



Electrical  
Safety  
Authority



Working Together for a

# SAFER FUTURE

Annual Report 2020/21

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## 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.



### INTEGRITY AND TRUST

We will take the high road.



COVID-19 Response – Portable Power Cables, Sunnybrook Field Hospital

# BY THE NUMBERS

2020/21

 **406,796**  
INSPECTIONS

**1,300**  
VIRTUAL  
INSPECTIONS

**\$50,000**

Corporate Donation  
to Electrical Injury  
Endowment Fund and  
Chair in Burn Research at  
Sunnybrook Foundation –  
helping electricians and  
victims of electrical burns

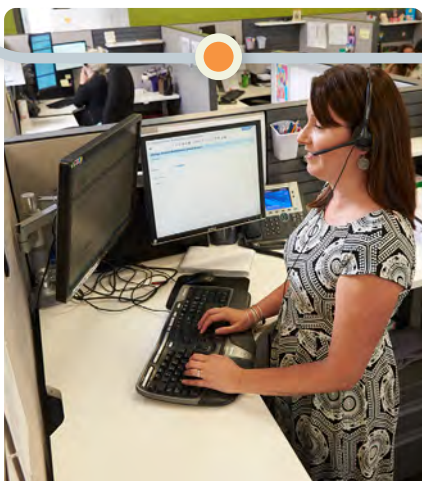
ESA Donates \$250,000 over 5 years  
to Sunnybrook Ross Tilley Burn  
Centre

After observing the widespread incident of PTSD,  
depression and anxiety among electrical burn  
patients, Dr. Marc Jeschke, medical director at the  
Ross Tilley Burn Centre at Sunnybrook wants to  
better understand the mental health needs of his  
patients to create comprehensive mental health  
support and care.

A commitment of \$250,000 over the past five years  
from the Electrical Safety Authority has allowed  
Dr. Jeschke to continue the momentum of this  
world-leading electrical injury research.

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**536,217**  
INBOUND CALLS

 **115,558**  
ONLINE PERMITS

LICENSES ISSUED

**600** LECs **527** MEs

LICENSING  
ENFORCEMENT

**98**  
INVESTIGATIONS

**22**  
CHARGES

**8**  
CONVICTIONS

 **329** PRODUCT  
SAFETY CASES  
reviewed and 1 safety alert issued

# 350

Licence Holder  
Meeting  
Attendees

# 177

Virtual™ Annual  
Meeting & Safety  
Awards Attendees

Welcome to the 2020 Annual  
Meeting & Ontario Electrical  
Safety Awards



# 57

Master Electrician  
Exams held



# 457

## INDIVIDUALS

who passed the Master Electrician Exam



- **94%** of LDCs compliant with O.Reg.22/04
- **6%** LDCs provided with areas to address to achieve compliance with O.Reg.22/04



### ONTARIANS THAT WILL HIRE AN LEC

# 16%

Ontario homeowners would hire an LEC if they had to do electrical work tomorrow.



# 9,160

Master Electrician  
Licences

# 14,874

Licensed Electrical  
Contractor Licences



# 2,061,774

Page views on ESA website



# 11,879

Likes Achieved  
on Facebook

# MESSAGE FROM THE CHAIR



**As of January 2021, I was appointed as Chair of the Board at ESA.**

**COVID-19 interrupted and changed almost everything. But it also allowed me to witness firsthand ESA's incredible agility and tenacity in adapting to this new environment.**

ESA rose to the many challenges presented and continued to deliver services while ensuring electrical safety for all Ontarians – working in close collaboration with the Ministry of Government and Consumer Services (MGCS) and our many stakeholder groups.

I have deep gratitude to the executive management team and employees at ESA who ensured the uninterrupted delivery of services and assisted the Province with various initiatives to help slow the spread of COVID-19. ESA also received the results of the Ontario Auditor General's Value for Money Audit of ESA. We are using the Auditor General's recommendations in alignment with our corporate strategy to enhance our on-going efforts to be a modern, results-based regulator that reduces burden for businesses.

ESA is focused on achieving our strategic objectives and becoming known as the foremost authority on electrical safety. In addition to the significant progress made against our objectives, ESA is well positioned for a post-pandemic business environment through the development of a new digital strategy, enhanced customer service, new licensing plan and initiatives, and a risk-based approach that promotes electrical safety today and anticipates what tomorrow will bring.

I would like to thank our previous Board Chair Peter Gregg for his leadership and vision and look forward to working with him as a board member. I would also like to recognize my fellow Board members for their significant contributions and to again applaud the executive management team and all ESA employees for an outstanding year in such difficult circumstances.

It has been a great pleasure to work with this amazing team and I look forward to continuing our important work together in the coming years.

A handwritten signature in black ink, reading "A Bergeron".

**Annette Bergeron**, Chair,  
Electrical Safety Authority

# MESSAGE FROM THE PRESIDENT AND CEO



**More than a year ago, COVID-19 unleashed unprecedented economic, health and social turmoil on a global scale, completely disrupting our lives. As an Ontario government-designated essential service, ESA had to quickly pivot to new ways of working to continue delivering against our important safety mandate while mitigating risks for our employees, partners, stakeholders and the public.**

It has been challenging, but I'm proud of the tremendous flexibility, resilience, and hard work of our entire organization, which enabled us to achieve our goals while making important contributions to COVID-19 public safety and continuing to deliver against our ambitious five-year strategic plan "Safely Powering Tomorrow."

ESA played an important supporting role in the delivery of frontline services as ESA inspectors worked with local governments and healthcare providers to help set up temporary emergency health care facilities and shelters. We developed guidance documents and we expedited plan reviews for manufacturing plants to retool and produce PPE.

We also progressed with many important projects. We worked closely with the Auditor General of Ontario as they completed a full audit of ESA in 2020. We are proud that they recognized electrical safety in the province has improved over the last 10 years and are moving ahead with addressing all recommendations in the Report.

We completed the first year of our five-year strategic plan. We assessed burden reduction for Ontario businesses, and focused on digital strategy, enhanced customer service, and organizational excellence as important factors influencing the success of our work. Specifically:

Risk-based oversight (RBO) was successfully launched following years of consultation and development. Over 200 employees participated in RBO. It allows us to focus our resources on the areas of highest risk while reducing burden on Ontario businesses.

A comprehensive digital strategy and five-year roadmap was initiated. This roadmap includes the deployment of digital capabilities to improve electrical safety, reduce burden for stakeholders, and optimize operations in support of the corporate goals. We also refreshed our website.

Electronic plan reviews, online training and virtual exams, as well as photo evidence for inspections were implemented to address COVID-19 issues.

Throughout all this – and despite the fact that revenue was significantly impacted by COVID-19 – ESA was able to adjust and reduce costs in order to significantly mitigate the impact of this revenue shortfall. Concurrently, due to a significant recovery in investment markets from the initial COVID-19 declines, ESA experienced above normal rates of return on both our investment assets and pension assets portfolios.

Without our talented workforce, none of this would have been possible; and their well-being is of paramount importance to me and my executive team. ESA has also upgraded our supports and programs for mental health and well-being to reflect the fact that COVID-19 has introduced many ongoing stressors into our lives.

We are also implementing a comprehensive Inclusion, Diversity, Equity and Accessibility (IDEA) program and I'm proud that we now have an incredibly talented woman – Ms. Annette Bergeron – as the Chair of the Board of Directors at ESA and a recipient of the Governor General's Sovereign's Medal for Volunteers. I know her strong leadership and visionary skills will help ESA continue its journey as a modern and results-based regulator.

I'm thankful for the outstanding leadership of Ms. Bergeron, our previous Board Chair Peter Gregg; the guidance of our Board of Directors; our employees, customers, and stakeholders.

While we can't know what the future holds, I'm confident we have the right strategy, team, and talent to meet the challenges we may face as we remain focused on our electrical safety mandate for the people of Ontario.

A handwritten signature in dark ink, appearing to read 'David Collie', written over a light grey circular background.

**David Collie**, President & CEO,  
Electrical Safety Authority



## STRATEGIC GOAL

*To improve the state of electrical safety in Ontario by further reducing in the combined rate of electrical fatalities and critical injuries over five years.*



## TARGET

*ESA will work to see a reduction of 10 percent in the combined rate of electrical fatalities and critical injuries (based on the five-year rolling average).*



## PROGRESS IN 2020/2021

*ESA focused its efforts on people and those places most at-risk, as identified using an evidence-based approach through insights from the Ontario Electrical Safety Report (OESR), incidents tracking and incident surveillance. The average rate of critical injuries and fatalities per million population in 2020/2021 was 73.3, representing a 2.3 per cent decline in the five-year average rate compared to the baseline measure of 75 in 2019/2020.*

## COVID-19 Safety Initiatives

As an Ontario government-designated essential service, ESA focused on delivering against our important safety mandate while ensuring electrical safety for all Ontarians and keeping our staff safe while working in close collaboration with the Ministry of Government and Consumer Services (MGCS) and our many stakeholder groups to help stop the spread of COVID-19. This included:

### → Creating New Guidelines for Inspections

ESA created guidelines for inspection to ensure compliance of installations while focusing on safety for ESA staff and the public. A summary of these new guidelines include: using alternative inspection methods to in-person visits including photos and videos, conducting inspections on an as-needed basis to high-risk sites, and respecting public health guidelines for physical distancing and wearing Personal Protective Equipment.

### → Contributed to Provincial Efforts to Expand Healthcare Capacity

In April 2020, ESA published guidance documents to support the expedited construction of Temporary Emergency Health Care Facilities (TEHCF) and Temporary Residential Facilities (TRF). ESA leveraged its authority to allow deviations to the Ontario Electrical Safety Code, while requiring an acceptable level of electrical safety for these facilities.

### → Support Ontario's Efforts to Increase Supply of Critical PPE and COVID-19 Testing Materials

ESA helped companies who retooled their manufacturing plants to produce personal protective equipment to respond to the dire shortage of supplies. By completing an expedited plan

reviews and waiving fast track administrative fees, we were able to expedite the production of critical supplies like face masks.

### → Collaborating Nationally to Expedite the Inspection and Approval of Essential Medical Equipment

In April 2020, the federal government announced a commitment to work with Canadian companies to manufacture 30,000 ventilators. To expedite the approval of this equipment, through the Canadian Advisory Council on Electrical Safety (CACES), ESA worked with Authorities Having Jurisdiction (AHJs) across Canada, the Standards Council of Canada (SCC) and Health Canada, to issue guidance for inspection bodies and field evaluation agencies to waive certain restrictions to facilitate the production of this equipment.

### → Exercising a Balanced Approach to Enforcement While Continuing To Protect Consumers

ESA continued to be active in its review and management of issues and complaints while taking a balanced approach to enforcement activities during the pandemic. ESA exercised discretion and took action only when necessary, appropriate and where consumer-protection was not impacted.

## ESA's Powerline Safety Digital Campaign

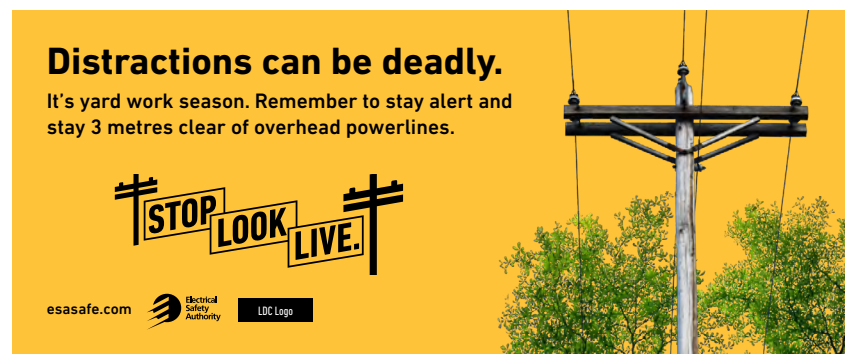
ESA launched its annual Powerline Safety Campaign during the week of May 11-17, 2020. This campaign targeted trades and consumers by urging Ontarians to combat deadly distractions by practicing three critical steps: Stop, Look, and Live. The campaign also leveraged ESA's safety partnerships with Local Distribution Companies (LDC) contributing to a robust electrical safety culture for our industry and addressing a known harm.

Due to COVID-19, ESA swiftly transitions the campaign to digital marketing materials and digital channels (such as Facebook, Instagram, YouTube and Spotify), featuring four new online videos to communicate the dangers of four hazards: downed powerlines,

overhead powerlines while doing yard work, and powerline safety while operating a dump truck or using high-reach operating equipment. The campaign was aimed at the general public more intensively, in particular homeowners conducting projects around the home and younger workers who are new on the job, addressing issues that arise with

high turnover rates and lack of employer training.

ESA also prepared an LDC communications toolkit for our utility safety partners to support them in educating electricity consumers and workers about powerline safety. It included important safety messages, bill inserts, and social media content.



## ESA Offers Important Safety Tips for Ontarians During the Holiday Season

On November 23, ESA launched its Holiday Safety campaign to educate the general public on important safety tips to help prevent electrical-related incidents during the holiday season.

From educating around the importance of GFCI outlets, outdoor extension cords and looking up and out for powerlines and the importance of checking for recognized certification and approval marks, the holiday campaign focused on product safety given the increased demand for online shopping. The campaign discussed what to watch for when buying and fitting decorations to help avoid potential electrical hazards that may prevent fires.



The campaign resulted in 27 pieces of media coverage in community newspapers such as the Hamilton Spectator and Waterloo Chronicle, which were promoted both in print, online and social media. ESA also

created a holiday safety checklist and infographic to help educate Ontarians on electrical safety when decorating their homes for the holidays.



## STRATEGIC GOAL

*To efficiently achieve its mandate of helping Ontarians to remain free from electrical harms by being able to operate with organizational agility in its approach to managing harms.*



## TARGET

*Undertake an analysis of the state of compliance in the renovation sector, understand the challenge, set a long-term goal and identify and execute targeted strategies.*



## PROGRESS IN 2020/2021

*ESA is in the process of developing a target for this goal based on the recommendations provided in the Auditor General's report.*

## Kijiji Pilot Educates for Compliance

ESA is committed to creating a robust electrical safety framework in Ontario through education, outreach, compliance and enforcement actions.

In support of this strategic goal, ESA continues to conduct activities aimed at addressing the risk posed by electrical work performed in the

underground economy without appropriate oversight, by unlicensed contractors, licensed electrical contractors and property owners.

In March 2020, ESA launched a Kijiji pilot and has been searching for ads posted by unlicensed persons advertising electrical contracting work.

**From March 8, 2020 - March 31, 2021:**

**1,643**

notices of violation have been issued to unlicensed contractors

**418**

notices have been issued to licensed electrical contractors reminding them that it is a license requirement to post their license number in advertisements.

## Removal of Ads

When an ad poster refuses to remove an illegal ad and continues to advertise without an electrical contractor licence, Kijiji will remove the ad, upon notification by ESA. Those who continue to post are escalated for enforcement action. ESA has initiated 58 investigations into those who are refusing to remove their online ad.

Kijiji has removed 946 ads posted by 239 unlicensed electrical contractors. Kijiji also sends the individual an educational message on behalf of ESA informing the ad poster of the electrical contracting licence requirements in Ontario and directing them how to obtain a licence.

## Operations COVID-19 Response

ESA worked diligently to address the emerging issues presented by the COVID-19 pandemic. ESA implemented procedures and strict protocols, based on public health guidelines to reduce the spread of COVID-19 for our employees, our customers and the public.

ESA provided priority inspections for emergency and public safety infrastructure equipment, including workplaces in the Essential Business List (hospitals, long-term care homes, retirement homes and more), and disconnect and hold orders.

In addition, ESA implemented remote assessment and inspections to help ensure the safety of our employees and the public. Remote assessment/inspection were the alternate means of fieldwork when a site visit could not have been made safely. At the Inspector's discretion, they used a wide range of options and discretion to allow business to continue, exercise their authority and conduct inspections at a later date. Remote inspections included video, pictures and sampling tools with the risk-based oversight.



# ORGANIZATIONAL EXCELLENCE



## STRATEGIC GOAL

*To provide Ontarians with an effective electrical safety system.*



## TARGET

*A 10 per cent increase in the Corporate Excellence Index over the five-year strategic plan.*



## PROGRESS IN 2020/2021

*ESA has seen a three percent (3%) increase in the Corporate Excellence Index compared to the base line year of 2018–19.*

## Risk-Based Oversight

On July 6, 2020, ESA successfully launched Risk Based Oversight (RBO) for electrical inspections. As with businesses across Ontario, ESA inspections and the planned launch of RBO were affected by the lockdown imposed by COVID-19. ESA chose to delay the launch to ensure that the move to RBO would not impose more pressure on businesses already adjusting to the impacts of COVID-19.

In the first day alone, over 2,000 LECs accessed the new online system. ESA was thrilled that so many customers signed up for electronic filing, as we move toward a paperless system. The surge in activity did result in longer than normal wait times to reach the Customer Service Centre. ESA addressed the issue immediately by training and adding customer service representatives and constantly monitoring wait times. Within weeks, the call times had significantly dropped and had almost returned to pre-launch levels. Since the launch, ESA has been collecting feedback from stakeholders to address any issues raised and answer questions to ensure that the transition to RBO was as smooth as possible.

ESA is now preparing for phase two of the RBO project, bringing further enhancements and improvements to the system. One of the most popular features of the new RBO online system was improved customer communication. Customers who submit notifications within 24 hours of the requested inspection time, are now notified if the inspector is not visiting the site. ESA is expanding this program and is currently piloting a project that increases communication on inspections. The new project informs clients in the morning of a time window when the inspector is expected to arrive on site for the inspection that day; next, the client is sent another message when the inspector is on the way to the site. Clients are then able to ensure that the appropriate contact is on site to meet the inspector.

As RBO evolves and data is collected, ESA will continue to make improvements to ensure that our inspections address the areas of highest risk, are efficient and effective for our inspectors and our clients and that the electrical safety of all Ontarians remains our top priority.

## Digital Strategy

ESA launched a digital strategy and five-year roadmap in April 2020. This roadmap will be achieved in part by deployment of digital capabilities to improve electrical safety, reducing burden for stakeholders, and optimizing operational costs in support of the corporate goals. The digital strategy is a definitive step in our move toward becoming a modern regulator as we listen to, and meet customer needs.

ESA defines digital as an organizational approach to maximize business benefits from modern technology and data assets, but this does not tell the whole story. To be meaningful and sustainable, our digital goal embraces not only *what*, but *how* we deliver. This includes enhancing the customer experience at each interaction and building foundational capabilities for ongoing business value.

Over the past year, we have demonstrated this goal with a focus on safety with new digital solutions that minimize the physical interactions required and follow all pandemic restrictions.



For our external stakeholders, we launched Electronic Plan Reviews, Virtual Exams, and leveraged photo evidence for inspections. We also deployed digital signature, digital payment, video conferencing and digital mailroom solutions to provide safe and secure options for our employees as we execute our overall business functions.

ESA launched the electronic portal for Plan Reviews in September 2020. This online solution provides stakeholders the ability to electronically submit their electrical design documents for review. It provides a no-touch submission process, real-time access for ESA to all documents submitted, and the ability for both the customer and the ESA plan review team to see the current review status.

ESA opened registration for Virtual Exams in March 2021 and the first virtual Master Electrician exam took place in April. This online solution uses virtual proctoring and artificial intelligence (AI) to monitor the writer during the exam. It provides the opportunity for the exam to be taken from a remote location for the safety of the exam taker, while maintaining the rules from the in-person exam.

Cross-functional ESA teams worked collaboratively and remotely to deliver these solutions and are poised to continue the digital roadmap over the next year.

# PUBLIC ACCOUNTABILITY



## STRATEGIC GOAL

*To be a publicly accountable regulator that provides Ontarians with a valuable electrical safety system.*



## TARGET

*Maintain or improve the stakeholder accountability index score of 8.2 as measured through ESA's multi-stakeholder survey over the next five years.*



## PROGRESS IN 2020/2021

*Satisfaction with the permit creation process remained steady with a score of 8.6 out of 10. The inspection process satisfaction score increased to 8.1 out of 10 and when asked about ESA as a whole, contractors scored ESA 8.4 out of 10.*

## ESA Launches A Refreshed Website to Improve Visitor Experience

In April 2020, ESA launched a refreshed look to the [esasafe.com](https://esasafe.com) website to streamline the visitor experience by providing relevant information that is quick and easy to find. The new website has improved functionality, provided a clean and uncluttered design and up-to-date content and enhanced imagery. It also complies with the Accessibility for Ontarians Disability Act (AODA).

Putting user needs at the centre of its design, the refreshed website included a number of improvements to enhance the visitor experience by making it easier to interact with us, such as:

### → Simplified Navigation and Search:

We listened to customer feedback and restructured the website so it's easier to navigate and to find relevant information.

### → The Creation of an "I Want To" Button:

We created an "I Want To" button with links to some of our most frequently visited pages, so visitors have quick and convenient access to everything they need to help us keep Ontario safe.

### → Easy Access to ESA Fees & Forms:

We streamlined and centralized our forms so they are all in one location and easier to find – with one simple click, visitors are able to find what they need.

### → Enhanced Accessibility & Mobile Experience:

Whether you are using a computer, a smartphone or a tablet device – our refreshed website is designed to look great and work well.

### → Enriched Newsroom Section:

From press releases and convictions to our blog that includes helpful articles, we have created multiple, convenient ways to keep visitors updated on the latest ESA news.

## 2021 Wiring Survey Feedback

As part of ESA's customer experience strategy, ESA continues to proactively survey licensed electrical contractors regarding their satisfaction with ESA's wiring processes and ESA overall. Since 2017, ESA has commissioned a third party research firm to conduct randomized surveys of contractors who recently completed the notification process. Participants are invited to provide a score and share any open feedback they have regarding the process of obtaining a notification, completing their inspection and their general perception towards ESA overall.

Having several years of data allowed ESA to set targets that improve the customer experience. ESA set its customer satisfaction target at 82% positive responses.

This strong target demonstrates the importance to ESA of ensuring stakeholders recognize the organization as an effective, publically accountable organization.

We are pleased to share that ESA exceeded its planned target and made strong progress in all three surveyed areas. Satisfaction in the permit creation process increased to a score of 8.7 out of 10. Inspection process satisfaction scored 8.4 out of 10 and when asked about ESA as a whole, contractors scored ESA at 8.6 out of 10. These results are particularly rewarding as maintaining customer satisfaction during periods of change can often be difficult.

Additionally, a new question was added this year asking how easy ESA is to interact with. ESA scored 8.9 out of 10 on this question.

This ongoing feedback systems continues to be a valuable tool for ESA to collect, interpret and adapt to customer needs. It allows the organization to identify areas of improvement, areas of strength and rapidly address service related issues. ESA will be conducting a multi-stakeholder survey in early 2022.



## Inclusion, Diversity, Equity, and Accessibility Strategy

In 2019, ESA began its journey to enhance its Diversity and Inclusion program. The program consisted of a 'Current State Inclusivity Assessment' (CSIA) as well as employee and leadership education and training, leadership interviews, employee survey and focus groups, and benchmarking against industry peers. The findings of the CSIA led to the formation of a Diversity and Inclusion Strategy Development Committee made up of diverse groups of ESA employees. The Committee was tasked with the goal of co-creating ESA's first Inclusion,

Diversity, Equity, and Accessibility (IDEA) strategy. The IDEA strategy includes a vision, a mission, and focuses on three priority areas:

1. Diversify the composition and reach of the organization;
2. Deepen leadership capacity and accountability; and
3. Foster an inclusive work environment; in addition to taking high-level actions based on the Global Diversity & Inclusion Benchmarking standards.

# MANAGING COMPLIANCE AND ENFORCEMENT

FY2021

## 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                           | 2020/2021                                                                                                                               | 2019/2020                                                                                                     |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>Customer service calls answered</b>                   | 536,217                                                                                                                                 | 603,575                                                                                                       |
| <b>Notifications created ^</b>                           | 438,317                                                                                                                                 | 412,934                                                                                                       |
| <b>Inspections completed *</b>                           | 406,796                                                                                                                                 | 412,934                                                                                                       |
| → Wiring (e.g. residential, commercial, industrial etc.) | 361,318                                                                                                                                 | 365,953                                                                                                       |
| → Continuous Safety Services                             | 30,202                                                                                                                                  | 29,571                                                                                                        |
| → Fire Marshal Orders                                    | 257                                                                                                                                     | 316                                                                                                           |
| → Hazards                                                | 15,019                                                                                                                                  | 17,094                                                                                                        |
| <b>Pass rate of Inspections*</b>                         | 84%                                                                                                                                     | 81%                                                                                                           |
| <b>Total technical defects created*</b>                  | 121,954                                                                                                                                 | 181,932                                                                                                       |
| <b>Top technical defects*</b>                            | a) AFCI required for branch circuits<br>b) Complete panel directory required<br>c) Minimum support spacing, non-metallic sheathed cable | a) AFCI required for branch circuits<br>b) Complete panel directory required<br>c) Box/device covers required |
| <b>Total warnings created*</b>                           | 19,025                                                                                                                                  | 24,396                                                                                                        |
| <b>Continuous Safety Services</b>                        | 4,517 customers with 30,567 sites                                                                                                       | 4,440 customers with 30,176 sites                                                                             |
| <b>Investigations conducted</b>                          | 4                                                                                                                                       | 403                                                                                                           |
| <b>Charges laid</b>                                      | 19                                                                                                                                      | 34                                                                                                            |
| <b>Court convictions secured</b>                         | 2                                                                                                                                       | 34                                                                                                            |
| <b>Appeals</b>                                           | 8                                                                                                                                       | 2                                                                                                             |
| <b>Complaints</b>                                        | 31                                                                                                                                      | 27                                                                                                            |

^Prior to this annual report, this metric was known as Inspections conducted.

\*New metrics reported for this annual report, upon Auditor General's recommendation.

## 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                 | 2020/2021 | 2019/2020 |
|-----------------------------------------------------------|-----------|-----------|
| Electrical distribution-related safety incidents reported | 358       | 203       |
| Electrical distribution-related fatalities                | 5         | 4         |
| Due diligence inspections                                 | 343       | 382       |
| Public safety concerns received                           | 281       | 162       |

## 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.

| Licensing                                         | 2020/2021 | 2019/2020 |
|---------------------------------------------------|-----------|-----------|
| Electrical Contractor licences issued             | 600       | 726       |
| Master Electrician licences issued                | 527       | 793       |
| Licenses renewed                                  | 23,083    | 23,136    |
| Individuals who wrote the Master Electrician exam | 562       | 945       |
| Master Electrician exam pass rate                 | 81.3%     | 81.3%     |
| Discipline notifications handled                  | 876       | 1,021     |
| Licenses suspended                                | 68        | 89        |
| Licenses revoked                                  | 0         | 0         |
| Complaints handled                                | 2,914     | 2,218     |
| Notices of violations issued                      | 1,944     | 716       |
| Licensing investigations conducted                | 98        | 85        |
| Charges laid                                      | 22        | 30        |
| Court convictions secured                         | 8         | 32        |
| Appeals                                           | 5         | 5         |

## PRODUCT SAFETY, O. 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 provide 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 Ontario. 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 investigating incidents related to electrical products and 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 (CACES) and National Public Safety Advisory Committee (NPSAC).

| Product Safety                                        | 2020/2021 | 2019/2020 |
|-------------------------------------------------------|-----------|-----------|
| Total product safety incident reports received by ESA | 329       | 519       |
| Reports deemed high risk                              | 2         | 3         |
| Reports deemed medium risk                            | 266       | 435       |
| Reports deemed low risk                               | 38        | 53        |
| Non-Related Reports                                   | 23        | 28        |
| Safety alerts issued                                  | 1         | 15        |
| Investigations conducted                              | 0         | 0         |
| Recalled product notifications                        | 0         | 2         |
| Charges laid                                          | 0         | 0         |
| Convictions                                           | 0         | 0         |
| Appeals                                               | 0         | 1         |

# GOVERNANCE

## BOARD GOVERNANCE

ESA's Board of Directors 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](http://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 Directors' Code of Conduct.

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.

# BOARD COMMITTEES

## AUDIT & INVESTMENT COMMITTEE

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

The committee manages on behalf of ESA, the relationship with external auditors 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. The committee is responsible for oversight of assets, establishing and overseeing a prudent investment management approach, review of investment policies, Pension Plan liabilities and ensures compliance with the Pension Benefits Act and the Income Tax Act.

**Chair:** C. Hopper

**Members:** P. Gregg; A. Bergeron; G. Oosterhof; W. Pamic; D. Péloquin; Y. Semsedini; R. Mace (to December 2020)

## PEOPLE, CULTURE & GOVERNANCE COMMITTEE

People, Culture and Governance Committee provides oversight responsibilities and risk management regarding human resources, compensation, pension strategy and corporate governance.

This committee oversees the human resources strategy on behalf of ESA, and Members review succession planning (corporate and Board), performance assessment, development requirements and compensation philosophy and structure. The Committee also is responsible for monitoring and making recommendations regarding corporate governance, board practices, succession planning and board evaluations. Its role is to ensure the adequacy and effectiveness of systems implemented to ensure compliance with established corporate governance, and human resources legislation, policies and procedures.

**Chair:** R. Mace (effective Jan 1, 2021) A. Bergeron (to Dec 31, 2020)

**Members:** P. Gregg (to December 2020); A. Bergeron (effective Jan 1, 2021); D. MacDonald; G. Oosterhof; A. Malo; A. Areja; Y. Semsedini

## THE REGULATORY AFFAIRS COMMITTEE

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

The committee ensures ESA is effectively meeting its regulatory obligations, responsibilities and public safety mandate. This includes ensuring alignment with ESA's administration of designated legislation and associated regulations, harm reduction objectives, monitoring development and use of policies, procedures and guidance documents, external relations and stakeholder relationship management.

**Chair:** A. Malo

**Members:** A. Bergeron (effective Jan 1, 2021); P. Gregg; R. Mace; D. Péloquin; D. MacDonald; C. Hopper; W. Pamic; A. Arenja

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## MEETINGS APRIL 2020 TO MARCH 2021

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|                                                 |            |
|-------------------------------------------------|------------|
| <b>Audit &amp; Investment Committee</b>         | 5 meetings |
| <b>People, Culture and Governance Committee</b> | 4 meetings |
| <b>Regulatory Affairs Committee</b>             | 4 meetings |
| <b>Board Meetings</b>                           | 4 meetings |

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# BOARD MEMBERS AS OF MARCH 31, 2021

**ANNETTE BERGERON, MBA,  
P.ENG., FEC FCAE**  
(YEAR 1 OF TERM 3)

Chair, ESA Board of Directors,  
Principal, Bergeron Consulting;

**Previously:** President, Engineers  
Canada; Director, South East  
Local Health Integration  
Network, President, Professional  
Engineers Ontario; President,  
Ontario Society of Professional  
Engineers, Director, Kingston  
General Hospital

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

President and CEO, Electrical  
Safety Authority; Ex-Officio  
of the Board. Governance  
Committee Chair, Hamilton  
Health Sciences, Public Member,  
National Association of Pharmacy  
Regulators, Member, CWB Group.

**Previously:** President and CEO,  
Burlington Hydro. Chair, Plug n  
Drive, Vice Chair, Energy Council  
of Canada, Chair, Electricity  
Distributors Association

**ARJAN ARENJA, P.ENG., MBA**  
(YEAR 2 OF TERM 1)

President, Spectrum Business  
Development Inc.; Councillor,  
Professional Engineers Ontario,  
currently Chair of PEO's  
Governance and Nomination  
Committee and a member of  
Joint Relations (OSPE-PEO)  
Committee, past member of  
PEO's Executive and Finance  
Committees; recently elected  
board member of Engineers  
Canada.

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

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

President and CEO, Nova Scotia  
Power. Former President and  
CEO, Independent Electricity  
System Operator, Council of  
Independent System Operators  
and Regional Transmission  
Organizations. Member,  
Representatives Committee of  
the North American Electric  
Reliability Corporation. Director,  
Greater Toronto Airports  
Authority. Director, the Ontario  
Energy Network. Director,  
Canadian Electricity Association.

**Previously:** Chair, ESA's Board  
of Directors, Chair, ESA's Audit  
Committee. CEO and President,  
Enersource Corporation. Chief  
Operating Officer at Hydro One  
Networks.

**CHRISTOPHER HOPPER, BA, MBA**  
(YEAR 3 OF TERM 2)

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

**DALE MACDONALD, RSE, ME, LEC**  
(YEAR 2 OF TERM 2)

General Manager of Honey Electric  
Limited ; Board member, Ontario  
Electrical League(former chair);  
former member of the College  
of Trades Construction and  
Maintenance electricians advisory  
committee; member of the advisory  
committee for St. Clair College  
Electrical Techniques program;  
member and personal advisory  
group participant of the Family  
Business Xchange; past president  
of the Kent Chapter of OEL.

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

President & CEO, Thunder Bay  
Hydro to Synergy North and  
Thunder Bay Hydro Corporation  
group of companies

**Previously:** Director and Past Chair,  
Electricity Distributors Association;  
Director and Past Chair, The  
MEARIE Group; past member IESO  
Stakeholder Advisory Group; past  
member OEB Chairs Advisory  
Roundtable.

# BOARD MEMBERS AS OF MARCH 31, 2021

## **ADÈLE MALO, BA, LL.B., LL.M, ICD.D** *(YEAR 1 OF TERM 3)*

Director, Member of  
Audit Committee, Chair  
of the Governance and  
Compensation Committee,  
CapstoneInfrastructure  
Corporation

**Previously:** EVP Regulatory and  
Government Affairs and General  
Counsel, Direct Energy;

General Counsel and VP  
Sustainable Development,  
Ontario Power Generation

## **GARY OOSTERHOF, ME** *(YEAR 3 OF TERM 2)*

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

**Previously:** Electrical Contractor  
Registration Agency (ECRA)  
Advisory Council; Director,

Past Member of Contractor  
Committee, OEL

## **WALTER PAMIC, GSC** *(YEAR 2 OF TERM 1)*

CEO of Power-Tek Group;  
Director, Board of Governors  
of OCOT; Director, Merit Ontario;  
Chairman of the Board,  
Merit Canada

**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, P.ENG.** *(YEAR 3 OF TERM 2)*

CEO, Daniel Péloquin  
Consultant. Director, Spark  
Power. Director, Vizimax.  
Director, Systemex Energies.

**Previously:** President, Schneider  
Electric Canada. CEO, Global  
Coil Business Segment, Trench  
Canada / Siemens. Director,  
ElectroFederation Canada (EFC).

## **YSNI SEMSEDINI, P. ENG., MBA** *(YEAR 2 OF TERM 1)*

President & CEO, Newmarket –  
Tay Power Distribution Ltd.; Past  
Chair, Electricity Distributors

Association; Director, The  
MEARIE Group; Director, Ontario  
One Call; Director, Saturn Power

**Previously:** CEO Festival  
Hydro Inc, President & CEO  
Rhizome Networks

# ORGANIZATIONAL STRUCTURE

AS OF MARCH 31, 2021

## OFFICERS

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

President and CEO, Electrical Safety Authority; Ex-Officio of the Board. Governance Committee Chair, Hamilton Health Sciences, Public Member, National Association of Pharmacy Regulators, Member, CWB Group.

**Previously:** President and CEO, Burlington Hydro. Chair, Plug n Drive, Vice Chair, Energy Council of Canada, Chair, Electricity Distributors Association.

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

Chief Regulatory Officer and General Counsel, Electrical Safety Authority.

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

### KEVIN GREER, B.A., CPA, CA, C.DIR.

Chief Financial Officer, Electrical Safety Authority.

**Previously:** Sr. Director, Finance and Project Management Office, Electrical Safety Authority. Director of Finance, Conagra Foods Retail Products. Vice-President, Finance/Sales/Marketing, Danone.

### DAVID RINALDO, BASC. (MECH. ENG.),

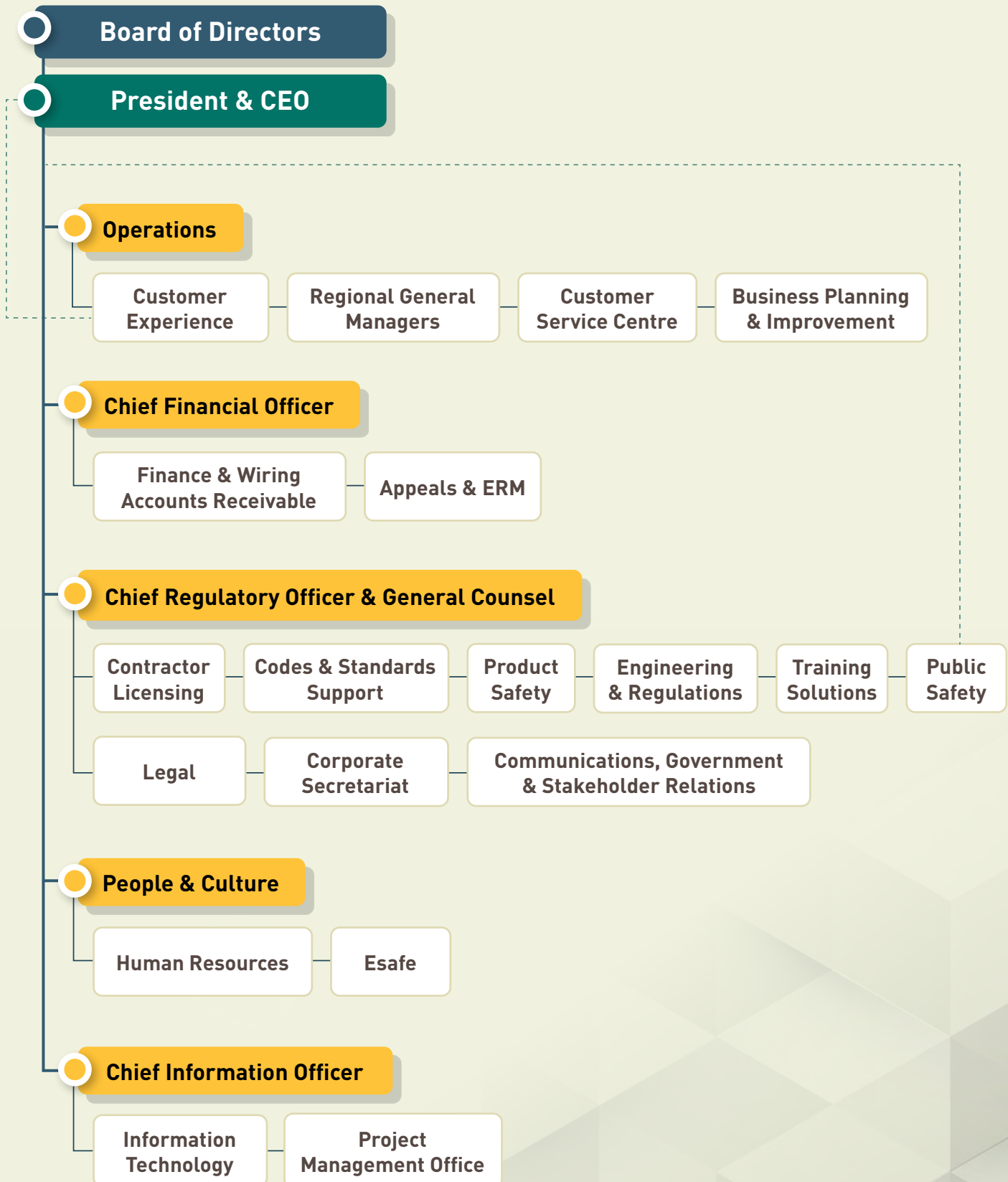
LLB Corporate Secretary, Electrical Safety Authority.

**Previously:** Director, Legal Services, Hatch Ltd.

### EXECUTIVE MANAGEMENT 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
- **Kevin Greer**  
VP, Finance and Chief Financial Officer
- **Kelley Irwin**  
Chief Information Officer

# ORGANIZATIONAL STRUCTURE





# FINANCIAL PERFORMANCE

AS OF MARCH 31, 2021

## INTRODUCTION

ESA 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 Licensed Electrical Contractor's (LECs) and Master Electrician (MEs), and safety oversight fees charged to Local Distribution Companies (LDCs). There is also revenue from programs including electrical plan review and Continuous Safety Services (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 within the two 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 42) 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 32) 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 37) to address the future OPEB liability.

# FY2021 PERFORMANCE

## FY2021 PERFORMANCE

This fiscal year (April 1, 2020 to March 31, 2021) ESA's operations were impacted by COVID-19. Revenues were significantly reduced and well below planned targets, particularly in the commercial sector. Throughout this ESA was able to adjust and reduce operational costs in order to partially mitigate this revenue shortfall. While the economy is on a path to recovery, ESA's revenue did not reach the levels seen before the pandemic. As a result, ESA posted an operating deficit of \$7.7 million compared to \$2.1 million the prior year.

In contrast, corporate investment assets saw a significant recovery from the initial COVID-19 declines during March of 2020. Because of this recovery, ESA experienced above normal rates of return on both the investment asset and pension assets portfolios. These unusual returns led to an extraordinary bottom line surplus of \$11.5 million, of which \$19.2 million was contribution from investment income.

ESA did not increase wiring fees for calendar year 2021 and has not increased wiring fees since 2016.

ESA experienced an increase in its net asset position by \$78 million to \$88.4 million as of March 31, 2021 primarily as a result of a positive pension re-measurement of \$66.5 million which was mainly driven by strong equity markets and thus plan asset returns.

## REVENUES

Total operating revenues were \$106.4 million, a decrease of 7.0 per cent from the prior year. This included: residential wiring revenue of \$38.4 million, an increase of 2.3 per cent; industrial/commercial/institutional wiring revenue of \$22.8 million down by 15.9 per cent; Feed-In Tariff (FIT) and MicroFIT revenue of \$0.4 million, down 7.3 per cent; and CSS revenue of \$24.2 million, down 0.4 per cent.

Non-regulatory revenue was \$14.9 million, a decrease of 27 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 \$114.1 million including amortization, a decrease of 2.1 per cent from the prior year.

Total labour-related costs – salaries, wages and benefits, pension and OPEB – were \$91.3 million or 80.0 per cent of total expenses, an increase of 2.5 per cent over the prior year. Included in this is the OPEB interest expense for the year of \$4.7 million.

ESA worked to reduce costs in these expense categories which include: purchased services of \$5.4 million; inspection travel and related costs of \$4.8 million; office administration of \$0.9 million; facilities costs of \$1.5 million; computer support of \$2.3 million; other costs of \$4.7 million, which includes the Ministry of Government and Consumer Services oversight fee of \$685,000. ESA's total costs in these expense categories was \$19.6 million, a reduction of 19.8% from the prior year.

Capital spending was \$1.6 million and primarily focused on IT infrastructure and ESA's efforts to begin executing on its digital strategy.

# FY2021 PERFORMANCE CONTINUED

## 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. Due to the increase in plan assets at year-end, driven by the equity market upswing following the onset of COVID-19, the pension surplus on a going concern basis as of March 31, 2021 has been increased to \$68.9 million. (see page 37).

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 FY2021 senior management compensation (including all salaries, incentives and severance) totaled \$7.3 million for 33 employees compared to \$6.3 million for 32 people the previous year.

## 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:

- 1 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
- 5 The Board of Directors undertaking regular reviews of compensation governance through the People, Culture and Governance Committee.

## REVENUE BY SOURCE\*

(in thousands of dollars)

|                          | FY2021            | FY2020            |
|--------------------------|-------------------|-------------------|
| Regulated services       | \$ 91,053         | \$ 93,476         |
| Non-regulated services   | 14,880            | 20,481            |
| Sub-total**              | 105,933           | 113,957           |
| Investments and other*** | 20,299            | (65)              |
| <b>TOTAL REVENUE</b>     | <b>\$ 126,232</b> | <b>\$ 113,892</b> |

## FULLY ALLOCATED EXPENSES\*

(in thousands of dollars)

|                        | FY2021            | FY2020            |
|------------------------|-------------------|-------------------|
| Regulated services     | \$ 96,032         | \$ 96,217         |
| Non-regulated services | 16,442            | 19,251            |
| Sub-total**            | 112,474           | 115,468           |
| Investments and other  | 2,268             | 1,560             |
| <b>TOTAL EXPENSES</b>  | <b>\$ 114,742</b> | <b>\$ 117,028</b> |

## REVENUES BY LINE OF BUSINESS\*

(in thousands of dollars)

|                                               | FY2021            | FY2020            |
|-----------------------------------------------|-------------------|-------------------|
| Wiring – Residential                          | \$ 38,597         | \$ 37,682         |
| Wiring – Industrial/Commercial/ Institutional | 23,022            | 27,420            |
| Continuous Safety Services (CSS)              | 24,227            | 24,333            |
| Field Evaluation                              | 9,464             | 12,112            |
| Utility Regulation                            | 2,864             | 2,692             |
| Contractor Licensing                          | 4,815             | 4,731             |
| Plan Approvals                                | 1,775             | 1,922             |
| Other revenues****                            | 1,586             | 3,485             |
| <b>TOTAL REVENUE BEFORE INVESTMENT INCOME</b> | <b>\$ 106,350</b> | <b>\$ 114,377</b> |

\* Any differences due to rounding; prior year classifications restated for consistency

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

\*\*\* Investment asset saw a significant recovery from the initial COVID-19 declines during March of 2020. See FY2021 Performance section for more details

\*\*\*\* Includes revenue from training services, Ontario Electrical Safety Code book sales, and real estate rental income

Note: ESA's revenues were significantly impacted by COVID-19 and the subsequent Provincial lockdowns. This led to deficiencies in both the regulated and non-regulated lines of business.

# 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, 2021
- 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, 2021, and its results of operations, its changes in net assets 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.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT 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.



Chartered Professional Accountants,  
Licensed Public Accountants

Hamilton, Canada

June 18, 2021

# STATEMENT OF FINANCIAL POSITION

March 31, 2021 with comparative information for 2020  
(in thousands of dollars)

|                                                    | 2021       | 2020       |
|----------------------------------------------------|------------|------------|
| <b>ASSETS</b>                                      |            |            |
| <b>Current Assets</b>                              |            |            |
| Cash and cash equivalents                          | \$ 4,075   | \$ 504     |
| Accounts receivable                                | 13,096     | 12,081     |
| Other assets                                       | 1,415      | 1,184      |
|                                                    | 18,586     | 13,769     |
| Investments (note 3 and 7)                         | 115,621    | 97,391     |
| Property, plant and equipment (note 4)             | 9,026      | 13,430     |
| Intangible assets (note 5)                         | 4,141      | 1,296      |
| Deferred pension asset (note 6)                    | 63,702     | –          |
| Other non-current assets                           | 63         | 63         |
|                                                    | \$ 211,139 | \$ 125,949 |
| <b>LIABILITIES AND NET ASSETS</b>                  |            |            |
| <b>Current liabilities:</b>                        |            |            |
| Accounts payable and accrued liabilities (note 13) | \$ 18,820  | \$ 15,846  |
| Deferred revenue                                   | 23,519     | 22,009     |
|                                                    | 42,339     | 37,855     |
| Employee future benefit obligation (note 6)        | 80,382     | 74,924     |
| Pension liability (note 6)                         | –          | 2,783      |
|                                                    | 122,721    | 115,562    |
| Net assets:                                        |            |            |
| Invested in capital assets and intangible assets   | 13,167     | 14,726     |
| Unrestricted reserve                               | 75,251     | (4,339)    |
| Total net assets (note 14)                         | 88,418     | 10,387     |
| Contingencies and commitments (notes 10 and 11)    |            |            |
|                                                    | \$ 211,139 | \$ 125,949 |

See accompanying notes to financial statements.

On behalf of the Board:



David Collie



Annette Bergeron

# STATEMENT OF OPERATIONS

Year ended March 31, 2021, with comparative information for 2020  
(in thousands of dollars)

|                                                                   | 2021       | 2020       |
|-------------------------------------------------------------------|------------|------------|
| <b>Revenues</b> (note 8)                                          | \$ 106,350 | \$ 114,377 |
| <b>Expenses</b>                                                   |            |            |
| Salaries and benefits                                             | 86,597     | 84,741     |
| OPEB – interest expense (note 6)                                  | 4,707      | 4,374      |
| Operating                                                         | 19,614     | 24,461     |
| Amortization                                                      | 3,152      | 2,903      |
|                                                                   | 114,070    | 116,479    |
| <b>Deficiency of revenues over expenses before the undernoted</b> | (7,720)    | (2,102)    |
| Change in fair value of investments                               | 11,137     | (4,599)    |
| Other investment income                                           | 8,073      | 3,565      |
| Investment income (loss) (note 7)                                 | 19,210     | (1,034)    |
| <b>Excess (deficiency) of revenues over expenses for the year</b> | \$ 11,490  | \$ (3,136) |

See accompanying notes to financial statements.

# STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2021, with comparative  
information for 2020  
(in thousands of dollars)

|                                                                                        | Invested in<br>capital assets<br>and intangible<br>assets | Unrestricted<br>Reserve | Total 2021<br>(note 14) | Total 2020<br>(note 14) |
|----------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------|-------------------------|-------------------------|
| <b>Net assets (deficit), beginning of year</b>                                         | \$ 14,726                                                 | \$ (4,339)              | \$ 10,387               | \$ 3,228                |
| Excess (deficiency) of revenues over expenses                                          | -                                                         | 11,490                  | 11,490                  | (3,136)                 |
| Investment in capital assets                                                           | (1,559)                                                   | 1,559                   | -                       | -                       |
| Re-measurements due to pension benefit and OPEB<br>actuarial gains and plan amendments | -                                                         | 66,541                  | 66,541                  | 10,295                  |
| <b>Net assets, end of year</b>                                                         | \$ 13,167                                                 | \$ 75,251               | \$ 88,418               | \$ 10,387               |

See accompanying notes to financial statements.

# STATEMENT OF CASH FLOWS

Year ended March 31, 2021, with comparative information for 2020  
(in thousands of dollars)

|                                                                                | 2021            | 2020           |
|--------------------------------------------------------------------------------|-----------------|----------------|
| <b>CASH PROVIDED BY (USED IN):</b>                                             |                 |                |
| <b>Operation activities:</b>                                                   |                 |                |
| Excess (deficiency) of revenues over expenses                                  | \$ 11,490       | \$ (3,136)     |
| Items not involving cash:                                                      |                 |                |
| Amortization                                                                   | 3,152           | 2,903          |
| Change in other non-current assets                                             | –               | 8              |
| OPEB obligation expense                                                        | 7,223           | 6,727          |
| Pension benefit plan expense                                                   | 7,734           | 5,764          |
| Change in fair value of investments                                            | (11,137)        | 4,599          |
|                                                                                | \$ 18,462       | \$ 16,865      |
| Net change in non-cash working capital balances related to operations (note 9) | 3,238           | (17)           |
| OPEB obligation contributions                                                  | (1,643)         | (2,220)        |
| Pension benefit plan contributions                                             | (7,800)         | (8,028)        |
|                                                                                | \$ (6,205)      | \$ 6,600       |
| <b>Investing activities:</b>                                                   |                 |                |
| Net purchase of investments                                                    | (7,093)         | (6,472)        |
| Purchase of property, plant and equipment and intangible assets                | (1,593)         | (2,882)        |
|                                                                                | \$ (8,686)      | \$ (9,354)     |
| <b>Net increase (decrease) in cash and cash equivalents</b>                    | <b>3,571</b>    | <b>(2,754)</b> |
| <b>Cash and cash equivalents, beginning of year</b>                            | <b>504</b>      | <b>3,258</b>   |
| <b>Cash and cash equivalents, end of year</b>                                  | <b>\$ 4,075</b> | <b>\$ 504</b>  |
| <b>Cash and cash equivalents is comprised of the following:</b>                |                 |                |
| Cash                                                                           | \$ 4,075        | \$ 504         |
|                                                                                | \$ 4,075        | \$ 504         |

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2021

## 1 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.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### **(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.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 3 Investments:

|                               | 2021              | 2020             |
|-------------------------------|-------------------|------------------|
| <b>Fixed Income Canadian:</b> |                   |                  |
| Corporate bonds/GIC's         | \$ 67,896         | \$ 60,468        |
| <b>Equities:</b>              |                   |                  |
| Canadian                      | 21,802            | 16,317           |
| U.S.                          | 22,840            | 17,611           |
| Foreign (non-U.S.)            | 3,083             | 2,995            |
| Total equities                | 47,725            | 36,923           |
| <b>Total investments</b>      | <b>\$ 115,621</b> | <b>\$ 97,391</b> |

Investments are internally restricted for future expenditures for post-employment benefits (note 7). The bonds have a weighted average term to maturity of 82.9 months, a weighted average interest rate of 2.70% and a weighted average yield to maturity of 1.80%.

### 4 Property, plant and equipment:

|                                              | Cost             | Accumulated<br>amortization | 2021<br>Net book value | 2020<br>Net book value |
|----------------------------------------------|------------------|-----------------------------|------------------------|------------------------|
| Land                                         | \$ 2,314         | \$ -                        | \$ 2,314               | \$ 2,314               |
| Buildings                                    | 8,341            | 4,297                       | 4,044                  | 4,378                  |
| Building improvements                        | 1,915            | 799                         | 1,116                  | 1,287                  |
| Electronic equipment                         | 7,754            | 7,075                       | 679                    | 1,801                  |
| Telephone and projection<br>system equipment | 2,749            | 2,565                       | 184                    | 60                     |
| Office furniture and equipment               | 2,373            | 2,014                       | 359                    | 470                    |
| Inspection equipment                         | 19               | 19                          | -                      | -                      |
| Leasehold improvements                       | 1,791            | 1,791                       | -                      | -                      |
| Capital work in process                      | 330              | -                           | 330                    | 3,120                  |
|                                              | <b>\$ 27,586</b> | <b>\$ 18,560</b>            | <b>\$ 9,026</b>        | <b>\$ 13,430</b>       |

### 5 Intangible assets:

|                                   | Cost      | Accumulated<br>amortization | 2021<br>Net book value | 2020<br>Net book value |
|-----------------------------------|-----------|-----------------------------|------------------------|------------------------|
| Computer software<br>and licenses | \$ 24,423 | \$ 20,282                   | \$ 4,141               | \$ 1,296               |

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 6 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, 2021 based on projections from the

January 1, 2019 actuarial funding report. The obligations for OPEB and long-term disability are measured as at March 31, 2021 based on projections from data as at January 1, 2019 and March 31, 2021 respectively. The fair value of assets for all plans is determined using the March 31, 2021 asset values.

The actuarial present value of the accrued pension benefits for funding purposes is estimated as at March 31, 2021 based on a projection of the actuarial valuation as of January 1, 2019. The effective date of the next required actuarial valuation report for funding purposes for the pension plans is January 1, 2022.

Information about ESA's defined pension benefit plans and OPEB plans for the year ended March 31, 2021 is as follows:

|                                                                                                 | 2021<br>Pension benefit<br>plans | 2021<br>OPEB plans | 2020<br>Pension benefit<br>plans | 2020<br>OPEB plans |
|-------------------------------------------------------------------------------------------------|----------------------------------|--------------------|----------------------------------|--------------------|
| Accrued benefit obligation, end of year                                                         | \$ (382,318)                     | \$ (79,237)        | \$ (365,043)                     | \$ (74,123)        |
| Fair value of plan assets, end of year                                                          | 446,020                          | –                  | 362,260                          | –                  |
| Funded status, plan asset (deficit)                                                             | 63,702                           | (79,237)           | (2,783)                          | (74,123)           |
| <b>Add:</b> Workplace Safety Insurance Board of Ontario liability and other benefit liabilities | –                                | (1,145)            | –                                | (801)              |
| Total employee future benefit asset (obligation)                                                | \$ <b>63,702</b>                 | \$ <b>(80,382)</b> | \$ <b>(2,783)</b>                | \$ <b>(74,924)</b> |

The amount of \$63,702 (2020 – \$2,783 pension liability) reported on the statement of financial position as a deferred pension asset represents the excess of the plan assets over the actuarially determined present value of accrued pension benefits and consists of a balance of \$68,853 (2020 – \$1,940) in the pension plan and a liability of \$5,151 (2020 – \$4,723) in the Supplementary Retirement Plan.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

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

The breakdown of the total benefit cost is as follows:

|                               | 2021<br>Pension benefit<br>plans | 2021<br>OPEB plans | 2020<br>Pension benefit<br>plans | 2020<br>OPEB plans |
|-------------------------------|----------------------------------|--------------------|----------------------------------|--------------------|
| Employer current service cost | \$ (7,566)                       | \$ (2,516)         | \$ (7,466)                       | \$ (2,353)         |
| Finance cost                  | (168)                            | (4,707)            | 1,702                            | (4,374)            |
| Total defined benefit cost    | <b>\$ (7,734)</b>                | <b>\$ (7,223)</b>  | <b>\$ (5,764)</b>                | <b>\$ (6,727)</b>  |

The significant actuarial assumptions adopted in measuring ESA's accrued pension benefits and OPEB obligations for the year ended March 31, 2021 are as follows:

|                                                 | Pension benefit plans |       | OPEB plans |       |
|-------------------------------------------------|-----------------------|-------|------------|-------|
|                                                 | 2021                  | 2020  | 2021       | 2020  |
| Discount rate                                   | 6.30%                 | 6.30% | 6.30%      | 6.30% |
| Rate of compensation increase<br>(before merit) | 2.50%                 | 2.50% | 2.50%      | 2.50% |
| 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, 2021 are as follows:

|                                                     | Pension benefit plans |       | OPEB plans |       |
|-----------------------------------------------------|-----------------------|-------|------------|-------|
|                                                     | 2021                  | 2020  | 2021       | 2020  |
| Discount rate                                       | 6.30%                 | 6.30% | 6.30%      | 6.30% |
| Rate of compensation increase<br>(before merit)     | 2.50%                 | 2.50% | 2.50%      | 2.50% |
| Increase in Consumer Price Index                    | 2.00%                 | 2.00% | –          | –     |
| Expected long-term rate of return<br>on plan assets | 6.30%                 | 6.30% | –          | –     |

ESA's rate of growth for health care costs in 2021 is estimated as follows:

**Drugs** – 6.75% in 2021 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.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

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

The pension plan assets are invested as follows:

|                         | 2021        | 2020        |
|-------------------------|-------------|-------------|
| Cash                    | 1%          | 2%          |
| Fixed income securities | 32%         | 30%         |
| Canadian equities       | 32%         | 33%         |
| U.S. equities           | 15%         | 18%         |
| Foreign (non-U.S.)      | 20%         | 17%         |
|                         | <b>100%</b> | <b>100%</b> |

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

|                                                                                        | 2021     | 2020     |
|----------------------------------------------------------------------------------------|----------|----------|
| Employer's contributions                                                               | \$ 7,678 | \$ 6,386 |
| Employee's contributions                                                               | 5,850    | 5,667    |
| Net transfers                                                                          | 245      | –        |
| Benefits paid                                                                          | 17,396   | 21,651   |
| Re-measurements due to pension benefit<br>actuarial gains (losses) and plan amendments | 1,334    | 28,897   |

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.

The reconciliation of the Defined Benefit Obligation as at March 31, 2021 is presented below:

| Reconciliation of the Defined Benefit Obligation (DBO) | Pension           | OPEB             |
|--------------------------------------------------------|-------------------|------------------|
| Defined benefit obligations – opening                  | \$ 365,043        | \$ 74,123        |
| Employer current service cost                          | 7,567             | 2,516            |
| Employee contributions                                 | 5,850             | –                |
| Net transfers                                          | 245               | –                |
| Benefits paid                                          | (17,519)          | (1,987)          |
| Administrative expenses                                | (478)             | –                |
| Interest on defined benefit obligation                 | 22,941            | 4,707            |
| Past service cost                                      | –                 | 464              |
| Actuarial gains                                        | (1,331)           | (640)            |
| Actuarial losses – PfAD                                | –                 | 54               |
| <b>Defined benefit obligations – closing</b>           | <b>\$ 382,318</b> | <b>\$ 79,237</b> |

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 7 Internally restricted long-term investments:

Long-term investments in the amount of \$115,621 (2020 - \$97,391) 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 \$19,210 (2020 - \$1,034 loss) with an OPEB interest expense of \$4,707 (2020 - \$4,374).

### 8 Revenue:

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

|                            | 2021              | 2020              |
|----------------------------|-------------------|-------------------|
| Wiring                     | \$ 61,619         | \$ 65,101         |
| Continuous safety services | 24,227            | 24,333            |
| Other                      | 20,504            | 24,943            |
|                            | <b>\$ 106,350</b> | <b>\$ 114,377</b> |

### 9 Statement of cash flows:

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

|                                          | 2021            | 2020           |
|------------------------------------------|-----------------|----------------|
| Accounts receivable                      | \$ (1,015)      | \$ (1,020)     |
| Other assets                             | (231)           | (6)            |
| Accounts payable and accrued liabilities | 2,974           | (384)          |
| Deferred revenue                         | 1,510           | 1,393          |
|                                          | <b>\$ 3,238</b> | <b>\$ (17)</b> |

### 10 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, 2021.

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.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 11 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 noncancellable operating leases are as follows:

|            |                  |
|------------|------------------|
| 2022       | 3,276            |
| 2023       | 3,191            |
| 2024       | 3,189            |
| 2025       | 3,143            |
| 2026       | 3,092            |
| Thereafter | 3,042            |
|            | <b>\$ 18,933</b> |

b) As at March 31, 2021, 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. Subsequent to March 31, 2021, an additional letter of credit in the amount of \$569 was issued.

### 12 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. The allowance for doubtful accounts is \$1,801 at March 31, 2021 (2020 – \$1,307). ESA has policies in place to ensure that sales are made to customers with an appropriate credit history.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### **12 Financial risks and concentration of credit risk (continued):**

#### **(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. The Company has access to a \$10,000 credit facility which is undrawn at March 31, 2021 and believes that its current sources of liquidity are sufficient to cover its currently known short and long-term cash obligations.

### **13 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 \$2,432 (2020 – \$1,953) is included within accounts payable and accrued liabilities.

### **14 Restricted reserve:**

ESA has an approved restricted reserve to ensure sufficient capital is available to maintain longterm 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.

### **15 Impact of Coronavirus COVID-19 Pandemic:**

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID- 19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

#### **a) Impact of COVID-19 on financial risks:**

The COVID-19 pandemic has impacted the financial risks of the Company as follows:

##### **i) Credit risk:**

Credit risk has increased due to the greater uncertainty surrounding the collectability of accounts receivable from individuals and businesses because of the economic slowdown and changes in operations caused by COVID-19. ESA is mitigating this risk by closely monitoring these receivables and by entering transactions with credit-worthy counterparties. The Company has updated its allowance for doubtful accounts to include considerations related to COVID-19.

## NOTES TO FINANCIAL STATEMENTS CONTINUED

### 15 Impact of Coronavirus COVID-19 Pandemic (continued):

#### ii) Market risk:

Market risk has increased due to significant volatility in financial markets as discussed below:

##### a) Currency risk:

The Company's investments in foreign currency instruments have heightened risk due to significant fluctuations in currency markets and the uncertainty in market valuations for currencies due to the pandemic.

##### b) Other price risk:

Other price risk has increased due to greater uncertainty in the valuation of financial assets arising from volatility in equity markets.

The Company is continually monitoring the impact of market volatility on its financial instruments and will make adjustments to investment strategies as required to reduce the risk on the Company's operations and financial position.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Company's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Company is not practicable at this time.

# 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 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, that 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 [esasafe.com](http://esasafe.com). 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.

## CROSS-SECTOR ADVISORY COUNCIL MEMBERS

Joe Kurpe

Rod Skinkle

## UTILITY ADVISORY COUNCIL

**Arthur Berdichevsky**  
*Elexicon Energy Incorporated*

**Alex Braletic**  
*Newmarket-Tay Power  
Distribution Limited*

**Stephen Cain**  
*Ontario Energy Board*

**Greig Cameron**  
*Kitchener-Wilmot Hydro  
Incorporated*

**Darren Desrosiers**  
*Hydro One Networks Inc –  
Distribution*

**Edward Donkersteeg**  
*Hydro Ottawa Limited*

**Patrick Fee**  
*Electrical Safety Authority*

**John Flagello**  
*ATAJA Electric Ltd.*

**Ajay Garg**  
*Hydro One Networks Inc –  
Transmission*

**Jeff Graham**  
*Festival Hydro Incorporated*

**Dan Guatto**  
*Burlington Hydro Incorporated*

**Mark Humphries**  
*CSA Group*

**Vicky Khamar**  
*Alectra Utilities Corporation*

**Douglas Lapp**  
*Ontario Regional Common Ground  
Alliance (ORCGA)*

**Alain Leger**  
*Infrastructure Health and  
Safety Association*

**Eric Lucier**  
*Orillia Power Distribution  
Corporation*

**Sandy Manners**  
*Consumer Advisory Council*

**Tony Pereira**  
*Bell Canada*

**Greg Sheil** *London Hydro  
Incorporated*

**Hani Taki** *Toronto Hydro-Electric  
System Limited*

# ADVISORY COUNCILS CONTINUED

## CONSUMER ADVISORY COUNCIL

Larry Allison  
Julia Budahazy  
Sandy Manners (*Vice Chair*)  
Sunaina Menezes  
Tammie Orifa  
Rod Skinkle (*Chair*)

## CONTRACTOR ADVISORY COUNCIL

Dave Ackison  
Clint Attard  
Ron Bergeron,  
Shawn Blacklock  
Ryan Delisle,  
Mark Hopkins  
Joe Kurpe (*Chair*)  
Tony Minna  
Rob Sloan  
Larry Shaver  
Rob Smith  
Dan Williams

## ELECTRICAL CONTRACTOR REGISTRATION AGENCY ADVISORY COUNCIL

Larry Allison,  
Matthew Aston  
Vince De Gasperis  
Steve DelGuidice  
Leo Grellette  
Cameron Hann (*Vice Chair*)  
Joe Kurpe (*Chair*)  
Larry Shaver  
Brian Smith  
Catherine Taylor

## ONTARIO PROVINCIAL CODE COMMITTEE

Malcolm Brown  
*Electrical Safety Authority*  
Barry Buchanan  
George Chelvanayagam  
Kathi Farmer  
Mel Fruitman  
Vladimir Gagachev  
Phil Lasek  
Martin Lem  
Chris Magnusson  
Peter Olders  
Ted Olechna (*Chair*)  
*Electrical Safety Authority*  
Tim Pope  
Andrew Pottier  
Eerik Randsalu  
Dave Sinclair  
*Electrical Safety Authority*  
Rob Smith  
Adam Zubczyk

# CORPORATE POLICIES

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

## ACCESSIBILITY

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, including the updated website. ESA has also established policies and processes to assist persons with disabilities, including the Integrated Accessibility Standards Policy, updated in February 2020. ESA's Multi-Year Accessibility Plan will be reviewed and updated at least once every five years. The Integrated Accessibility Standards Policy and Multi-Year Accessibility Plan can be found at [esasafe.com](https://esasafe.com).

## APPEALS PROCESS

ESA is committed to providing individuals with the opportunity to request a review of an ESA order, a hearing of a licensing decision, or an appeal of the Director's decision before the Review Panel. In this regard, ESA established a fair and transparent reviews and appeals process to facilitate the right to request a review or an appeal. The reviews and appeals process, which can be reviewed at [esasafe.com](https://esasafe.com), defines specific steps and timelines to respond to a request for review or an appeal pertaining to the Ontario Electrical Safety Code, electrical utility distribution, product safety or Notices of Proposal and Notices made on licenses or licensing applications. In 2020/2021, ESA received 8 Requests for Director's Review associated with the Ontario Electrical Safety Code (Regulations 164/99) compared to 2 the previous year. ESA received 5 Requests for Director's Hearing associated with Contractor Licensing (Regulation 570/05), compared to 5 in the previous year. ESA did not receive any Requests for Director's Review associated with the Product Safety (Regulation 438/07) or the Electrical Distribution Safety Regulation (Regulation 22/04). ESA received 0 Notices of Appeal before the Review Panel associated with the Appeals Regulation (Regulation 187/09).

## CODE OF CONDUCT

ESA's Code of Conduct (Code) provides a framework within which all day-to-day activity takes place, in alignment with ESA's mandate and values. The Code also provides ESA's Board of Directors and stakeholders 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](https://esasafe.com).

# CORPORATE POLICIES CONTINUED

## 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](https://esasafe.com). In 2020/2021 ESA received 31 complaints and resolved 21 pursuant to the Complaints Policy compared to 27 received and 22 resolved in the previous year. ESA continues to work to resolve outstanding complaints.

## FRENCH LANGUAGE SERVICE

ESA responds to requests for French services as they arise throughout the year. In 2020/2021, ESA's Customer Service Centre received 3,315 calls in French, compared to 3,210 the previous year.

## NON-REGULATORY BUSINESS POLICIES

Per Schedule "F" of ESA's Administrative Agreement with the Ministry of Government and Consumer Services, ESA may engage in non-regulatory business ventures. Non-regulatory business falls outside government regulation but within ESA's mandate of electrical safety. ESA will only engage in non-regulatory business ventures that promote and enhance electrical safety 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. The Non-Regulatory Business Policy and Non-Regulatory Business Ventures Conflict Of Interest Policy can be found at [esasafe.com](https://esasafe.com).

## 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. In 2021, ESA reviewed and updated its Customer Privacy Policy, which outlines how 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 2020/2021, ESA received 3,274 Requests for Information and conducted 2,924 Record Searches. The Access and Privacy Code and the updated Customer Privacy Policy can be found at [esasafe.com](https://esasafe.com). Both are overseen by ESA's Chief Privacy Officer.

# CORPORATE POLICIES CONTINUED

## PROCUREMENT

ESA follows a Procurement Policy 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](http://esasafe.com).

## 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 whistle-blowing nature. Under the Whistleblower Policy, ESA employees, officers and Board members are responsible for reporting 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 whistleblower reports are appropriately handled and investigated, as necessary, in accordance with the procedures and that the Audit Committee is provided quarterly updates.

## WORKPLACE HARASSMENT, VIOLENCE AND DISCRIMINATION

The Harassment, Discrimination and Violence in the Workplace Policy is a key part of ESA's program to prevent and address inappropriate and unacceptable conduct in the workplace. The Harassment, Discrimination and Violence in the Workplace Policy and related program provides for:

- Zero tolerance of harassment, discrimination and violence in the workplace
- 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.





## CONTACT US

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