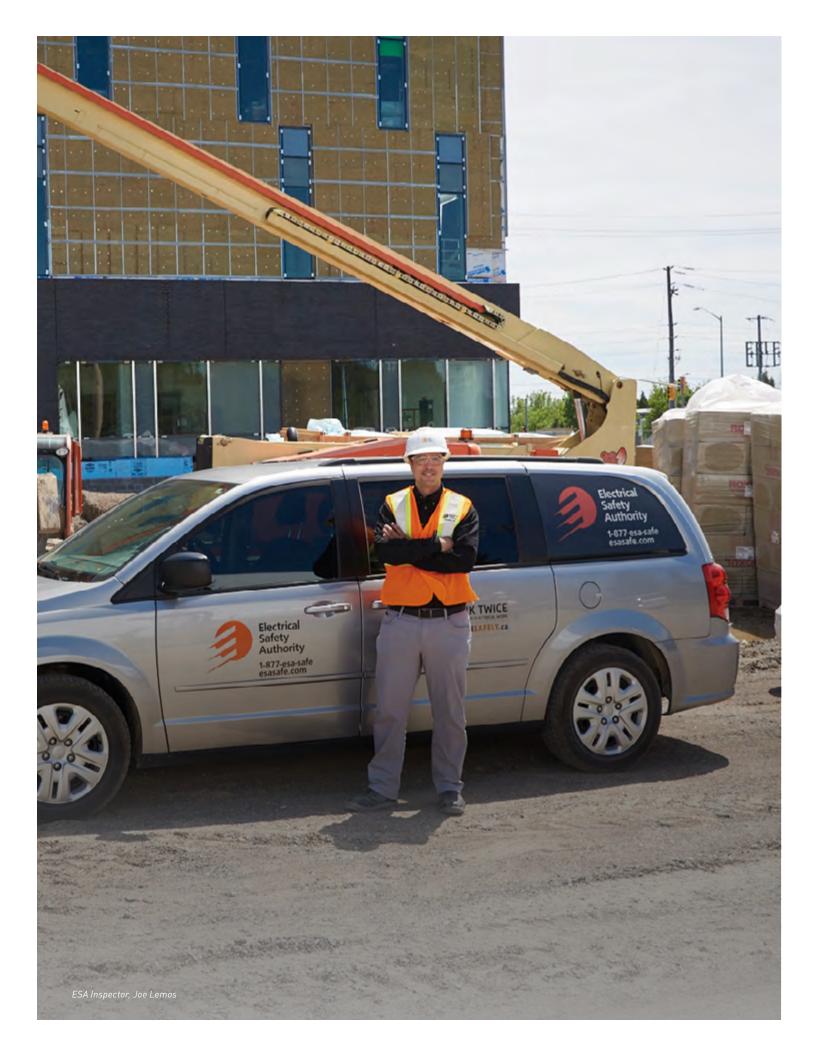
# Management of Non-Regulatory Business

ESA can engage in other activities in accordance with its Administrative Agreement. Specifically, ESA has the ability to undertake non-regulatory business, which is business in addition to its statutory mandate. ESA will only engage in non-regulatory business ventures that promote and enhance electrical safety within Canada and are consistent with the Objects in its Letters Patent unless prior approval by government has been obtained in accordance with our Administrative Agreement.

The Administrative Agreement (Schedule F) defines specific requirements and non-regulatory policy principles, such as commitment to core responsibilities and regulatory integrity, fair business practice, fair competition, and financial independence.

In addition, ESA has internal policies and processes it follows when engaging in non-regulatory business ventures in order to meet its obligations and compliance reporting requirements as established under the Administrative Agreement. Internal policies and procedures include: Non-Regulatory Business Venture Policy, Non-Regulatory Business – Conflict of Interest Policy, and New Non-regulatory Business Ventures Procedure.







## **CONTACT US**

#### **HEAD OFFICE**

155A Matheson Blvd West Mississauga, ON L5R 3L5

#### **CUSTOMER SERVICE CENTRE**

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in Electrical Safety Authority